

1 ST. AUGUSTINE - ST. JOHNS COUNTY AIRPORT AUTHORITY

2 BUDGET Meeting

3 held at 4796 U.S. 1 North

4 St. Augustine, Florida

5 on Monday, September 8, 2008

6 from 5:01 p.m. to 5:43 p.m.

7 * * * * *

8 BOARD MEMBERS PRESENT:

9 WAYNE GEORGE

RANDY BRUNSON

10 JOHN "JACK" GORMAN, Secretary-Treasurer

SUZANNE GREEN, Chairman

11 KELLY BARRERA

12 * * * * *

13 ALSO PRESENT:

14 DOUGLAS N. BURNETT, Esquire, Rogers, Towers, Bailey,
Jones & Gay, P.A., 170 Malaga Street, St. Augustine,
15 FL, 32084, Attorney for Airport Authority.

16 EDWARD WUELLNER, A.A.E., Executive Director.

17 BRYAN COOPER, Assistant Airport Director.

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JANET M. BEASON, RPR, RMR, CRR, FPR

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1 I N D E X

2 PAGE

3 1. PLEDGE OF ALLEGIANCE 3

4 2. DISCUSSION OF MILLAGE RATE 3

5 3. DISCUSSION OF BUDGET 24

6 4. NEXT BOARD MEETING 40

7 5. ADJOURNMENT 40

8

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1 P R O C E E D I N G S

2 CHAIRMAN GREEN: We'll call to order the
3 budget meeting for St. Augustine Airport. We'll
4 stand for the pledge to the flag.

5 (Pledge of Allegiance.)

6 CHAIRMAN GREEN: Okay. This is our budget
7 meeting only. It's not a regular meeting with an
8 agenda. This is just what we're going over today,
9 the first budget meeting. Everyone should have
10 had a copy of this earlier. I know it was
11 available for all of us to go over. So, Ed?

12 DISCUSSION OF MILLAGE RATE

13 MR. WUELLNER: Yes. You have -- first order
14 of business is to discuss issues related to
15 millage, and that will be the same order -- this
16 is essentially the same order you'll go through
17 next week during the final budget hearing.

18 First substantive issue has to be the
19 millage, and I'm pleased to report that the

20 proposed millage, as we have discussed up to this
21 point, is the .1697 millage rate, which generates
22 approximately \$4 million. And that's about
23 \$540,000 less than last year in terms of actual
24 revenue, as well as a reduction in the ad valorem
25 rate. So it's a significant -- significant

1 reduction.

2 And your first order of business relative to
3 the millage would be then to solicit public
4 comment related to the proposed millage rate. And
5 again, it's up on the screen. It's .1697 mills.

6 So, a little -- almost 17/100's of one mill. Yes.

7 It's --

8 MR. RIPPE: Ed, how does that compare? I got
9 my TRIM notice in the mail and it said we were
10 going to collect 4.2 something million.

11 MR. WUELLNER: This is actually an additional
12 reduction beyond that. This represents about a
13 12.43 percent reduction in the rolled-back rate
14 over last year. So it's a significant reduction
15 this year. And as I said, it's about \$540,000 in
16 real dollars last than was collected last year by
17 the airport.

18 CHAIRMAN GREEN: Some other public comment?

19 Reba?

20 MS. LUDLOW: No, thank you.

21 CHAIRMAN GREEN: Come on.

22 MR. LOPINTO: I'd just like to say I think

23 the board has done a tremendous job in living up

24 to its mandate -- self-mandate of reducing the

25 millage rate over the years and meeting their goal

1 of being off the ad valorem by fiscal year 2010.

2 So I think you should congratulate yourselves to
3 that extent. It's been something that we've been
4 hearing out there in the stump, both Herb and I,
5 and if elected, we'd like to continue that.

6 CHAIRMAN GREEN: No other public comment?
7 Board comment. Jack?

8 MR. GEORGE: I've gone over it and over it
9 and over it and over it, and the holes seems to
10 balance, you know, as far as -- not the holes, but
11 the revenue versus the expenses look like they're
12 there, you know, where they should be.

13 I don't see any holes, you know, jumping out
14 at me, and I think it's a -- the idea of
15 forecasting a \$600,000 profit, you know, gross
16 profit of operating revenues is consistent with us
17 bringing new hangars on line, and we just need to
18 continue to maximize, you know, that effort.

19 CHAIRMAN GREEN: Uh-huh.

20 MR. GEORGE: I have a -- something, and I
21 don't know whether it's appropriate here. We had
22 approved a contract for the executive director and
23 stated that we were going to put some objectives
24 together, and I went ahead and typed mine up, what
25 I thought the objectives which would tie back

1 strongly to this budget, and I guess at the next
2 meeting we need to bring that up and get back on
3 it to make sure we don't leave any holes there.

4 CHAIRMAN GREEN: Uh-huh. Are you going to
5 disseminate that to us prior to the meeting?

6 MR. GEORGE: Uh-huh.

7 CHAIRMAN GREEN: Jack, did you have?

8 MR. GORMAN: Yeah, it's -- yes. I mean, in
9 my mind, you know, philosophically, and to serve
10 the needs of the public, the object of the game is
11 to provide for some needs. Here's some needs we
12 have slated. These are highly desirable and some
13 of them of course have to be done.

14 We have an ARFF, the firefighting station,
15 the Customs facility that has to be completed,
16 taxi lights which are -- you know, taxi lights
17 are, again, certainly highly desirable or
18 absolutely necessary.

19 We've got to replace the stairs and we need a

20 public use building. And my own idea is to
21 minimize that initial cost of that, keep a very
22 simple steel structure. That isn't absolutely
23 necessary, but it's highly desirable. EA for
24 Taxiway B. Possible fuel farm relocate and a
25 possible washdown.

1 Okay. These are things we have to do -- have
2 to or want to do. We -- 1 -- .1697 creates \$4
3 million in revenue. But again, philosophically,
4 in my own mind, the object of the game is to
5 provide for these needs and still allow a
6 reasonable reserve going into October 2010, where
7 the tax collection will stop. I mean, we've
8 stated that will happen.

9 We have a line of credit and it's a very
10 substantial line of credit, and we have \$2.3
11 million in-house reserves now. So, the idea of
12 being what do you do? I mean, do you spend part
13 of that 2.3 in some of these up-front costs of --
14 of our commercial hangar -- our -- the ARFF,
15 everything we've talked about? I didn't talk
16 about the commercial hangar, but that is a project
17 that's slated that's actually budgeted. Or do we
18 keep that 2.3 in reserve and then keep our -- our
19 actual millage up enough to fund these up front?

20 But again, the total object of the game in my
21 own mind is to -- I would like to see the millage
22 reduced substantially, but -- to provide
23 philosophically our goal. We are trying to reach
24 our goal, but without cutting ourselves short so
25 we do not have enough reserves to carry us into

1 2010. And that exact millage reduction is a hard
2 number to really generate, to come right down to.

3 I've been with Mr. Wuellner and we can throw
4 out different amounts of money generated by
5 different millages. In other words, .12 generates
6 2.8 million. .08 generates 1.8 million. What do
7 we need to do? Do we need to spend what we've got
8 in-house? That needs to be discussed, how do you
9 want to handle it. And I would defer to -- to the
10 director for that -- for his comments first.

11 MR. WUELLNER: Well, my -- my only short
12 comment here right now is that you -- I think
13 we're going to intermingle budget discussions with
14 millage discussion.

15 MR. GORMAN: Right.

16 MR. WUELLNER: And at this point, you've got
17 to more or less confine your comments related to
18 the millage, and we -- the next item of course is
19 budget. But the statute's pretty clear on the

20 order of things.

21 Certainly, the -- you could look at the total

22 millage generated or what the total millage

23 generates, as suggested, which is \$4 million. You

24 could -- you have the latitude in two primary

25 areas, I would say, and they're related to

1 capital, both of them.

2 One is the actual capital program, you could
3 go in there and try to find projects you wish to
4 defer or don't care to do any longer and remove
5 those monies out and certainly create a
6 corresponding reduction in ad valorem revenues to
7 go with that and then that could come to some
8 number.

9 Another alternative is to look at -- probably
10 the only other large item is reserves. And you've
11 got -- you know, you have to find what -- at what
12 comfort -- where's the comfort level relative to
13 reserves.

14 Mr. Gorman's point that, you know, we do
15 maintain the letter of credit or line of credit,
16 you know, that does cover the -- the catastrophic,
17 for lack of better terms, or the events you really
18 need to run into, big -- big ticket items or in
19 the event of natural disaster or whatever the

20 circumstances.

21 So, you could cover it and eliminate actual

22 cash reserves in favor of the what if being

23 covered by -- by cash flow, or by -- excuse me, by

24 borrowing with your credit line. Those are

25 probably the only two key areas.

1 For the most part, you're in good shape
2 relative to revenues generated versus normal
3 operating expenditures. So, you know, there's
4 not -- and any time we're in the operating budget
5 picking dollars out, you're talking small money,
6 because it's not -- it's not a big player -- I
7 mean, certainly the cumulative is, but to go line
8 by line and beat up for \$500 is not going to make
9 a meaningful difference in what the ad valorem
10 rate's going to be. So keep that in mind.

11 It's really -- we've built the budget based
12 on the .6 -- excuse me, .1697, but it could be
13 really at any level up to the statute maximum that
14 you've got now, which was your TRIM level of .18
15 whatever it was, .1803 or whatever. Whatever that
16 number is.

17 CHAIRMAN GREEN: 07.

18 MR. WUELLNER: 07, yeah. Thank you.

19 CHAIRMAN GREEN: Buzz?

20 MR. GEORGE: I don't think we can handle the
21 millage until we look at the budget and the
22 philosophy behind it --

23 MR. WUELLNER: I don't disagree, but --

24 MR. GEORGE: -- because we're looking at a
25 budget that uses that. I understand what you're

1 saying there.

2 MR. BURNETT: And --

3 MR. GEORGE: Jack brought up a very good way
4 of putting it. These are things we'd like to do
5 and these are things we've got to do.

6 MR. WUELLNER: Uh-huh.

7 MR. GEORGE: My position for the last six
8 years on getting off the tax rolls is, we'll
9 generate enough operating revenue to pay our
10 portion of those capital expenditures that we've
11 got to do, with large emphasis placed on
12 revenue-producing projects, you know, in the
13 future.

14 MR. WUELLNER: Uh-huh.

15 MR. GEORGE: I think it might not be a bad
16 thing to have, but for the next meeting, what type
17 of -- what's been the average over the last five
18 years, four years, three years, ten years, of
19 nonrevenue-producing projects, you know, got to

20 have, so that if we're going to pay for that with
21 the profit of operating revenue higher than
22 operating expenses, we ought to know what that nut
23 is.

24 I would hesitate to try to consume the
25 reserve, because we started talking about reserve

1 when we had a hangar that all of a sudden, because
2 of maintenance and everything, it was just
3 devastating, we need to tear it down and start
4 another one. We've got all these revenue people
5 that need to put in. So, I mean, we need to put
6 them somewhere to generate the revenue. And what
7 we elected to do is take a patch and put some
8 plastic material painted over it so that it would
9 stop leaking and everything.

10 But I always thought that's what the 2.3 was
11 for, is when we get to a catastrophic maintenance,
12 you know, oh my God, we've got to do that, that we
13 don't have to mess around, we just jump right in,
14 we have it. But it's got to be rebuilt to a
15 certain level.

16 Now, getting the money to go forward for
17 revenue-producing projects, we borrow that money,
18 and then the cost of the money goes into the
19 calculations for our 7 1/2 percent profit. That's

20 no different than any business does. You know, if
21 I'm going to provide this and get this much
22 revenue, here's the cost of my money, so I put
23 that into it and that's what it's got to bring
24 out.

25 MR. WUELLNER: And --

1 MR. GEORGE: So the major cost of the
2 revenue-producing projects, you know, down the
3 road could be handled out of borrowing money, or
4 if it's a big project of -- if Grumman just takes
5 off and needs to use a lot of the 70 acres over
6 here, that might be a bond issue, I don't know.
7 But it's something other than taxpayer money.

8 MR. WUELLNER: Yeah. The -- the short-term
9 problem with that approach is you -- you've got --
10 well, the -- I completely lost what I was going to
11 say. The -- oh, the problem is related to the
12 revenue generated on those revenue projects.

13 You all -- you know, we've gone to great
14 pains in developing the lease policy over the
15 years to assure a 7 percent ROI as a minimum
16 capture on our projects. Obviously that number
17 does not reflect --

18 MR. GEORGE: Cost of the land and --

19 MR. WUELLNER: Well, you know, some component

20 pieces to the -- to the actual expenditure on a

21 project.

22 The -- the partial problem here is that

23 you're also competing in a bigger environment than

24 just on the airport. And we're already -- and

25 well, I wouldn't call on her and embarrass her to

1 stand up and try to explain it, but we've already
2 noticed that when we're looking at where we've
3 placed the pricing for our 50 x 50s and our 50 x
4 60s that we just -- that we're just completing,
5 those -- those products are above what's -- I
6 mean, significantly above what's being charged in
7 this part of the country, in this part of the
8 State of Florida. As a result, we're getting a
9 lot of turndowns for that space because it's
10 outside of what that space is available anywhere
11 else.

12 So, you're reaching a point here where you
13 might be able to -- you can come up -- you can
14 easily come to the number of what the ROI is or
15 what our rent expectation is based on what it
16 costs us to build, the cost of our money, and our
17 profit expectation in the mix, but that doesn't
18 mean it's leasable. And we're pretty close to
19 that margin, at least in certain hangar products.

20 So, factoring the cost of money into the
21 equation of rent, you know, is going to add --
22 obviously it costs money to borrow money. So when
23 you put that back in the mix, I'm not too sure
24 that either we have to look at what our profit
25 expectation is, our ROI expectation on some of

1 these projects, or just be careful what kinds of
2 projects we -- we borrow money to fund so that we
3 can continually get a good cash flow out of it.
4 That's my short-term concern on it.

5 You know, it will catch up to itself over
6 some time, because it's a -- because it's in a
7 sense comparative market driven, you'll see, you
8 know, two vicinity airports raise their rates to
9 get to our level because they finally can, and
10 that will somewhat relax that market. When the
11 whole area's closer to our market rates, then you
12 can step it up again. It's just -- go ahead.

13 MR. GORMAN: I tend to agree with Mr. George
14 that if we're going to do any further development
15 here, that we need to base our costs and base
16 everything on the -- the cost of borrowing the
17 money. If we're going to run this like a
18 business, we've got to get off that mentality of,
19 yes, we're going to use tax dollars so we don't

20 have these costs.

21 So, with Mr. George's idea that the ROI,

22 return on investment, includes the cost of money,

23 then when 2010 comes, there's no sticker shock. I

24 mean, we've already planned in. And so, again, I

25 keep wanting to incrementally but not drastically

1 reduce this millage, not so much that we can't
2 continue, but enough so that, again, this
3 philosophy of zero tax is reached and using
4 Mr. George's idea that we've got to think in terms
5 of, well, what's the money going to cost us in the
6 future. Maybe we should start thinking that right
7 now.

8 MR. GEORGE: Yeah.

9 MR. WUELLNER: Well, and philosophically, I
10 don't disagree with you. But the point I'm trying
11 to make is that you're going to reach this point
12 where when you start factoring the value of money
13 back into the equation, you may find that you're
14 not able to generate the revenue, any revenue at
15 all because you can't do a project -- you can't
16 find tenants for the project, as an example.

17 It's a shame, but aviation -- you know, at
18 least where it's been for as long as I've been in
19 airports, aviation properties in terms of rental

20 values have always been below what's outside in --
21 I don't know if you call it the real world -- you
22 know, the comparative warehouse space and the open
23 market, you know, generates -- commands a higher
24 rent per square foot than does hangar space. And
25 it's always been that way. And it's been very

1 hard to get those numbers up over the years.
2 Everybody tries, but it's a -- you know, if you
3 can go down the road to a different airport and
4 rent it for significantly less, that's where they
5 go.

6 MR. GORMAN: And just one last. I mean, this
7 is a highly desirable airport, so we probably have
8 an advantage --

9 MR. WUELLNER: I agree.

10 MR. GORMAN: -- in the market --

11 MR. WUELLNER: I agree with you.

12 MR. GORMAN: -- and that advantage in the
13 market will probably cover the cost of the money.
14 At least this is a scientific guess.

15 MR. WUELLNER: Well, the other is keep in
16 mind your 10-year forecast budget doesn't consider
17 us borrowing money, because we can sustain the
18 capital program without really normally needing to
19 borrow money.

20 So we're not really -- you know, I don't want
21 to profess we've got a doom-and-gloom scenario
22 here relative to the long-term cash flow. We
23 don't. Now, there may be projects that the
24 Authority wants to move forward quicker than
25 they're proposed or whatever, and that may end up

1 putting us in a situation where we would want to
2 borrow it, it would make sense to borrow, that we
3 can put the debt service in the rent equation. I
4 think it's a project-by-project analysis --

5 MR. GEORGE: Yeah.

6 MR. WUELLNER: -- not an overall approach to
7 everything.

8 CHAIRMAN GREEN: Kelly?

9 MS. BARRERA: I agree that it's a
10 project-by-project analysis. I'm hesitant to
11 charge the taxpayer interest while we're on the
12 tax rolls, because should we borrow money while
13 we're on the tax rolls to do any of these
14 revenue-generating projects, in that time that
15 we're borrowing money, until that time that the
16 project is complete, there's interest being
17 charged on that money, and that actually comes
18 back to being paid for, if we don't take it out of
19 reserves, we're taking it out of the tax dollars.

20 MR. GORMAN: It's -- it's a conundrum, it is.

21 MS. BARRERA: It is. And that's why -- I see

22 what you're saying and I hear what you're saying

23 and I'm with you because I want to have the

24 millage rate as bare bones as we can get it. I'm

25 a hundred percent with you. But at the same time,

1 I'm hesitant to borrow money, have that interest
2 accumulate for the time that we're still on the
3 tax rolls this limited amount of time.

4 MR. GORMAN: In an ideal world, we wouldn't
5 borrow any money until after 2010.

6 MS. BARRERA: Right. I agree.

7 MR. GORMAN: This's -- that's the ideal
8 world. And in the ideal world, somehow we've got
9 to conjure in my own mind what that exact millage
10 is so we don't trip ourselves on the way to 2010.

11 MS. BARRERA: Right. Agreed.

12 MR. GEORGE: If it was easy, everybody would
13 be doing it. Just criteria, we've got to think
14 outside the box to get there project by project.

15 But this board and previous boards have made the
16 ultimatum that going to the taxpayer trough is not
17 one of the options. And if we get a project that
18 just we can't afford it, we can't afford it.

19 CHAIRMAN GREEN: Randy?

20 MR. BRUNSON: In the last several years,
21 we've had that philosophy of we're a taxing
22 authority and we've taken advantage of the millage
23 rates to build reserves and to do capital
24 expenditures and to get off the tax roll.
25 I think the executive director has worked on

1 this budget as hard as he can, and I think this
2 .1697 takes in mind that we are going -- after
3 2010, then we're going to be looking at
4 project-by-project and looking at our lines of
5 credit to see if it will -- is feasible.

6 It's just like running a business, as you
7 keep saying. We either do it or we don't do it.
8 We might have to sell some -- instead of a
9 lease -- a second FBO, instead of having to lease,
10 we might have to sell them the land and not make
11 as much return as maybe we could have in the long
12 run. But I think we have to look at this just
13 like a business.

14 But I think this .1697 and the reduction of
15 \$540,000 makes sense based on our public
16 commitment at the County Commissioners meetings to
17 be off the tax roll. It's a no-brainer to me.

18 Sure, we can look at all these wish lists and
19 we want to, but it's what's in the budget we've

20 got to look at. And if you want to start working
21 on the budget again, then we can do that, too, but
22 the thing has to be approved here by the next
23 board meeting. That's the only comment I have.

24 CHAIRMAN GREEN: Okay. I'm kind of with you,
25 Randy. I mean, we have gone through these numbers

1 and run them with the millage rates, and I think
2 what we've come up with of this .1697 fits into
3 reducing the tax monies we're using, going towards
4 2010, but still fitting in with our budget and
5 some of the projects that we already have in play,
6 like Customs and ARFF and whatever.

7 I like having the line of credit out there
8 for emergency purposes, and that's kind of what we
9 need to do, but I'd like to keep those reserves in
10 there, and I think that's also recommended by our
11 accountant.

12 MS. BARRERA: Right.

13 MR. BRUNSON: And we -- we -- we've spent a
14 lot of time discussing a lot of different things,
15 even reserves for hurricanes, and we've kind of
16 leaned towards maybe FEMA will help us and this
17 and this. So we've been over all of this. And
18 this budget is what we need to -- the millage
19 rate, we need to approve, in my opinion.

20 CHAIRMAN GREEN: Okay. Do we have a motion?

21 MR. BRUNSON: I'll make the motion.

22 CHAIRMAN GREEN: Uh-huh.

23 MR. BRUNSON: I make the motion we accept

24 staff's recommendation of .1697 as the millage

25 rate.

1 MR. WUELLNER: If I can --

2 CHAIRMAN GREEN: Uh-huh.

3 MR. WUELLNER: -- you don't -- you don't need

4 to do it this way. You need to do it by

5 resolution for this.

6 CHAIRMAN GREEN: Resolution?

7 MR. BRUNSON: Okay.

8 MR. WUELLNER: And your resolution number is

9 2008-06. It does exactly what you're saying.

10 MR. BRUNSON: 2000-06.

11 MR. WUELLNER: The resolution's on the screen

12 for you. But it tentatively adopts a millage rate

13 of .1697 and states publicly it does not exceed

14 the rolled-back rate for this year, which it does

15 not.

16 MR. BRUNSON: That's what I wanted to say.

17 MR. WUELLNER: So --

18 CHAIRMAN GREEN: You want to amend your

19 motion to accept Resolution 2008-06?

20 MR. BRUNSON: Amend my motion to accept the
21 Resolution 2008-06 and does not exceed the
22 rolled-back rate.

23 CHAIRMAN GREEN: Is there a second?

24 MR. GEORGE: I have a point of order. Okay.
25 We're going to have a second budget hearing.

1 CHAIRMAN GREEN: Yes.

2 MR. WUELLNER: Yeah.

3 MR. GEORGE: Is that when we do this
4 resolution, or is this --

5 MR. WUELLNER: The State is suggesting you
6 adopt tentative budgets and millage rates by
7 resolution also. You will adopt it finally with
8 two new resolution numbers next week.

9 CHAIRMAN GREEN: Right.

10 MR. GEORGE: Okay. So therefore the word
11 "tentative" --

12 MR. WUELLNER: Is in there.

13 MR. GEORGE: Tentative millage -- okay.

14 MR. WUELLNER: It's under the "NOW,
15 THEREFORE" --

16 MR. GEORGE: Okay.

17 MR. WUELLNER: -- paragraph.

18 MR. GEORGE: I can second it, then.

19 CHAIRMAN GREEN: Further board discussion?

20 (No further discussion.)

21 CHAIRMAN GREEN: Okay. All in favor of the

22 tentative resolution, say aye.

23 MR. BRUNSON: Aye.

24 MR. GEORGE: Aye.

25 MS. BARRERA: Aye.

1 CHAIRMAN GREEN: Aye. All opposed?

2 MR. GORMAN: Nay.

3 MS. BARRERA: I was an aye.

4 CHAIRMAN GREEN: Okay. Then it passes four
5 to one on a tentative basis.

6 All right. Next we go to budget.

7 DISCUSSION OF BUDGET

8 MR. WUELLNER: Okay. Budget, I've got the
9 summary up there for the public, plus I believe we
10 have copies out there. I'll go over the summary
11 and we can go over any details as you choose to
12 here.

13 Basically, operating revenues which make up
14 for or are made up of homes, T-hangars,
15 conventional hangars, commercial leases, other
16 lease revenues, as well as fees charged on the
17 airport --

18 MS. HOLLINGSWORTH: Is that it?

19 MR. WUELLNER: I want the entire thing.

20 You've got -- when you print. You've got to do

21 entire workshop. It will dump it for you.

22 Those items make up the operating revenue,

23 which is projected at \$2,193,567. Nonoperating

24 items include cash forward of \$353,187, reserves

25 forward of \$2.3 million, interest revenue

1 projected at \$60,000 for the year, grants from
2 Florida DOT of \$941,250, FDOT grant -- excuse me,
3 FAA grants of \$1,567,500 and ad valorem proceeds
4 based on the .1697 millage of \$4 million, bringing
5 the total revenue expectation to \$11,415,504.

6 Likewise, the expenditure budget, personnel
7 in total would equate to -- including benefits,
8 statutory and taxes, includes or equals \$760,422.
9 Operating expenditures equaling \$1,371,082.

10 Again, holding the reserve line item on the
11 expenditure side, also, of \$2.3 million. Capital
12 equipment expenditure projected -- proposal of
13 \$139,000 total. Capital construction of
14 \$6,845,000, bringing the total expenditure budget
15 as proposed to a corresponding \$11,415,504.

16 There are a couple of -- I provided you a
17 memo as a part of your preliminary information
18 later -- late last week. I believe this budget
19 represents what everyone -- you know, the

20 consolidation of all the thoughts up to this point
21 relative to expenses and overall projects
22 contained in it.

23 As mentioned earlier, it's a 12.43 percent
24 reduction in the roll-back rate and represents a
25 reduction, a real tax reduction of over \$500,000.

1 It is consistent with our overall approach to
2 being off the tax rolls by the conclusion of
3 fiscal year 09-10. It facilitates a reserve level
4 of approximately \$2.3 million for the year, which
5 is roughly equal to one times the operating budget
6 that -- the total operating budget for the -- for
7 the airport.

8 There are a couple of line items I would just
9 call your attention to. Primarily they are -- on
10 the revenue side, would be the airport revenue
11 subsheel where we're talking under the fees
12 classification, you'll see that we have a revenue
13 line item for U.S. Customs for \$135,000. This is
14 revenue from user fees.

15 There's a corresponding expenditure. It's
16 hard to find because it's blended together with
17 another item. Under other governmental fees and
18 outside agencies, line item on the expenditure
19 budget, the operating expenditure budget --

20 MR. BRUNSON: There's a million, three. The

21 135's in the --

22 MR. WUELLNER: It's in that -- well, it's not

23 a million, three but it's -- find my number here

24 for you. It's included in the -- it's line number

25 497. But that \$285,000 line item includes the

1 \$135,000 expenditure to Customs. So, it's -- the
2 operating budget looks a little heavy compared to
3 last year. That's a big chunk of why it looks
4 heavier, but you've got to realize there's also a
5 revenue against it.

6 The other line item that's -- I want to call
7 your attention to is the line 314, which is
8 professional services LEO and ARFF --

9 MR. GEORGE: Excuse me. You were saying 497
10 includes the \$135-? I thought the \$135- is in
11 314.

12 MR. WUELLNER: No. 314 is the law
13 enforcement officers and ARFF, airport, rescue,
14 firefighting.

15 MR. GEORGE: Ah. Okay. All right. So we've
16 got two 135,000s. Yeah. Okay.

17 MR. BRUNSON: The same.

18 MR. WUELLNER: It's a similar number in two
19 places. Now, I would point out, too, that that

20 is -- that expenditure is 100 percent linked to
21 having commercial air service. If we do not
22 attract or do not have significant commercial
23 service, there is no expenditure.

24 CHAIRMAN GREEN: Uh-huh.

25 MR. WUELLNER: So it's not an item that's an

1 ongoing or recurring expense whether we have
2 activity or not. It would only show up in the
3 event we had commercial service. But we did
4 budget for it.

5 MR. BRUNSON: So David Shoar is not expecting
6 that money in this --

7 MR. WUELLNER: No, he is not, not unless we
8 use him. I did want to point out just two items
9 also in the capital expenditure budget, just so
10 you're aware of how this is being treated.

11 As mentioned at the last regular meeting,
12 the -- the line item entitled future land use, for
13 a total of \$500,000 as well as the last item,
14 which is new commercial hangars, these are both
15 the FDOT prequalified grants that you approved at
16 the last meeting.

17 You are expending 100 percent of the money as
18 your money in this fiscal year or in this coming
19 fiscal year. We have gone out in the 10 -- in the

20 10-year forecast budget and put the money back in
21 in the year we actually are projected to get it
22 from FDOT. So I just wanted you to understand how
23 that got treated.

24 So they look a little -- those two line items
25 look really fat in terms of there was no FDOT or

1 FAA participation. There is. It's just -- as you
2 recall, it's just deferred to a couple of years
3 out. Other than that, that would conclude my
4 presentation. Be happy to deal with any specific
5 questions or anything else.

6 CHAIRMAN GREEN: Okay. I'm going to ask for
7 public comment. Sure.

8 MR. RIPPE: Hey, Ed, I'm starting to get used
9 to your conservative budgets there.

10 MR. WUELLNER: And they are.

11 MR. RIPPE: Well, I mean, you count 95
12 percent of the revenues, which -- and I appreciate
13 that, but that's all up front. But
14 philosophically, you know, I'm looking -- going
15 through some of these expense lines, and they
16 almost look like they were inflated just to suck
17 up -- put some more expenses on the line.

18 MR. WUELLNER: Okay.

19 MR. RIPPE: And I mean, court reporting \$6-

20 to \$10-. Operating supplies, \$35- to \$60-. And
21 kind of items like that. Philosophically, are
22 you -- are you just trying to lay in incremental
23 reserves or are you -- where are you at?

24 MR. WUELLNER: Actually, if you look at
25 the -- take court reporting as your first example.

1 Last year's actual expenditure was about \$9,460.

2 CHAIRMAN GREEN: Uh-huh.

3 MR. RIPPE: Okay.

4 MR. WUELLNER: You know, we actually expended

5 more than was budgeted for it. That's a direct

6 function -- I mean, we talked about it at another

7 meeting. I don't remember when it was. But it's

8 a direct function of how many special meetings you

9 have, how long those meetings go.

10 MR. RIPPE: I understand.

11 MR. WUELLNER: You literally pay by the word.

12 MR. RIPPE: So, things like office

13 supplies -- but I -- philosophically,

14 philosophically, I guess, and what's missing on

15 our copies is the actual? These are --

16 MR. WUELLNER: Oh. Yes, it is. You're

17 right.

18 MR. RIPPE: Huh?

19 MR. WUELLNER: You're right. It is missing

20 on yours.

21 MR. RIPPE: Yeah, the actual expenses are not
22 on our copy. So, like just philosophically, my
23 question is, you know, if we see large chunks in
24 expenses, is that because we overshot the budget
25 this year?

1 MR. WUELLNER: In many cases, that's correct.

2 MR. RIPPE: Okay.

3 MR. WUELLNER: We analyze each line item as
4 we go into the budget and determine whether it was
5 something extraordinary that we don't need to
6 increase moving forward --

7 MR. RIPPE: Right, right.

8 MR. WUELLNER: -- or it's just the cost of
9 doing business as an increase in that particular
10 line activity.

11 MR. RIPPE: Okay. All right.

12 MR. WUELLNER: So we do -- we do look at each
13 line each year.

14 MR. RIPPE: All right. I understand. Why is
15 it that on \$2.3 million, we get \$60,000 in
16 interest?

17 MR. WUELLNER: Well, a part of that had to do
18 with what SBA did last year. We looked at the --
19 I don't remember. I just asked you what the rate

20 was. Do you remember what it was the other day?

21 I'm sorry, I just don't remember.

22 MS. GLASSER: 4.27.

23 MR. WUELLNER: 4.27. Our surplus funds are

24 with the State Board of Administration.

25 MR. RIPPE: Right.

1 MR. WUELLNER: And the current yield on
2 that's 4.27.

3 MR. RIPPE: Right. But this would have us at
4 less than 3.

5 MR. WUELLNER: It probably did not get
6 adjusted upward on the \$2.3 million, so it
7 probably -- probably could be bumped --

8 MR. RIPPE: Right.

9 MR. WUELLNER: -- up a little bit.

10 MR. RIPPE: Okay. All right.

11 MR. GEORGE: And it's probably going to come
12 down.

13 MR. WUELLNER: Well, it's entirely market
14 driven, so --

15 MR. RIPPE: Thank you.

16 MR. WUELLNER: We actually underperformed
17 this year on that, and not our fault, but SBA went
18 through a problem with cash liquidity. You
19 probably remember early summer, I think it was.

20 MR. RIPPE: I remember that.

21 MR. WUELLNER: And everybody -- I think we've

22 recovered just about everything out of that now.

23 We're in good shape --

24 MR. RIPPE: Okay.

25 MR. WUELLNER: -- but it took a while.

1 CHAIRMAN GREEN: Other public comment?

2 (No further public comment.)

3 CHAIRMAN GREEN: Seeing none, board comment.

4 I just had one. I went over this. The Class C

5 travel and overtime was pretty high this year.

6 Was that because of the Skybus?

7 MR. WUELLNER: It was.

8 CHAIRMAN GREEN: Okay. That's what I

9 thought.

10 MR. WUELLNER: In lieu of hiring a bunch of

11 people, we -- we used that. It turned out to be

12 less expensive in a short duration. We were

13 actually in the process of hiring someone to be

14 more full time in that capacity when they went

15 under. So it -- the timing was pretty good. It

16 didn't end up costing us long term.

17 MR. GORMAN: Aren't several budget items --

18 we went over on several budget items just because

19 of Skybus.

20 MR. WUELLNER: Exactly. Well, we also went

21 over on -- I mean, we ended up with more revenue.

22 MR. GORMAN: Exactly.

23 CHAIRMAN GREEN: Buzz?

24 MR. GEORGE: Just a correction. Earlier,

25 when we were talking about the millage, I made a

1 comment that I thought that the budget to show a
2 \$600,000 operating profit was good. I got a zero
3 off there. It's only \$60,000.

4 MR. WUELLNER: \$62,000.

5 MR. GEORGE: But the operating profit this
6 year was what, \$300-?

7 MR. WUELLNER: \$353,000.

8 MR. GEORGE: Okay.

9 MR. WUELLNER: Which if you think of it in
10 the context of what I -- what I told you we
11 probably made on Skybus, puts us pretty much right
12 in the same kind of a profit margin.

13 MR. GEORGE: Okay.

14 MR. RIPPE: But using only 95 percent of the
15 revenue --

16 MR. WUELLNER: That is true.

17 MR. RIPPE: -- will add another hundred
18 thousand dollars to that.

19 MR. WUELLNER: That's correct.

20 MR. GEORGE: Hopefully.

21 CHAIRMAN GREEN: The idea.

22 MR. RIPPE: Yes.

23 CHAIRMAN GREEN: Any further board comment?

24 I guess utilities just went up for basic

25 utilities.

1 MR. WUELLNER: If you've opened your power

2 bill lately --

3 CHAIRMAN GREEN: Yeah.

4 MR. GEORGE: An interesting comment. If you

5 look at the expenses on insurance, some of the

6 conversations that Ed's had with our insurance

7 agent, they've been able to cut it down it looks

8 like another \$80,000, so the budget --

9 MR. WUELLNER: \$8,000.

10 MR. GEORGE: That's what I said, \$80-. I've

11 got zeros messed up.

12 MR. WUELLNER: Got a zero problem today.

13 MR. GEORGE: I've been dealing with

14 grandchildren all day.

15 MR. BRUNSON: And I used to support Georgia

16 Tech.

17 MR. GEORGE: We need it. We need it.

18 CHAIRMAN GREEN: All right. Any further

19 board discussion? Ed, do you need any type of a

20 tentative adoption?

21 MR. WUELLNER: Yeah. You've got the same

22 basic process here.

23 CHAIRMAN GREEN: Do we have a motion on

24 resolution --

25 MR. WUELLNER: 2008-07.

1 CHAIRMAN GREEN: -- 07? That's what I
2 thought.

3 MR. WUELLNER: And again, it's tentative
4 budget. The budget resolution itself does not
5 reference a specific number. It references the
6 budget being attached to the resolution. And it
7 is tentative. And again, you will redo these
8 resolutions next week as a part of final adoption.

9 CHAIRMAN GREEN: Motion?

10 MR. GEORGE: I make a motion we accept the
11 tentative acceptance of the budget.

12 CHAIRMAN GREEN: Is there a second?

13 MS. BARRERA: I second it.

14 CHAIRMAN GREEN: Any further board
15 discussion?

16 (No further board discussion.)

17 CHAIRMAN GREEN: Hearing none, all in favor
18 of the tentative budget resolution 07, say aye.

19 MR. BRUNSON: Aye.

20 MR. GEORGE: Aye.

21 MS. BARRERA: Aye.

22 MR. GORMAN: Aye.

23 CHAIRMAN GREEN: Aye. Any opposed?

24 (No opposition.)

25 CHAIRMAN GREEN: Hearing none, the tentative

1 resolution passes.

2 Ed, I don't -- do we have the date next week?

3 MR. WUELLNER: Yes. It's the -- it's been

4 advertised or will be advertised start -- we will

5 place the ads tomorrow.

6 MR. GEORGE: What's happening next week?

7 MR. WUELLNER: Next Monday is your regular

8 Airport Authority meeting as well as your final

9 budget hearing.

10 MR. GEORGE: I will not be in attendance.

11 MR. WUELLNER: And we will enter -- as we

12 typically do, we will interrupt the regular

13 meeting for the public hearing at 5:01 if we're

14 not concluded.

15 CHAIRMAN GREEN: Right. Okay. So that's

16 September 15th. Monday.

17 MR. WUELLNER: The regular meeting starts at

18 4:00.

19 CHAIRMAN GREEN: And then the budget at 5:01.

20 MR. WUELLNER: Correct.

21 CHAIRMAN GREEN: Okay.

22 MR. GEORGE: I need to add something to that.

23 I had mentioned earlier about we talked about

24 Airport Directors' objectives and his appraisal

25 program for a bonus, which I know you didn't agree

1 with the verbiage. But I think that that goes
2 hand in hand with what we're trying to do here.

3 One of the things that always puzzled me a
4 little bit was when my wife and I came up with a
5 budget for a project and I was upset that we went
6 over and she was saying, well, it's the speed
7 limit; you can go a little bit further, you know.
8 It's just a suggestion type of thing.

9 But if you notice, over the last few years,
10 we have exceeded the budget, you know, what we've
11 budgeted for. And has there been a reason? Yeah,
12 there's been 1,400 reasons, but we don't keep a
13 good record of what those reasons are.

14 When we approved the Directors' contract, we
15 said we were going to have to establish
16 objectives, you know, for him to work at for, you
17 know, the bonus consideration. Some of the
18 things, and I would like to get this out to all
19 the board members for you guys to consider it, but

20 like meet or exceed budgeted revenue. Reduce
21 operating expenses from the budgeted amount. Meet
22 or improve initial established completion dates on
23 projects. You know, how much money we've lost on
24 these hangars because we were -- the contract was
25 six months behind in getting this done and this

1 done. Create new revenue-generating projects and
2 stuff like that.

3 All of these types of things, I think that
4 the board needs to discuss, though, at the regular
5 meeting. And it could be the next meeting, too.
6 But come up with some concrete things that the
7 Chairman can give Mr. Wuellner that says, okay,
8 these are the objectives, you know, considering
9 the budget that we've got there. That's all I
10 have.

11 CHAIRMAN GREEN: So you're going to give that
12 to us so we can put it on the agenda?

13 MR. GEORGE: Yes, ma'am.

14 MR. BRUNSON: That's a good idea and we might
15 can add to your list.

16 MR. GEORGE: I think everybody ought to come
17 up with what's important to them. You know, I
18 think hitting the budget numbers, the revenue and
19 the expenses is important to all of us. But it's

20 going to take some creativity to keep it going

21 down the road as we, you know, were all talking --

22 MS. BARRERA: I think we're all very

23 committed to making sure this runs as tight as

24 possible.

25 MR. GEORGE: Yeah. I will take this and send

1 it to Ed and ask him to forward it to all you
2 guys.

3 CHAIRMAN GREEN: Okay. All right. Then
4 we'll conclude our budget meeting and see
5 everybody next Monday.

6 (Meeting concluded at 5:43 p.m.)

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1 REPORTER'S CERTIFICATE

2

3 STATE OF FLORIDA)

4 COUNTY OF ST. JOHNS)

5

6 I, JANET M. BEASON, RPR-CP, RMR, CRR, FPR,

7 certify that I was authorized to and did

8 stenographically report the foregoing proceedings

9 and that the transcript is a true record of my

10 stenographic notes.

11

12 Dated this 15th day of September, 2008.

13

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JANET M. BEASON, RPR-CP, RMR, CRR, FPR

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