



MELBOURNE AIRPORT AUTHORITY BOARD MEETING
Minutes October 26, 2022, Board Meeting
Melbourne Orlando International Airport Board Room

In attendance: Mr. Jack L. Ryals, Chairman
Mr. William C. Potter, Vice Chairman
The Honorable Debbie Thomas, Councilmember
The Honorable Tim Thomas, Councilmember
The Honorable Paul Alfrey, Mayor
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
Mr. David Perley, A.I.C., Director of Capital Improvements
Ms. Renee Purden, Chief of Police/Director of Public Safety

Excused: Mr. Michael Fischer, Member

Pledge of Allegiance

Airport Announcements by Executive Director Greg Donovan

- Passenger Activity Report through September totaling 201,720 international passengers
- Concessions revenue for terminal up 446 percent
- Welcome to Dassault Falcon Jet MRO Facility
- Sun Country Airlines to begin service on February 3, 2023 to Minneapolis-Saint Paul International Airport
- Police Swearing-In Ceremony for new officers
- Visit from Spencer Birns, CEO from Cardiff International Airport, Wales, UK
- Visit from Paul Cooper, former TUI Executive
- Coffee with a cop event held October 5th was successful
- Special recognition of MAA Board Member Mr. Mike Fisher for Hurricane Ian relief efforts
- Special thank you to MLB staff during Hurricane Ian

Executive Director's Recognition of Excellence Award

Congratulations to Sgt. James States, MAPD on receiving this month's award.

Action Items

Approval of the September 28, 2022, board meeting minutes. A motion was made by Ms. Thomas for approval of the minutes, seconded by Mayor Alfrey. Motion passed unanimously.

Item A-1 Recommendation to Award a Contract to Kinley Construction for the Modification of the Ticket Counters and Bag Belt in the Ticketing Area Within the Existing Terminal in an Amount not to Exceed \$214,475.69.

Mr. Donovan explained that during the construction period, the area where customers retrieved their baggage had to be temporarily moved to ticketing to allow work to be completed in the baggage claim area and to ready for use as an international baggage claim facility. Some ticket counters were removed, and the area was modified and improved. Mr. Donovan stated we are modernizing this area of the terminal, as with the new renovations, so replacing the ticket counters was not included in the budget at this time for the terminal expansion. With the potential of two to three new airlines starting up in the next few months, we need to have this space ready and available.

Mr. Potter asked about the timing of the inline baggage system. Mr. Donovan stated that the design is about 30 percent complete. We have an Other Transaction Agreement (OTA) from the Transportation Security Administration (TSA) in place to pay for the design of the inline baggage system. We are looking to award the contract in April 2023 and construction should be completed within in 2024.

Mr. Mikuen asked that this inline system was always in the plans to be restored. Mr. Mikuen asked that with common use, will less space be required for ticketing. Is there that much growth to build to full capacity. Mr. Donovan explained that with the TUI season ending and having its operations overlapping with other carrier's operations, we will be able to bring American Airlines, Delta and Allegiant spaces on line and be able to have the flexibility to move the airlines space in any direction base on their needs. Mr. Donovan stated that we will be doing these modifications for the gates as well.

A motion was made by Mr. Thomas to award a contract to Kinley Construction for the modification of the ticket counters and bag belt in the ticketing area within the existing terminal in the amount not to exceed \$214,475.69, seconded by Mr. Potter. Motion passed unanimously.

Item A-2 Recommendation to Award a Purchase Order to Tsark Architecture, LLC Under its Continuing Services Contract for the Life Safety Design of a New Passenger Boarding Bridge for Gate 9 in an Amount not to Exceed \$89,000.

Mr. Donovan explained the need to have a ninth boarding bridge is very important and is grateful to the board for approving the new Passenger Boarding Bridge (PBB) in our last meeting. Mr. Donovan stated that this purchase order request to Tsark Architecture is for the life safety design of the corridor that is going through that area and using the old existing Gate 1 at the FIS 2nd floor, where the infrastructure is already in place and does not require any work, but we do have to meet the city code requirements.

Mr. Potter asked how we arrived at the \$89,000. Mr. Donovan stated that Mr. Perley met with Tsark to discuss the scope of the work, timeline, code compliance requirements needed and that is what their price reflects based on man hours needed for the design.

Mr. Mikuen stated that we have a lot of experience recently with passenger boarding bridges. With the infrastructure already in place, are you confident this will not result in additional infrastructure or capital beyond what was approved in the last meeting. Mr. Donovan stated that given our experience with construction, he cannot guarantee that. We anticipated this with the budget approval of \$4.5 million project budget and hope to bring back to the board for significantly less actual spent on it.

A motion was made by Ms. Thomas to award a purchase order to Tsark Architecture, LLC under its Continuing Services Contract for the Life Safety Design of a new Passenger Boarding Bridge for Gate 9 in the amount not to exceed \$89,000, seconded by Mayor Alfrey. Motion passed unanimously.

Item A-3 Recommendation to Approve Change Order 12 to DP Development, LLC for Scope Changes and Pricing Adjustments for Asphalt Paving for the Northside Expansion Project: St. Michael Place Extension Phase 3 in the Amount of \$161,717.50.

Mr. Donovan explained that the work being performed on the northside has had a recent delay due to the original supplier not being able to supply asphalt material. Because of the type of asphalt required by the Florida Department of Transportation (FDOT), the mix is more expensive and will require the paving to be installed in two lifts at no additional labor charge by the contractor. The project is budgeted through a state grant at 100 percent and it is within the budget for the overall project.

A motion was made by Mr. Potter to approve Change Order 12 to DP Development, LLC for Scope Changes and Pricing Adjustments for Asphalt Paving for the Northside Expansion Project: St. Michael Place Extension Phase 3 in the Amount of \$161,717.50, seconded by Mayor Alfrey. Motion passed unanimously.

Item A-4 Recommendation to Approve a First Amendment to Master Concession Agreement with Metz Culinary Management

Mr. Donovan explained that the Airport had entered into an agreement with Metz Culinary Management in April 2017 to provide concession services at the Airport. Since then, Metz has made an improvement to the concession services provided throughout the terminal. Metz further committed investing \$2.5 million into a capital program for various concession retail stores and a sit down restaurant in the new terminal area.

The terms for the First Amendment between Metz Culinary Management and the Airport are as follows: Metz Culinary to operate the new Airport Premium Lounge; additional 6,705 square feet of concession space to facilitate food and beverages, retail, and duty free sales; Metz to charge a monthly fee for managing the Airport's premium lounge; 1,394 square feet on first floor pre-security will be added to the Metz agreement; three additional five-year option periods will be added to the term which will take this agreement to 2042; If the agreement is terminated, the Airport will be responsible for paying the remaining unamortized capital improvement cost.

Mr. Mikuen stated he did not recall the concession rate back in 2017, the thought is, this will be profitable to the Airport as well as to Metz. Mr. Donovan stated this is an extraordinary opportunity for the Airport. It all depends on the traffic levels staying consistent and growing. Mr. Busalacchi stated these plans were made prior to Covid with Metz originally investing \$1.5 million and realized that it was much more which changed the dynamics of the negotiations. Metz feels the 15 years will give them an opportunity to get an adequate return on their investment and be profitable. From the Airports standpoint, this will bring in significant revenue to us. Mr. Mikuen asked if we get a percentage. Mr. O'Dell stated we get 10 percent on food and non-alcoholic beverages and 13 percent on alcoholic beverages.

Mr. Mikuen asked is the amortization on their return a 15-year term. If we terminate, the Airport has to repay the un-amortized portion of the remaining term. Mr. Bird stated it's the base term. Mr. Potter asked if it's over the base terms and not the options. Mr. Bird stated he does not believe it included the options. The idea was the initial base term would be a sufficient amount of time for Metz to receive a return on their investment. Mr. Donovan stated to Mr. Mikuen the stability of revenue to the airport is further assured by having a minimum annual guarantee. We have a MAG and then we have percentage and if we do the things we attend to do, we will always make more than the MAG. Mr. Mikuen stated as long as they are required to have a MAG, if they were to shut it down and we terminate, the Airport will have to repay the un-amortized portion. Mr. Bird stated the reason that this was not a concern for the Airport, it was more of a Metz ask as far as repayment of the un-amortized. Mr. Potter stated that he had misgivings about reimbursing the unamortized portion of the improvements, but those misgivings were overcome by Metz's good faith in constructing \$2.5 million dollars in improvements without a written agreement. We are talking about a five year agreement with three (3) five-year options, and I assume those are their options. Mr. Bird stated that it's also terminable. The improvements made were necessary to meet the Airport's obligations to the Airlines and to improve the passenger overall experience.

A motion was made by Mayor Alfrey to approve a First Amendment to Master Concession Agreement with Metz Culinary Management, seconded by Mr. Mikuen. Motion passed unanimously.

Item A-5 Recommendation to Increase a Purchase Order with Metz Culinary Management by \$14,556 for a Total of \$264,556.

Mr. Donovan explained that in April, the board approved a purchased order to Metz for supplying grab and go meals for our international customers through the end of May. Due to the on-going delays of the terminal construction, the program was continued by Mr. Donovan until June 15, 2022.

A motion was made by Mr. Potter to increase the purchase order to Metz Culinary Management by \$14,336 for a total of \$254,556, seconded by Ms. Thomas. Motion passed unanimously.

Item A-6 Recommendation for Approval of the Sale of ± 55.8 Acres

Mr. Donovan explained that we have been approached by Adelon Capital, the developer of Hyatt Place on airport property to purchase ±55.8 acre land parcel located between NASA Boulevard, Broadband Drive, and Hibiscus Boulevard to develop a Crystal Lagoons surrounded by beaches that will include water sports, along with a multi-family residential housing, restaurants and retail that will appeal to our growing community.

Mr. Donovan explained that this parcel has not produced any revenue to the airport. This will be an opportunity to generate income for the airport and help build up NASA Boulevard area. This area has always been identified in our Master Plan as a mixed-use office environment and will be sold as is.

The Adelon Group presented a video of the Crystal Lagoons Project. Mr. Cohen, Co-Chairman and Founder of Adelon Capital expressed his gratitude to the board for this opportunity. His group has been working discussing with the Airport Authority staff in the past few months on this project. His team is aware of the challenges ahead, but are very confident they will be successful.

Mayor Alfrey stated he is very happy about this opportunity for the Melbourne Airport and the City of Melbourne for new housing for residents and their families.

Mr. Thomas stated this is a great opportunity to be able to provide retail to the young professionals who want to stay local here in Melbourne and do not to travel to Orlando due to gas prices and traffic.

Ms. Thomas stated the whole concept of having housing, retail and to provide activities for people is very exciting for this community that is growing. Selling this property will bring in tax revenue to the City that can be used for other projects that will make the city better.

Ms. Thomas asked Mr. Donovan with the sale of this property if the proceeds would be saved to acquire other lands for Airport use. Mr. Donovan replied absolutely. The goal is to acquire land acquisitions that will result in airside development and revenue.

Mr. Mikuen asked if this will have any impacts on potential future grants for the airport. Mr. Donovan replied that he does not believe so. The one element it could have an impact will be on discretionary. The airport went several years without a discretionary grant. We explain to FAA that the sale of this property will enable us to acquire land, they marked that off as not necessarily an asset. Mr. Mikuen asked about the restrictions on the proceeds. Mr. Donovan said it would be the decision of the Board. The safeguards that the board wants in place will be executed by our staff.

Mr. Potter commented that the proceeds should not be too narrowly restricted, but it should be restricted to projects or investments that create and produce revenue for the Airport. Mr. Potter stated to any future administration and the city for budgetary purposes, that these funds are not to be comingled with operating funds

or capital expenditures that do not create long-term income. The sale of this property is the right thing to do, as long as we restrict the use of the proceeds.

Mr. Ryals stated that within the next meeting or two for Mr. Donovan and Mr. Bird to come up with a proposed resolution or action by the Board that these funds be set up as a second reserve fund for the purposes discussed.

A motion was made by Mayor Alfrey to approve the sale of ±55.8 acres, with the addition of a board imposed restriction that the proceeds from the sale of the property be used to invest in revenue producing projects for the Airport, seconded by Mr. Thomas. Motion passed unanimously.

Item A-7 Recommendation to Approve Purchase of Vehicles in the amount of \$247,525 Through the Florida Sheriff's Association Purchasing Program.

Mr. Donovan explained that we have a fleet of maintenance operations vehicles that are twenty years old with high mileage that need to be replaced. The purchase of the vehicles and the pricing is all determined through the state purchasing contract.

A motion was made by Mr. Potter to approve a purchase of vehicles in the amount of \$247,525 through the Florida Sheriff's Association Purchasing Program, seconded by Mr. Thomas. Motion passed unanimously.

Item A-8 Recommendation to Approve Purchase of a Tractor in the amount of \$40,000 Through the Florida Department of Management Services (DMS) Cooperative Purchasing Program.

Mr. Donovan explained that this will be a purchase of a new tractor for airfield ground maintenance, and this is included in our approved annual budget.

A motion was made by Mr. Potter to approve a purchase of a tractor in the amount of \$40,000 through the Florida Department of Management Services (DMS) Cooperative Purchasing Program, seconded by Mayor Alfrey. Motion passed unanimously.

Information Items

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

Mr. O'Dell presented the financial report as of August 31, 2022.

Highlights

Operating Revenue – Up 15 percent

Operating Expense – Up 35 percent

Currently through the 11-month period, we have an operating loss of \$717,000

September's Report year ends financial will show an accrual for \$1.3 million for TUI's incentives earned in FY22

Cash flow statement projections have been updated for the next twelve months

Parking revenue has increased significantly compared to last year, up 65 percent

Car Rental concessions up significantly \$1.4 million

Contractual Services up \$2.7 million due to Customs and ground handling. We are working on getting the Customs expense dialed in to the right amount of staffing required

Contractual Employees has increased due to ambassador and regular employee hires

Mr. Potter asked about the restaurant concessions, based on the volumes were seeing, will the projections be accurate had the concessions opened on time. Mr. O'Dell responded that he is not sure; needs about a month's time with the new concessions to see the revenue amount for projection purposes.

Mr. Potter asked about the port of entry status. Mr. O'Dell explained that we have currently met the enplanements, so we qualify. The Airport would need to have year round service, so having the additional service with Sunwing would help. Mr. Donovan stated that we have hit the number of passengers and now we have to hit the time and show a continuous one year period of international activity.

Item I-2 Operations Update by Mr. Graham

Mr. Graham thanked the Board for approving the construction work to modify the ticket counters and bag belt in the ticketing area for the upcoming new carrier Sunwing and Sun Country. Mr. Graham updated the Board regarding new carrier Sunwing commencing flights in December and Sun Country flights to begin February 2023. Mr. Graham mentioned that he and his staff along with Menzies, have been meeting on a weekly basis to discuss expectations and to make sure that each of these airline needs are met and successfully build a partnership. Mr. Graham also mentioned that the Menzies staff, along with Amanda Moyer and himself will be going to Sunwing Offices for training.

Item I-3 Construction Projects Update by Mr. Perley

Terminal Renovation Phase 2

Last portion of the permanent membrane roofing is being completed in new baggage claim area
Metal flashing and trim for the roofing system remains to be fabricated and installed in all areas
Wiring and cabling for security control systems, CCTV, fire alarm and public address systems are nearing completion

Test and Balance of the new air handling equipment continues

Generator to arrive in November for installation

All finishes are nearing completion with flooring in the hold room complete

Signage has been installed with modifications

Contractor has passed their fire alarm inspection for the hold room & security check point

Life safety inspection by the City's Building Department has passed

Escalator and elevator have passed State inspections

TSA testing for security access control is on-going

In Line Baggage System

Modifications to the 30 percent design are currently being reviewed by staff. These changes reduce the encroachment into the apron area for Gate 1 and allows for a third scanner to be installed upon completion for the increase in passenger counts with the added airlines.

Gate 9 Passenger Boarding Bridge

Kick-off meeting for the project has taken place and design options for the fixed bridge portion of the passenger boarding bridge are being reviewed for compatibility with existing underground conditions. Procurement of the bridge components have started as there is currently a high demand for parts. A permit for demolition has been submitted to the city to begin work on site.

Northside Expansion: St. Michael Place Extension Phase 3

Retention ponds are nearing completion

Subgrade compaction and base rock material for the roadway is complete

Sod and landscaping installation is nearing completion

Barrier wall is complete

Asphalt of the road extension is expected to be begin in late October

Property boundary easements remain to be resolved

Anticipated substantial completion has been pushed to the middle of December 2022

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

Rental Car Update

Dollar, Thrifty, and Hertz will be relocating to the Enterprise old location, Enterprise has moved to the Welcome Center. Budget and Avis will be able to move down to the Dollar Thrifty space area. Hertz space is vacant, but we have someone already interested in leasing the space.

Next Steps for Dassault Falcon Jet

Dassault Falcon is ready to commence work. The Airport with the grant monies received will commence sitework with clearing of the land. Simultaneously, Sheltair will be expanding its operation. We have been working with both companies to ensure that all these developments happening simultaneously, neither is going to be negatively impacted.

0.11 Acre land release from FAA to MLK Blvd. turn lane

FAA granted us the release for the 0.11 land acre that will allow us to have a right turn lane off of MLK Blvd. onto NASA Blvd. Ms. Naughton worked with FAA and the City of Melbourne to get this change approved.

MLB in the News

Media attention from Florida Today, Fox 35, Flying Magazine, Space Coast Daily, Yahoo Entertainment

Mr. Ryals stated to the board members that they will be receiving from Mr. Bird's office the Executive Director's Evaluation/Feed back forms within the next week. I ask that the forms be returned within two weeks after you received it.

Public Speakers

None

Adjournment


The meeting was adjourned by Chairman Ryals at 10:15a.m.

PREPARED BY:



Sandra Acevedo – Administrative Assistant II

SUBMITTED BY:



Greg Donovan, A.A.E.
Executive Director

APPROVED BY ACTION OF AIRPORT AUTHORITY:



Jack L. Ryals, Chairman