ST. AUGUSTINE - ST. JOHNS COUNTY AIRPORT AUTHORITY

Workshop

held at 4796 U.S. 1 North

St. Augustine, Florida

on Thursday, November 8, 2007

from 3:30 p.m. to 5:14 p.m.

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BOARD MEMBERS PRESENT:

WAYNE GEORGE
RANDY BRUNSON
JOHN "JACK" GORMAN
KELLY BARRERA, Acting Chairman

BOARD MEMBERS ABSENT:

SUZANNE GREEN, Chairman

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ALSO PRESENT:

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

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

BRYAN COOPER, Assistant Airport Director.

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AIRPORT AUTHORITY WORKSHOP - NOVEMBER 8, 2007

P R O C E E D I N G S

CHAIRMAN BARRERA: Like to call to order the meeting of the St. Johns County-St. Augustine Airport Authority workshop and we'll stand for the Pledge of Allegiance.

(Pledge of Allegiance.)

CHAIRMAN BARRERA: Okay. And with that, we'll turn the meeting over to Ed to lead.

MR. WUELLNER: That didn't take long. Try this again. All right. Are we on good? Okay.

When I made the request to have this workshop, one of the things that was -- was kind of coming to -- coming to bear here is that we -- we hadn't taken the time, since we really started down the whole idea of airline service here at St. Augustine and really spent the time, took a breath, sat down with you guys and -- and attempted to explain what -- what the issues are, where the revenue sources are, how those things work and -- and help you get some understanding of that process and -- and get some -- some level of comfort into what's going on and why we would be involved and -- and those kind of things. So, we asked to do this workshop today on that topic.

And -- and basically all I'm going to try to do is deal with these items here.

I want to walk through the Skybus contract, just -- just the highlights of -- of some spots there so that everybody has an understanding of what's in it. And I'll try to -- try to elaborate on provisions that are getting some attention out in the public.

Short-term service projections relative to Skybus, so you have some idea what we are being told and what's on the horizon relative to the airline's activity here in St. Augustine. Look at the expense side of operating the airline operation as it is. Look at the revenue side of the same thing so you have some idea where the revenue sources are in -- in order of magnitude on those.

And finally, I'll summarize that so you get some idea of what our revenue expectation is. It will be kind of resolved down to a couple of key issues. One will be what is the expectation of revenue at the end of the day. This is now revenue based on passengers. So, it will be by enplanement, is a typical metric used. And it will also give some idea in a summary form how much in a lump-sum dollar value the expectation is now.

And I'll try to detail -- I'm not going to overly complicate it, but -- and we'll have -- we'll have a handout here at the end for you so you can take the real numbers with you and take all the details of the model that's used, and you can look at those at your leisure. But rather than have you looking at those numbers and not listening to what I'm saying, we'll hand that out at the end.

Also, how does that integrate into the financial forecast we've been using for the last several years to -- to document and plan the off-the-tax-rolls campaign.

And lastly, I would like to explain what the economic impact is and help you, as well as anybody in the public who doesn't understand what economic impact is, because that's also getting quite an interesting, I would call a bum rap, in the public, because of the misunderstanding of what it means.

(Mr. Brunson enters the room.)

MR. WUELLNER: So, with that, we'll just kind of buzz on through here. Pardon the -- looking good. All right.

Contract terms with Skybus. Y'all were provided a copy of the contract that was ultimately executed in advance of it being executed. The contract is a three-year agreement, and it renews for one year to a cumulative of ten years total. So, it's three and then followed by seven one-year terms, another way of putting it.

What does Skybus lease? From a technical standpoint, they don't lease anything with us. They have an operating agreement with us. The Authority, as a part of that agreement, decides where they will operate on the airport and how they will operate on the airport. You control those terms. They do not really have a say in anything related to that.

Now, obviously, while you may have that -- that control, it's got to meet the requirements of FAR Part 139, would have to be, you know, acceptable to -- to TSA. You've got all of those issues that go with it. But from a -- from a true -- true sense of the word, you could -- you could put the service anywhere on the airport at your discretion at any time without having to get input from the airline, or get approval, more importantly, from the airline.

Next item, what do they pay us? Well, directly to us, the airline pays nothing. Part of the agreement, if you recall, is that we waived things like landing fees, fuel flowage fees directly assessed to the carrier, and a few other oddball items in there.

Now, we never did assess landing fees. We never have. We've never assessed them to anyone. So, it wasn't exactly a big stretch to waive those fees when we didn't have them in the first place. We have never directly assessed an individual operator on the airport fuel flowage fees. That comes through an agreement to either construct your own fuel facility or through an FBO agreement that we might have. So, those -- those -- yeah?

MR. GEORGE: Do most airports charge a landing fee for commercial carriers to land?

MR. WUELLNER: That's a really good question. Many -- most do. Most commercial service airports do.

MR. GEORGE: All right.

CHAIRMAN BARRERA: That's large.

MR. WUELLNER: Yeah. And I'll explain why we are taking a different tack, because I think it will make sense to you financially at the end of the day.

MR. GEORGE: Okay.

MR. WUELLNER: But it -- it was deliberate in our case.

Are the terms of the contract subject to change? Yes. The agreement provides that should the airline decide -- decide to base aircraft here or make it a focus city, that we can negotiate basically an entirely different agreement.

And as always, with any kind of an agreement, if they were to approach us with wanting to change the terms and you were willing to change them, you could do that at any time and revise the agreement. But that's -- that's always -- always the case even with our leases.

And the -- kind of your question I just put up there, had put up there already: Is this agreement typical of commercial service airports? And -- and the direct answer is no, it's not. And it's for a good reason.

There are two -- two ways to skin this cat, in a way. The first is the tried-and-true traditional airline contract with an airport. And once you have a single airline at your airport, a commercial service airline at your airport, odds are you -- you executed a lease agreement with that airline -- most airports do -- and as a result of that action, you are now limited to the terms of that agreement with every other airline that comes into the airport. So, you will be required to execute a like agreement with anybody that decides to enter your market and -- and decides to provide commercial service at your airport.

We chose to do it a little differently. And one of the main reasons is how it plays into future grants and future use of passenger facility charges.

One of the restrictions on passenger facility charges is that it can only be used to pay for common areas of terminal facilities. By not leasing space to anyone, we have kept the entire terminal structure and the entire area there eligible for use under PFCs.

So, instead of having to either finance them as the Airport Authority, go out and finance noneligible pieces or lean on air carriers to come up with a plan to do that or find other sources of funds, we decided to keep it eligible.

CHAIRMAN BARRERA: And, Ed, correct me if I'm wrong, but from my understanding, more and more of the airlines are going towards this common use agreement, and that's also very big over in Europe with all the Ryan Air and the airlines that service over there.

MR. WUELLNER: It is. And -- and part of what we were forced to look at originally in -- in talking with Skybus, is that their method of doing business, as you already understand, I think, from your familiarity with the airline itself, is they do things a little differently.

They're not -- they did not come out and start the airline as every traditional airline has started it. They -- they chose to form the airline differently. They've chosen a different cost structure. They've chosen a method of even making reservations that is atypical today. It's -- and it's an option available with mainline carriers, but it's not the only method of making an airline reservation, as an example.

They've automated processes directly communicating with the air -- the aircraft via basically an internet -- a wireless internet connection when they arrive at the individual airports.

They've chosen to contract, in most cases, with the individual -- at the individual airports with service providers rather than go out and hire people on their own. So, they do this contractually rather than end up with a huge labor base, which ultimately almost always ends up in a -- a labor agreement of some sort that ends up anti -- working against the airline's bottom line at the end of the day by unionizing all of the various components of the airline.

So, as it -- as it works out from day to day, the only people from the actual airline that are on the property are typically the ones arriving and departing in the airplane. So, the flight crew, flight attendants, and occasionally we get a visit from somebody with the company to check on Galaxy's handling of the aircraft and -- and the details that go in with their arrangements directly with Skybus.

Now, they have a stand-alone contract. I think it's important you know that, that Skybus has a stand-alone agreement with Galaxy to handle the actual aircraft. The Airport Authority does not do that.

CHAIRMAN BARRERA: And that's where the fuel flowage fee comes from.

MR. WUELLNER: Exactly.

CHAIRMAN BARRERA: That we -- that we get 8 cents per --

MR. WUELLNER: Exactly.

CHAIRMAN BARRERA: Okay.

MR. WUELLNER: We do get fuel flowage.

CHAIRMAN BARRERA: Right.

MR. WUELLNER: We just don't charge it directly to the airline.

CHAIRMAN BARRERA: Right.

MR. WUELLNER: It is achieved through our contract with the FBO.

CHAIRMAN BARRERA: Okay.

MR. WUELLNER: So, we do get 8 cents a gallon, just like we get every other user. Every gallon of fuel pumped on the airport is subject to that.

MR. GEORGE: The amount of fuel that they

have been purchasing, is that what you would have
expected or --
MR. WUELLNER: It's pretty close.
MR. GEORGE: -- are they transporting fuel in
here so that they don't have to pay Galaxy, and
therefore, we don't get the fuel flowage, and then

they go back up and buy it up in Columbus at a cheaper rate or a better --

MR. WUELLNER: Well --

MR. GEORGE: -- financial arrangement up there?

MR. WUELLNER: -- to be fair, they've leveraged the ability to do that with Galaxy toward getting the best possible fuel price out of Galaxy. But it doesn't affect our 8 cents a gallon as long as it's being pumped on the airport.

MR. GEORGE: If they don't buy the fuel --

MR. WUELLNER: They are.

MR. GEORGE: -- that does affect because we don't get 8 cents a gallon.

MR. WUELLNER: Agreed, but the -- but the reality is they're -- they're pumping it here because it costs too much to haul.

MR. GEORGE: Okay. All right.

MR. SLINGLUFF: Yeah. Can I --

MR. WUELLNER: It's like adding --

CHAIRMAN BARRERA: Via the weight.

MR. WUELLNER: -- 20 percent to the per-gallon price, I believe it is, or is it more than that?

MR. SLINGLUFF: Well, there -- there has only been -- since they've operated from July 17th, there's only been one day that they have not picked up fuel.

And -- and other than that, they have been picking up fuel. And the net 8 cents for the airport -- I'm sorry. The net 8 cents to the airport has always been there with -- with every flight.

And -- and Buzz, to -- I think we're probably within about 5 percent of what all the parties had -- had thought that the fuel flow would be.

MR. GEORGE: Okay. That's fine. I just want to make --

MR. SLINGLUFF: I will tell you that --

MR. GEORGE: I just want the question answered that they weren't hauling fuel down here to -- so that they wouldn't have to pay us so that that would jeopardize the 8 cents a gallon.

MR. SLINGLUFF: They -- they have tried to, as Ed said, leverage that, but it really is a false economy.

MR. GEORGE: Okay.

MR. SLINGLUFF: And the airport, I will say, is netting the 8 cents, which is a lion's share of -- of the net.

MR. GEORGE: Yeah. Can we get some more?

MR. SLINGLUFF: There's nothing more to give.

MR. WUELLNER: Yes, sir.

MR. HICKOX: I'm not a member of the board, obviously, but I raise this question. Wayne Hickox, 881 Queen Road.

Ed, what you're saying, though, is that -- and a lot of taxpayers wouldn't like this, but looking at it from a different point of view, there's absolutely no net gain in employment because of the contract with the airport; is that correct?

MR. WUELLNER: No, and -- no, there is. The -- Galaxy's had to bring -- I'll let you speak to that here.

MR. SLINGLUFF: Yeah. We currently have about 12 new positions, and by January, we'll have 16 new positions.

MR. HICKOX: In other words, an economic plus. Okay.

MR. WUELLNER: Okay. All right. So -- so the bottom line question is, why would we enter into an agreement of that type? Well, at the end of the day, it's what the airline brings to the community. And I don't mean just airline service, but what comes on the coattails of airline service has provided the revenue opportunities that don't exist at the airport in the absence of airline service. And I'll detail those in just a second.

But it's -- the deal -- the -- the whole idea behind it is, what does -- if you have airline service in this arrangement, what does the -- how does the airport, and ultimately the citizens of St. Johns County, how do they benefit from the service being here, which certainly goes to our bottom line also.

And the other -- other salient point here is that it preserves a very high level of future funding availability for the airport by being able to use PFCs which are generated purely by those folks flying out of St. Augustine Airport. And so it's based on enplanements only out of here. And that goes to -- those funds go to pay for any improvements that need to be -- and in fact, we'll talk in a little bit, it also is the funding mechanism to reimburse the Airport Authority, hence the citizens of St. Johns County, for their share of the original terminal development costs in the airline.

So ultimately, the terminal ends up costing the citizens of St. Johns County basically nothing. Between Florida DOT match funds and then using PFC revenues that are generated only by outbound passengers, it offsets the other half of the cost.

Now, the only exception to that would be expenditures directly related to parking. And the reason I say that is it's -- while eligible for FDOT funds, parking improvements are not eligible for PFC disbursements. So, that -- that -- that standalone item falls out of the -- the equation otherwise.

All right. And what do they contribute? As I pretty much just now said, the -- they're more of a catalyst rather than a direct contributor. These are revenue sources we're going to identify here in a second that are -- that are only available to us as a result of having airline service here, especially at the level the Sky -- Skybus brings in. You know, keep in mind, a 50-seat aircraft doesn't generate the -- generate anything near the numbers that -- that an A319 would.

All right. I'll speak quickly to what's --

what's going on with service. As you all know, we currently have one flight daily round trip to Columbus, Ohio, and that will change very shortly. Beginning in mid-December, I believe it's December 17th, we will -- we will have at that point two daily round trips to Columbus, and we will add a new daily round trip to the Boston, Mass/Portsmouth/New Hampshire location. And all of that, again, is daily. So, you have three flights a day.

MR. GEORGE: What -- Ed, what was the logic of having both of the flights from St. Augustine to Columbus leave within an hour of each other?

MR. WUELLNER: We -- obviously, we had nothing to do with it, but the -- they've -- they've admitted to us that they blew it on the back end. It was not their intention to schedule the two outbounds at that point, but it has more to do with the number of aircraft in the system right now --

MR. GEORGE: And their --

MR. WUELLNER: -- which self-corrects going into the first of the year. I should say they get more aircraft and more flexibility after -- after March. So, we're likely stuck with that schedule until March, and then I suspect you're going to see it -- it will change, because it -- it doesn't --

MR. GEORGE: I think --

MR. WUELLNER: -- make sense.

MR. GEORGE: I think that they have released their schedule from March the 7th into April, possibly early May --

MR. WUELLNER: Right.

MR. GEORGE: -- and those two flights an hour apart are still there.

MR. WUELLNER: They are. And if you kind of follow the bouncing ball, when they added the second flight, they moved -- the afternoon flight became the earlier evening return flight. Actually, I'm sorry, it's the later flight --

MR. GEORGE: It's the later flight.

MR. WUELLNER: -- is the same flight. So, they had to notify all of those people who bought tickets, you know --

MR. GEORGE: Yeah.

MR. WUELLNER: -- from December 17th -- actually from December 5th on, when the flight moves to the evening, they had to notify all of those people that the schedule was different,

but...
MR. GEORGE: Well, if they could get it changed to the morning so that people could go to Columbus in time to catch an outbound --
MR. WUELLNER: Right.
MR. GEORGE: -- going somewhere else, it saves them hotel rooms and --
MR. WUELLNER: Agreed. It's a lousy time to reach -- you know, to reach Columbus, Ohio, as it stands.
MR. GEORGE: Right.
MR. WUELLNER: You probably noticed, I think about a week, ten days ago, that they came -- maybe a little more than that now, Skybus announced its second focus city, which is Greensboro, North Carolina. That immediately generated a new round trip from St. Augustine to Greensboro. And that may, depending on how the service goes, materialize into a second flight

later.

But as it stands now, you have another option where you can catch or create flight segments even out to the west coast, because you can in theory go through Greensboro out and through Columbus back, if you desired, to the west coast.

MR. GEORGE: Yeah.

MR. WUELLNER: And that begins, I believe it's January 15th, is the startup day for that. That service is middle of the day. It's approximately noon arrival and -- and 12:30 departure.

And then we're also being told to expect probably two more round trips to develop over the next 12 months. They have -- you probably saw two. Last week, they announced -- or the end of the previous week, I believe it was, announced yet another city added online.

They will be now flying into the New York area to Stewart Airport. And I, you know, informally was told to expect a round trip between that city pair. They were noncommittal as to exactly when. It will be a function again of aircraft deliveries and sorting out the additional cities.

But we'll also get probably another round trip to some other destination during the next year. That may be Greensboro; it may be a whole new city pair.

It's my understanding they intend to add at this point four new cities next year, and we may or may not have round trips develop out of those, or even existing cities.

So, the bottom line is you're likely to be at six flights a day by this time next year or somewhere -- I'm generalizing that -- but sometime by the end of next year.

All right. Air service expenditures. And these are what we anticipate the cost to look like based on the number of flights in and out of -- out of the airport. One flight a day, our security LEO costs, were $43,800. When you go to this three flights a day beginning December, those -- those numbers all begin to ratchet up, and they begin to ratchet up because the schedule that's posted creates a very long day, if you will, basically a 16-hour service window that's got to be accommodated from security, even staffing by -- by Galaxy. We have some operational costs.

It also begins to fall out, especially the evening flights, begins to fall out of the free service on ARFF, or the Airport Rescue and Fire Fighting services provided by Grumman. That begins to fall out of their normal working hours, and we end up picking up the tab for those fire fighters having to be on station during the airline operations.

But you can see some of those costs begin to stagnate, though, because as the time -- as the day begins to fill in, it's not adding new people; it's just the length of the day, the -- more flights can be accommodated with the same expenditure.

As in currently landside operations, personnel costs, we don't have any additional costs because we're utilizing existing staff to do that function with the middle-of-the-day flight. But as we add the evening flights, it will extend beyond normal working hours, for lack of better terms, and we will need to look at using the staff position that was funded to probably create two part-time positions in -- in an operations kind of a category to be on-site during the evening airline operations. And we'll -- we'll basically take a full-time position and create two part-time positions.

We need the part-time positions because you've got to have someone here seven days a week, and you can't -- even a part-time position, you can't ask them to be there seven days a week.

Yes.

MR. GORMAN: If in fact they need landside, why do they not add staff? Why do we add staff? That adds a liability to us should they fail.

MR. WUELLNER: This is --

CHAIRMAN BARRERA: Any airport would do that.

MR. WUELLNER: This is airport -- meeting the requirements the airport has relative to our FAA certificate and our support requirements related to the -- to TSA, and it also relates to overseeing curbside operations, which is a -- making sure vehicles move on through the curb area and monitoring the self-park area also.

MR. GORMAN: But nonetheless, if we add staff, we add our own liability, should they then --

MR. WUELLNER: Those aren't -- those aren't contractually Skybus issues. Those are airport operator issues. So, they're -- they're our issues, fundamentally.

MR. GORMAN: Then we add -- we are adding to our own liability by encumbering ourselves with more staff.

MR. WUELLNER: This is the same -- just to repoint out, this is the same staff position that is -- was identified in the budget.

It is also -- when we get to the end here, you'll see that it is -- it is paid for out of the airline -- or the revenues received from the airline. So, it is entirely within -- it's not a new cost that's not covered by a new revenue source.

MR. GORMAN: I understand the revenue. I understand where the costs are coming from. I'm just -- just we're encumbering ourselves further. That's all.

MR. WUELLNER: True.

MR. GORMAN: Thanks.

MR. HICKOX: Ed, one of the questions I pose here, going back to your security line item there, is anything -- does that have to do with any of the Homeland Security costs? Because Joe had asked me that question earlier.

MR. WUELLNER: No.

MR. HICKOX: I didn't think we picked that up.

MR. WUELLNER: No. The actual cost of -- of screening on the airport is -- is covered by -- we don't collect this, nor do we disburse it. But it's intended to be funded by the security fee that's added to every ticket purchased nationwide.

MR. HICKOX: I see.

MR. WUELLNER: It's a, I think, $2.50 fee. That's -- the program's supposed to be funded out of that nationwide.

MR. HICKOX: That's what I thought, but I just wanted to make sure.

MR. WUELLNER: But no. We -- one of the exercises we went through, and it really came down to the -- to the wire just timewise, before we started up, was getting the security function, what's called federalized, which means accepted into the federal program, the TSA program, wherein TSA covers the cost of their staff and to do baggage screening, passenger screening, those functions. So, TSA covers that cost. We do not.

MR. HICKOX: Thank you.

MR. WUELLNER: However, they do assess a $2.50 charge to every ticket.

MR. HICKOX: Well, that's fine.

MR. WUELLNER: And everywhere. I mean, it's -- and it's pooled and divided.

MR. HICKOX: User fee.

MR. WUELLNER: Yes. And then we're covered -- our TSA function is governed out of

Jacksonville.

Jacksonville has what's called a federal security director, an FSD position, that covers the Jacksonville area, goes over and covers Gainesville, covers St. Augustine, and covers Daytona Beach, as well as they cover not only airports, but ports and any other TS -- TSA, Homeland Security-related function in northeast Florida. And so it's covered out of one office up there.

MR. HICKOX: Thank you.

MR. KENDEIGH: Bruce Kendeigh. A couple of questions. What is LEO? I'm sorry, I live at 240 Redfish Creek Drive. What does LEO cost? What does that mean?

MR. WUELLNER: LEO, as we're using it here, is law enforcement officers.

MR. KENDEIGH: Okay.

MR. WUELLNER: We're required to pay deputies to -- we have to have a -- a bona fide law enforcement presence on the airport during airline operations.

They're the only ones -- and a lot of people don't understand this, but while TSA's in charge of the federal program, they have, with very few exceptions, have any local arrest capabilities. So, when a checkpoint violation happens, somebody tries to bring a knife, gun, or something through, that's handled by the local law enforcement officers. They physically make the arrest and handle the -- the paperwork. They may be charged federally lady -- later, but it's -- it's required to be done with a local law enforcement officer.

MR. KENDEIGH: So -- so, St. Johns County picks this up, correct?

MR. WUELLNER: No, sir. We pay -- we -- we pay for the service. We -- we, in effect, pay the -- with one flight a day, we just simply pay the $30 an hour rate per diem to the deputies and pay them directly. And effectively it's off-hours use of deputies.

As we move into three or more flights a day, one of the reasons the cost jumps is because the schedule spreads out and it becomes no longer cost

advantage to pay by the hour with them. We simply
now reimburse the Sheriff's Office for the
equivalent of one full-time deputy on an
annualized basis. So, as we need new, more deputy
support on the airport, we buy a deputy, in a
sense, as -- and reimburse the Sheriff's Office

through an -- through an agreement with them.

MR. KENDEIGH: Okay. The next question is --

MR. WUELLNER: So, the airline service pays for the cost.

CHAIRMAN BARRERA: And for the benefit of accounting.

MR. KENDEIGH: You mentioned the revenue opportunities. I'm watching the -- what you're telling me is that Skybus is bringing in a lot of flights, which is -- which is nice. The only thing I'm seeing is that they're coming in and they're not leaving any money here. I'm -- I'm missing something.

MR. WUELLNER: The airline --

MR. KENDEIGH: I'm pleased with they're doing a good job, but --

MR. GEORGE: This is the expenditure side of today's workshop. He'll get to the revenue in just a second.

CHAIRMAN BARRERA: He kind of did an overview
that you missed --
MR. KENDEIGH: Okay. I'm sorry.
CHAIRMAN BARRERA: -- about how he was going
to --
MR. WUELLNER: I'll get to revenue. In fact,

it's next.

MR. KENDEIGH: Okay. Thank you.

MR. WUELLNER: Sure. Any other questions on the -- I didn't see anybody else's hand, so I assume we're good.

All right. Now the other half, if you will, of the expenditure side is capital-related expenditures going to the program -- or going to the terminal.

CHAIRMAN BARRERA: It's a little fuzzy.

MR. WUELLNER: Is it fuzzy? I think it may be the way the slide's done.

MR. BRUNSON: It's just you, Kelly.

MR. WUELLNER: You -- you will have a copy of it that's way more readable at the end here, but it is -- it is going fuzzy, actually, isn't it?

All right. The upper left-hand corner talks to the terminal development costs. And you can see that we put up 11,770 square foot of building, an approximate cost of about $200 a square foot at the end, which was a total expenditure about $2.354 million, of which FDOT picked up half of that dollar figure. And the majority of the balance of the other 50 percent will be reimbursed by PFC revenues, which I'll show you those revenue expectations in -- I think they're the next slide or a couple of slides back here.

Number of flights per day, if you'll follow across there, I used 1, 3, 4, 5, and 7, 1 just to illustrate what the one aircraft or one-flight-a-day scenario is. We're rapidly going to blow through 3, and we'll settle on 4 for quite a while, or for at least a few months until they either announce a fifth or sixth type flight. But I also put 5 and 7 on there, too, so you have an idea of the order of magnitude and -- and how the -- how it affects the capital program.

Primary -- primarily from this point forward, the -- the building will handle, if -- if they'll cooperate with scheduling in the -- continued in the future, we can pretty much handle easily seven -- seven to nine flights daily. That would be the maximum number of flights that that facility could accommodate.

If those kind of numbers -- you know, if we
start getting those kind of numbers, then we'll be
having discussions on where we go from here,
because it -- we will simply have outgrown that --
outgrown that facility and we'll have to come up
with exactly how we're going to deal with that.

The primary impact is related to parking. And even sort of -- sort of joined with that is how we deal with rental cars moving forward. Obviously, we've -- we have space limitations in the main terminal area. We were successful, as you know, getting a significant amount of property out of lease from Northrop Grumman. Now, this is property the Authority owns but was leased to Northrop Grumman 30 years ago. It really had very little revenue that we were receiving off it in -- in whole. In fact, it was a part of the deferred rent compensation that existed.

We were able to get some property out of that lease, and that became the parking lot over in the terminal area. We have successfully gotten another three-quarters of an acre out of -- out of that, and we'll be able to extend the limits of the parking lot to pick up, but probably to be a total of about 225 spaces in the main terminal parking lot there, the main terminal meaning the airline terminal parking lot. So, that's the paid lot, for lack of better terms.

Currently, we have 165, I want to say, total spaces out there, none of which are being utilized by the rental car business. We are not proposing that they have any part of the -- of that main parking lot moving into the future, primarily because we simply don't have enough moving forward for general parking and it would be a significant number of spaces required to support rental car operations from this point.

We meet the objectives for one flight, and we meet the numbers through three flights. Beginning -- as soon as we move through the three-flight number, we begin to have parking problems again and will have to look at expending additional funds, assuming this is a paid lot, to -- to expand parking or continue to expand parking. We will also need to continue to grow the rental car component.

Now, at the last Authority meeting, you -- you released design money related to that, and eventually, probably in the December time line, we'll -- we'll be talk -- or probably actually

January, we'll be talking -- we'll be opening, have the bids opened, and be making some kind of recommendation relative to actually constructing that facility.

If you look down about six or seven lines from the bottom, it talks about the CRCF capital cost. That's the rental car facility. If you look across to under the fourth aircraft, you'll see that the capital costs, the Airport Authority's share of the capital costs are in there at about $250,000. So, I don't want you to think that we skipped the capital development cost there.

In year 1, you'll see that we have recognized the terminal costs, or at least our half of them, and also the revenue control, the parking equipment to use -- to do automated parking. So, we've recovered the capital costs.

Now, in flights 5 and 7, the -- any addition is entirely related to parking, with an estimated surface parking addition of about $2500 a space when you -- when you go out.

All right. Next slide. Any questions on the --

MR. GEORGE: Yeah, you made the comment, Ed,

that you said, with the first flight, we have
recouped the cost of the terminal. I haven't seen
any revenue numbers that says --

MR. WUELLNER: Well, we're not --

MR. BRUNSON: He's coming to that.

MR. WUELLNER: We're still not to revenues.

MR. GEORGE: Okay. All right. But you did make the statement, in anticipation of the next chart, that you're going to show us how we made that money back.

MR. WUELLNER: Yeah.

MR. GEORGE: Okay.

MR. WUELLNER: Well, the -- the terminal costs, as I mentioned a couple of times now, are recovered through the PFC collections.

MR. GEORGE: All right. Whenever you get to the next slide.

MR. WUELLNER: The capital costs. All right. This is the PFC revenue projections. We run enplanements across, and those match the number of flights. PFC net revenues is $6.30 per passenger. We will likely have a partial year first year -- I say "first year," but with first flight -- of $132,000 in PFC revenues that can be applied toward that.

Now, the reality is we don't have one flight. We won't -- that -- that really will never play into it. By the time PFCs are collected, you will have at least three, probably four flights going. At the four-flight number, your PFC annual revenues are about $1.15 million. So, you can see in the first year of revenue collections, PFC revenue collections, you effectively wash -- there's about a hundred thousand dollar difference here. But you effectively wash the Authority's share of the terminal development cost. Yeah.

MR. GEORGE: Say that again.

MR. WUELLNER: You -- you collect PFC dollars, all right? You collect that. That comes to us. It's collected by the airline and is transmitted monthly to the Airport Authority.

MR. GEORGE: Right.

MR. WUELLNER: We can only expend that for projects that are eligible for PFC collections.

MR. GEORGE: I understand.

MR. WUELLNER: All right. Among those projects is our half of the original terminal development. So, the first thing we do is pay us back out of PFC collections.

We will -- we should, in the first year of

PFC collections, get at least $1.147 million in revenue, which when you compare that to our 50 percent cost of the terminal, which the previous page showed you at $1,250,000, you can see you're about $100,000 difference from having all of your terminal paid in the first year of PFC collections. And, of course, if you collect more PFCs, you could pay yourself faster.

MR. GEORGE: So, you're saying the first year of PFC collections is what the number that is shown under the four flights a day --

MR. WUELLNER: Correct. That would be minimum.

MR. GEORGE: Those four flights a day --

MR. WUELLNER: Because you already have four flights a day.

MR. GEORGE: -- are not going to happen until the second year.

MR. WUELLNER: We're not dealing with years.

CHAIRMAN BARRERA: They start in December.

MR. GEORGE: When?

CHAIRMAN BARRERA: Well, in December.

MR. WUELLNER: Your three flights starting in December --

CHAIRMAN BARRERA: One in January.

MR. WUELLNER: -- your fourth flight in January. Don't -- don't think fiscal year. I'm talking year beginning collection.

CHAIRMAN BARRERA: Calendar.

MR. GEORGE: All right.

MR. WUELLNER: You're just -- we're not

talking fiscal year.

MR. GEORGE: I understand.

MR. WUELLNER: We're talking year from collection startup. Of course, if a fifth or sixth flight comes on, you can see how the PFCs jump to about $300,000 per aircraft flight added.

Now, after you pay yourself back the first year, that money's available to any capital development program on the airport that is -- that supports commercial airline or cargo transportation. So, you can use this for taxiways, instrumentation, apron, pretty much anything that's directly related to air carrier or air cargo operations.

CHAIRMAN BARRERA: But with that, that has to be a common use area.

MR. WUELLNER: Correct: Yeah. Yeah, you cannot use -- you cannot lease space proprietary to someone, that is correct, much like the same reasoning behind you can't use PFCs for a parking lot. It's a revenue-producing item directly, so you're not going to be able to use it. Yes, sir.

MR. HICKOX: Ed, I'm awfully dense, but what is the -- what is the source of the PFC money? How is that -- how is that found?

MR. WUELLNER: It's -- it's added on to the cost per ticket.

MR. HICKOX: Okay. That's --

MR. WUELLNER: It's -- if you bought a ticket recently, you'll see flight segment fees that are right there listed with taxes and security fee. And they're only legally allowed to charge you, I think it's two flight segments on any -- any one flight. So, if you -- your ticket goes through three airports, whatever they're charging is added through two airports. After that, they can't collect it anymore. That's why we adjust it downward to -- from collecting the entirety of what's assessed.

MR. HICKOX: All right. Thank you.

MR. WUELLNER: And the federal government regulates the maximum. We have to -- we have -- the PFC program is regulated by the FAA, and we have to report and -- and talk all about the details of how -- of what's collected and how it's expended, and all that has to be approved by the airport, the FAA, and has to be sort of tacitly agreed to by the airlines.

MR. HICKOX: Well, that answers an essential question that I think probably started most of

this proceeding, is that was the one source that
nobody knew about, I guess.

MR. WUELLNER: Sure. Well, we've been talking PFCs, but we've not quantified it. And, you know, as I said, we didn't slow down long enough when we were getting the thing together to -- to put all of the details together for everybody to -- to make this kind of a presentation.

MR. BRUNSON: And, Wayne, you're exactly right; this is what prompted this. I've been through this with Ed, and you're right.

MR. HICKOX: Yeah, we've been through it together, as a matter of fact.

MR. BRUNSON: Yes. Exactly.

MR. WUELLNER: Yeah. And -- and legally, you will be able to collect PFCs until you no longer have eligible capital projects to spend the money on. At the point you have nothing else you want to build or need to build to support that commercial air and cargo service, at that point you will no longer be able to collect PFCs.

MR. HICKOX: Even for general maintenance?

MR. WUELLNER: Correct. That is not usable for that.

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MR. HICKOX: Very good.

(Mr. Brunson leaves the room.)

MR. WUELLNER: Any other --

MR. KENDEIGH: Go ahead.

MR. GEORGE: First thought that comes to mind is smoke and mirrors. Okay. We do budgets on when we're going to spend money, when we're going to receive money, and this, that, and the other. I see these numbers, and I see four months to process an application.

MR. WUELLNER: Uh-huh.

MR. GEORGE: Well, I think you already got -- have to define your project and have your costs on your project and everything, so that could make it a year and four months.

MR. WUELLNER: That's -- actually, we're -- we're pretty far along. We're already ready to -- to submit the draft application to FAA for them to look over.

(Mr. Brunson enters the room.)

MR. WUELLNER: And then once that looks like it's okay, we'd be bringing that back to you guys to -- to sign off and submit. And they're telling us it's really only a 30-day window. From the time you submit it formally, they have to make a determination within 30 days.

MR. GEORGE: Okay. The other thing that -- another piece of that puzzle that concerns me is, these are projects that are oriented toward commercial service. I know we have the projects now because we've already spent the $1.2 million to build the -- you know, the hangar that we are using operationally as a terminal.

MR. WUELLNER: Right.

MR. GEORGE: But at what point in time do we stop increasing things for -- for commercial traffic? I don't see us building another Jacksonville or Daytona Beach here.

MR. WUELLNER: No, no, no.

MR. GEORGE: So, if we're not building, then we're not getting the money. And so that's the smoke and mirror, you know?

MR. WUELLNER: Don't -- don't -- you know, I was going to say --

MR. GEORGE: I can look at the $2 million, but if I don't have a project that costs $4 million --

MR. WUELLNER: You do. Projects that are eligible include, and would likely be funded, is the extension of Taxiway Bravo. It supports commercial airline service by its development. It is unlikely, as a GA airport, to get priority in any sense of the word for normal FAA grant funds. It just wouldn't -- wouldn't cut it.

PFCs expedite that process. Any widening, lighting projects, anything that -- strengthening projects, anything that needs to be the funds expended, the environmental development costs, the environmental studies surrounding Taxiway B or -- or anything else, all of those --

(Mr. Burnett enters the room.)

MR. GEORGE: You mean like environmental studies to extend the runway in the event --

MR. WUELLNER: In the event -- right now, there'd be no reason to. The A319 doesn't require runway extension. It fits very well within what we have. That's the other good thing about that airplane.

MR. GEORGE: Okay.

MR. WUELLNER: But, yes. I mean, if you -- if there was a technical reason you needed to extend the runway, it could be an eligible cost under PFCs. It cannot be -- you cannot collect funds indefinitely. They have to be, you know, identified on projects. You can periodically update that -- that list of projects as -- as you go forward, but the initial collection will certainly support -- support the PFC.

MR. GEORGE: Okay.

MR. WUELLNER: Do you still have a question?

MR. KENDEIGH: On the PFC revenue projections, is there a number, a round number from Columbus to here to Lauderdale? Is there a number? Because you mentioned just two airports. The third, the no more PFC projections. Is there a number -- for instance, if I flew from here to Columbus to someplace, PFCs going to charge and we get some money out of this, how much -- how many dollars to me?

MR. WUELLNER: Okay. We determine up to the maximum that FAA --

MR. KENDEIGH: Okay. The maximum.

MR. WUELLNER: -- what they approve, which is a maximum of $7 per enplanement. So, per outbound ticket, it's always based on enplanements. So, the inbounds don't matter in terms of collecting revenue for us.

MR. KENDEIGH: Outbound only.

MR. WUELLNER: It's only outbounds.

MR. KENDEIGH: That's fine.

MR. WUELLNER: Okay?

MR. GEORGE: And if we fly here to Columbus, and they go from Columbus to California, that's another outbound, another 7 bucks on the ticket. So, it --

MR. WUELLNER: Not to us.

MR. GEORGE: -- doesn't take a cut out of ours.

MR. KENDEIGH: Not to St. Augustine.

CHAIRMAN BARRERA: No, it doesn't affect us.

MR. WUELLNER: And -- and the other good thing is we don't -- we don't lose a lot of that under any circumstance, because the way the airline is set up now, you don't -- there are no connections. You're not -- just because you go to Columbus first, it's a separate ticket purchase, so therefore, you really wouldn't have a revenue reduction on the -- assuming it was $7.

What you do -- what they do allow is the

airline collects, you know, much like any good
agency, they get something like 3 percent of
the -- to administer the program, because they do
all the accounting. They collect it and they have
to account for it and they have to send it to us.

MR. GEORGE: Okay.

MR. WUELLNER: FAA through DOT or -- and DOT, it's their program. And the idea is that it was to provide obviously another revenue source for commercial airports, which tended to be more expensive-type improvements because of the aircraft weights and dimensions that would involve versus light GA.

MR. GEORGE: Could this -- could this in any way be construed to mean money that would come to us that we could use for building more corporate hangars?

MR. WUELLNER: No.

MR. GEORGE: Or private hangars?

MR. WUELLNER: No.

MR. GEORGE: Building another runway on the other side of --

MR. WUELLNER: No.

MR. GEORGE: -- U.S. 1?

MR. WUELLNER: Unless that runway were

commercial service.

MR. GEORGE: Okay.

MR. WUELLNER: Then, yes, in theory you could use the money for that.

MS. SUTHERLAND: Or cargo.

MR. WUELLNER: Or cargo. But -- but, no, it cannot be used for, quote, unquote, general aviation projects exclusively. For instance, I couldn't build a light-duty taxiway someplace for GA out of PFC revenues, because it wouldn't -- it wouldn't be supporting airline service.

Now, you're still eligible for FAA grants --

MR. GEORGE: I understand.

MR. WUELLNER: -- on top of that. And another piece of this that I really don't even deal with today, but your enplanements number, again, also provides a minimum entitlement to the airport that can be used for any general -- any project on the airport. So, it does not have the same strings as a PFC.

MR. GEORGE: Okay.

MR. WUELLNER: And the minimum entitlement -- they're working on a new legislation. But the current minimum entitlement is $800,000 a year, and it's based on enplanements. So, if you have

10,000 enplanements, you're going to get $800,000 a year in grant money that you determine where it goes as long, as it's FAA eligible otherwise, the project is. But that could be used for GA for -- for -- depending on the circumstances, you may or may not be able to do some hangars, because they do allow some hangar development now with the new program -- or the most recent program. We wouldn't qualify just because we don't get enough.

MR. GEORGE: Yeah.

MR. WUELLNER: But likely with the enplanements numbers you have, your minimum entitlement would exceed a million dollars annually. As you add enplanements, you get -- you get more money per enplanement.

MR. GEORGE: Okay.

MR. SLINGLUFF: Ed, the -- on your projections, what was the load factor you used?

MR. WUELLNER: These are 80 percent load factors on 144. So, we're using these smaller of the two aircraft in the system and estimating it, so it's 115 passenger daily.

MR. SLINGLUFF: Okay.

MR. WUELLNER: Okay. This one's even harder to -- or to see because of the -- again, you'll have these charts you can look at. Are they so bad you can't see it? Yeah.

MR. BURNETT: Can you zoom in and scroll down?

MR. BRUNSON: I can see parking.

MR. WUELLNER: I don't know how.

MR. KENDEIGH: Ed, there's a lot of gray out here.

MR. WUELLNER: Why don't we go ahead and hand those out. You made some black and whites, too, right? Why don't we just hand those out and it will be easier to see and follow along. It's the same stuff that's on the screen or that -- the charts are, anyway. And we're looking at the last sheet right this second.

Now, this is a per-aircraft -- basically a per-flight revenue generation. The top section -- one flight generates an annualized number of 42,048 enplanements when you do the math out. That's 115 passengers per day, 365 days a year. Which, since we started in July -- in July, has been the number. We are -- you know, it's not a pie-in-the-sky number right now. That is what it's generating.

MR. KENDEIGH: That is enplanement, correct?

MR. WUELLNER: Enplanements.

MR. KENDEIGH: Okay. We get how much for enplanement?

MR. WUELLNER: That's what we're going to talk about.

MR. KENDEIGH: Okay. Sorry.

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MR. WUELLNER: Now, industry typical revenues -- now, these are numbers that would be -- actually came out of Port Columbus. So, these are coming out of the Skybus home base, if you will. These are the revenues that would -- would typically show up of what their expectation is per enplanement.

They would generally expect to get $4.50 per enplanement for parking. You can see there's a food and beverage, retail, advertising, vending, ground transportation components. The other big ticket item is in rental cars, which generate a total of about $7.19 per enplanement, is the airport's expectation in Columbus.

Now, you have to tweak those to come down to St. Augustine, because Columbus is what is called an O & D city, an originate and destination facility, meaning it has basically the same number inbound/outbounds, as what -- so the numbers balance, let's put it that way. So, you're looking at 50 percent.

They make an adjustment or recommend an adjustment to us which is downward in some cases and upward in others. And the reason is, being a destination city, not a strong originate city as they -- they forecast it, we would have more people arriving here from out of the area -- area than just returning home in Columbus.

So, as a result, where their numbers are $4.50 in parking, our parking numbers will be less per enplanement. However, where we get the offset is that rental car revenues are up because we have more visitors, therefore, more rental car transactions per passenger or -- and a higher value of rental car transaction per passenger.

So, we'll have parking numbers that are lower. Now, this is revenue per passenger. But we'll have rental car parking numbers that are higher than what they'd expect in Columbus per enplanement.

When you make those adjustments, you come down to the bottom of the same page, and you can see that currently -- now, this is -- I plugged in the auto parking revenue, and we are currently

generating $2.65 per enplanement based on the
first month of operation in parking. I expect
that to creep a little bit, but that's based on
the $5 a day per vehicle in the lot.
And these are -- that's based on an actual
number. That's not based on a forecast. So,

where I had real data, I shoved it in there for you.

The other obvious important one is car rentals. And you can see where Columbus projects at $2.25 an enplanement; we'll be at $3.33. And part of this -- this generates from two things. One is the percentage of passengers that actually rent cars. The fact that Florida and the airline seem to be attracting a fairly high number of family travelers, which is in -- is actually generating a larger car revenue, meaning a -- the cost to rent the vehicle is more per vehicle, and the average rental as reported by the rental car companies is at four and a half days per rental. Yes.

MR. GORMAN: We just voted to actually establish a car rental facility across the way, across U.S. 1. And at these rates, are you talking about -- and at that meeting, you said

that we could amortize this -- this facility in
six months.

MR. WUELLNER: Uh-huh.

MR. GORMAN: At this $3.33 rate, will that,
again, six-month amortization projection hold
true?

MR. WUELLNER: Yeah.

MR. GORMAN: It will.

MR. WUELLNER: You're talking --

MR. GORMAN: At 80 percent.

MR. WUELLNER: We are -- yeah. The four flight a day -- I'll just put this in your -- your stuff for your PowerPoint for your regular meeting next week. But the rental car -- because we're -- because we're talking about the rental car agreements. And subject to your approval of those agreements next week, the method of -- of how we lease or how we control rental cars will change dramatically.

With the approval of those agreements, the Airport Authority will now receive, or would receive beginning in December, 15 percent of the rental contract value. Entirely different than the method we previously were doing. We basically had a facility lease for them. We did have a few small fees, a dollar for the wash rack and I think $2 per delivered vehicle.

This changes that method to a percentage of the sale, percentage of the rental contract, regardless of how -- it's delivered out of the facility. Regardless of whether it's a local rental, somebody came up here and rented or it's a arriving passenger, we will get 15 percent of every car delivered out of that -- out of the rental car facility. That generates the first year, based on four flights alone, over $640,000.

MR. GORMAN: And the rental car companies have not established any resistance to that to you?

MR. WUELLNER: No.

CHAIRMAN BARRERA: It's standard.

MR. WUELLNER: The only -- which is typical out there, is that they're allowed to pass the cost on to the customer. They -- they charge a concession fee. That's how it's done at all other airports.

CHAIRMAN BARRERA: That's standard.

MR. WUELLNER: And all of that money is ours.

MR. GORMAN: Believe me, I know about it. I rent a lot of cars.

MR. GEORGE: You own a lot of cars.

MR. GORMAN: I rent a lot of cars.

MR. WUELLNER: And I'm kind of talking in advance of the next meeting, but it does play into the revenue. In addition to that, the rental car facility, we charge -- what we've agreed to do in the lease, again, subject to your ratification next week, but what we've agreed to do is divide the operating costs of that facility among the three companies that would occupy it, plus 20 percent. So, we get 20 percent more than it actually costs to operate that facility.

MR. GORMAN: So, again, the amortization six months at $3.33 would then come true --

MR. WUELLNER: That's in --

MR. GORMAN: -- within about 70 to 80 percent.

MR. WUELLNER: And that's another -- and that's another revenue.

MR. GORMAN: At four flights.

MR. WUELLNER: Plus, we get a thousand dollars a month per company occupying the facility. So, you've got another $36,000 thrown in there in the course of a year in just that thousand dollar fee.

MR. BRUNSON: Ed, do we still have one rental car company that we have to negotiate with?

MR. WUELLNER: We have three rental car companies. All three are generally on board with us.

MR. BRUNSON: Okay.

MR. WUELLNER: And now this -- this will take the place of the lease -- as we mentioned it when we were talking about the engineering fee at last month's meeting, we -- this will take the place of the occupancy in the terminal by those companies with one small exception. The -- the FBO would still be a Hertz local franchisee, meaning they will be able to rent to their GA customers out of that facility.

MR. BRUNSON: Maybe that's what I meant.

MR. WUELLNER: All other operations from Enterprise, Hertz, and Avis are subject to the consolidated rental car facility and those fees, charges, and the like. So, it's a -- it's a huge revenue number that comes on the heels of having airline service, that these -- we were looking at annual rental -- revenues on rental cars, if my memory's correct, in the $12- to $16,000 a year number. That's what the lease value is of what we lease them today. So, there's that much revenue on the table by just changing the structure of the agreement.

MR. BURNETT: And then one step further, Ed -- not to interrupt your flow -- but one step further is, although we'll have the three operating out of the primary facility, any other rental car company that shows up later and wants to come onto the property, they would have to enter into a similar-type agreement, less -- less having the facility.

MR. WUELLNER: Right. We will be developing both -- both access types agreement -- type agreements where they're not in that rental car facility. But you are charging them to access here to pick up and/or drop off customers from off airport location. You don't get away with that for free anywhere else. Yes, sir?

MR. KENDEIGH: Just one question there. You said the thousand dollars per month for a car rental company.

MR. WUELLNER: Uh-huh.

MR. KENDEIGH: Obviously, the operating expenses or costs, there's insurance, there's that type of thing. The car rental companies are going

to maintain their own insurance, or do we cover,
out of pocket would the Airport Authority spend to
make this thousand dollars per month for -- for
company?

MR. WUELLNER: The thousand dollars a month
is not -- has no deducts on it. And we directly

recover our operating costs of that facility, which would include insurance, electric, water, maintenance, anything that needs to be.

We even have a provision in there right now that in the event we believe we're not getting appropriate or proper accounting of those vehicles leaving that facility for purposes of our revenue generation, that we reserve the right to put a person there to physically inventory the cars leaving that facility at their expense.

Now, that is divided among the three companies that occupy the facility, plus we charge a premium of 20 percent above that number. So, not only do we get our cost back, but we get 20 percent more than that, plus a thousand dollars a month, plus 15 percent of all the contracts written out of those facilities.

MR. KENDEIGH: Okay. So, we pay the insurance for that facility, the Authority.

MR. WUELLNER: Only related to the physical plant, yes.

MR. KENDEIGH: Correct. Correct.

MR. WUELLNER: But we -- we do all our facilities.

MR. KENDEIGH: What kind of -- what kind of numbers would that be as far as -- I mean --

MR. WUELLNER: It's -- I don't know I can get you an easy answer, and the reason is that our -- all our physical property is lumped together in a single property insurance policy, and it -- it could be almost nothing, because it's not a huge value. I mean, a half a million dollars in new relative to $30 or $40 million of insured assets. So, it's -- it's not going to jump it much. And whatever that number is, that's what we charge them, plus 20 percent.

MR. KENDEIGH: Thank you.

MS. SUTHERLAND: Alice Sutherland, 15 Davis Street. I just wanted to mention the fact that with the -- the terminal paying for itself with the PFC funds and, you know, the matching DOT funds, coupled with, you know, this facility paying for itself in six month is just nothing short of spectacular. That's just brilliant financial management.

And as a taxpayer, I appreciate it. And I can't wait until, you know, there's six months or a year has passed and then we start seeing that as solid revenue. That's like profit coming in every year from all of those things. So, I'm just real

impressed, and I just wanted to say well done.
Thanks.

Oh, one other thing. With the car rental facility going across U.S. 1 and the revenues coming in from the car rental fees and that sort of thing, there's also additional opportunity for revenue coming in from other transfer companies, taxis, shuttle services, things like that, because that's sort of the norm at other airports.

Having been a travel agent for over 20 years of my other life, there's -- there's just all sorts of fees that we're used to seeing and advising the travelers about that, you know, as potentially income revenue to the airport.
Thanks.

MR. WUELLNER: Really good point. And we've already got Doug on developing some of those agreements for taxis and limo access to the terminal.

MS. SUTHERLAND: Good money.

MR. WUELLNER: Well, it will be. You know, it's not tremendous with one flight, but as you add flights it, you know, obviously gets -- gets exponentially bigger.

All right. With that, you end up generating a $6.42 per passenger, per enplanement -- and careful I say that -- per enplanement revenue.

So, when you bottom line that -- again, I summarize the operations going across the top, or I should say the number of flights per day and the number of operations that generates. When you plug in the revenue per passenger, plug in the fuel flowage fee, with an average of a 1200 gallon uplift at 8 cents a gallon, per flight's about $35,000; per flight per year is the fuel flowage fee alone. That $6.42 generates on one flight about $270,000 in revenue, bringing the total revenue expectation from one flight a day to $304,988.

When you subtract out the operating expenses, which we -- was one of the first slides we looked at, that just kind of plug back in here, your net return is about $140,000, $141,000 on one flight, keeping in mind we're not going to be at one

flight. We'll be at least at four flights,
meaning the net return to the Airport Authority,
that's -- that's taking out the additional staff
costs, that's taking out all of the expenses we
can identify, which are also detailed in what you
have, at four flights a day is $737,000 of new

revenue that can go directly to offset your -- your desire to be off the ad valorem tax rolls.

That extends out to six flights a day, you're looking at over probably $1.1 million range of new revenue that came on the heels of having airline service. That's after you pay the expenses related to having it. Plus, opened up new grant funds.

MR. BURNETT: Which isn't on -- that's not -- that -- that comment about grant funds is not taking into account figures --

MR. WUELLNER: Yeah, I didn't. I honestly just forgot to show it here. And it is a function of enplanements. And that program's say fixing to change here because they're -- they're actively reworking the whole airport -- not airport so much, but the FAA act that -- that covers everything from the airline tickets to fuel taxes to all the add-ons and the programs.

MR. GORMAN: Again, these revenue figures are
based on 80 percent --
MR. WUELLNER: Correct.
MR. GORMAN: -- of the actual capacity of the
aircraft.
MR. WUELLNER: Of capacity of aircraft, which

is the outbound --
CHAIRMAN BARRERA: The smallest of the two.
MR. WUELLNER: -- numbers we've actually been realizing. We have been -- we have been doing 80 percent --
MR. GORMAN: I might add --
MR. WUELLNER: -- since we opened the doors.
MR. GORMAN: -- it also is projected on the survival of the -- of the firm.
MR. WUELLNER: Their -- their revenue estimates are even lower. What I mean is their -- their percentage of breakeven is in the sixties. So --
CHAIRMAN BARRERA: Most --
MR. WUELLNER: -- it's showing solid -- solid performance on both sides. You know, and the best we can do long term is obviously monitor load factors and all of those things moving forward. I mean, you may find some market segments don't

generate 80 percent. We don't know that yet.

MR. GORMAN: That's my point. That's -- that would be the point, is that some flights on these new startups do not generate high passenger. It's been my own experience with Pan Am, for instance.

MR. WUELLNER: Yeah. And the other thing

we've got to continually monitor is the revenue per passenger in the -- in the categories you have here. You know, your parking revenues are based at $5 a day. I mean, that's a -- a third or so of what you're paying at Jacksonville.

I'm not saying they should be $15. What I'm saying is you have the ability to increase parking rates. This was entry-level revenue that I'm projecting across the number of flights. So, you can decide after the first of the year parking is $8 a day.

MR. GORMAN: Of course --

MR. WUELLNER: Pick a number.

MR. GORMAN: Of course, it's like Sanford; it makes the satellite airport more desirable to have the lower fees, and at least certainly initially.

MR. WUELLNER: Well, we -- we've satisfied that part of it by creating the type of agreement we did with the airline. So, you should be continually attractive to not only Skybus, but to other entrants, if they should decide this is a place they want to serve.

See, the -- the long -- as I mentioned really early in this, that, you know, the reason that other airports have the kind of agreements -- for instance, you've all heard where incentives are offered to airlines. We didn't do that. We didn't have to do that in this -- in this -- for this reason alone: We weren't stuck with old airline residual agreements that require us to offer essentially those same terms to everybody that comes in. So, with having no original service, the slate's open to take a different approach to the revenue side of this.

What they turn around and do at many of those airports is offer an incentive that offsets the rent they charge.

CHAIRMAN BARRERA: Like tax the hull.

MR. WUELLNER: Or reduces it dramatically. And that incentive runs for a period of years. It varies by airport and by airline and what they're willing to do. But it can be -- I've seen them out as long as five years. So, they'll basically offset the rent with an incentive. So, they're operating at no cost to them.

Their issue is, what's the bottom line to them, whether you charge me and pay me back for it or don't charge me on the front end? And certain market -- and, you know, certain airports desire -- you know, their communities, larger communities in many cases are looking for additional airline service, particularly to certain markets. And they pay incentives based on an airline willing to come in and provide that service, that city pair.

CHAIRMAN BARRERA: And, Ed, correct me if I'm wrong, but didn't Skybus receive economic incentives from some of the cities that they serve?

MR. WUELLNER: Had huge ones from Columbus.

CHAIRMAN BARRERA: And also --

MR. WUELLNER: They got them from Greensboro.

CHAIRMAN BARRERA: Right. Right.

MR. WUELLNER: We have the same kind of arrangement that does the Hartford one. I believe Portsmouth is very similar to our arrangement. Charlotte County is basically the same arrangement we have.

The smaller airports are following a pattern much closer to ours because they didn't have service, so they weren't limited in how they could construct it. So, whether they're going into Oakland or Burbank or, you know -- well, Seattle actually was a separate airport, too. But when they're going into the main airports because it's the only thing available, they're getting stuck with -- with airline agreements that essentially mirror what's already there and then get incentives on the other side.

CHAIRMAN BARRERA: Right.

MR. BRUNSON: Ed, what was the number you said of flights that this present terminal might service before we --

MR. WUELLNER: We believe eight or nine is probably max.

MR. BRUNSON: So, how about somebody like Vintage Prop that might be talking to us?

MR. WUELLNER: No.

MR. BRUNSON: Would -- could we handle them without additional space?

MR. WUELLNER: Yeah. Yeah. That's the other kind of good thing in the way we developed, is that the terminal is common use. While it currently only has one user, if Vintage Props

comes there, as long as we can make their flight
schedule work with --

MR. BRUNSON: Okay.

MR. WUELLNER: We've got to work it out
between them. But they wouldn't -- to me, that
doesn't even count as one of the nine. Because

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you're not -- you're talking 20 passenger-type airplanes. You're not talking dumping 150 people in the building. That's where the -- you know, kind of where the difficult part is. The Skybus flights are up to, you know, 150 people being in the terminal at one time --

MR. BRUNSON: And the --

MR. WUELLNER: -- keeping up essentially everything.

MR. BRUNSON: And the other comment I -- you've answered my first question here about this is similar agreements that Portsmouth and -- but the bottom line is that this airline could have -- would have not, could have not come here unless we entered into this kind of agreement.

MR. WUELLNER: I think you could easily make that argument. I can tell you, they -- when they saw the price structure at Jacksonville -- this has been shared with me. But when they saw their price structure at Jacksonville, Jacksonville was out of the game.

The only other real contenders were Gainesville, which had geographic issues in that they didn't feel like they had enough population willing to drive basically a difficult road setup right now to get to Gainesville to take those flights. So, there's not enough core population.

And the other was Daytona. And Daytona has, you know, a series of residual agreements with other carriers that kept their -- their costs per enplanement higher, too.

CHAIRMAN BARRERA: And, Randy, I would just add to that that I have been approached by people who are at other airports, as a board member, and they specifically ask me, "What kind of financial incentives did you provide to get Skybus there in St. Augustine?"

MR. WUELLNER: That's common.

MR. BRUNSON: I think that happened in South Florida to us at a convention down there. But -- but I will have to say that all my life in business, I've looked at the worst side of things, and we have to be guarded, in my personal opinion, that everything is based on the success --

MR. WUELLNER: Sure.

MR. BRUNSON: -- of Skybus. So, I think we should caution ourselves to be real particular of capital expenditure and things that we do to make sure that the revenue service, service the debt.

MR. GORMAN: Along those lines, that -- my --

my point I was trying to make before about additional staff, although we budget additional staff doesn't mean we need to put on additional staff.

I would certainly like additional staff if -- because of that idea, to be part time, and of course it's transparent that the airlines' usage of them is paying for them so that we are -- they are not permanent employees of the Authority should the enplanements go down to the point where they're cutting flights down and such and such and so and so.

MR. WUELLNER: Or the schedule'd change.

MR. GORMAN: Right, exactly.

MR. WUELLNER: The schedule'd change dramatically and that was all --

MR. GORMAN: So that we haven't -- we haven't made promises to a number of different people for full-time employment that we are then beholden to keep. That would be along Randy's thinking.

MR. BRUNSON: Just like the fire fighters.

MR. GORMAN: Exactly.

MR. BRUNSON: Enplanement cut, and then --

MR. GORMAN: Exactly.

MR. BRUNSON: -- we cut -- cut expenses.

MR. GEORGE: Well, you're talking about costs that are directly associated with the operation.

MR. BRUNSON: Uh-huh.

MR. GEORGE: But there's some other benefits, too, if you look at our financial plan. We were talking about Taxiway B extension that's in our financial plan. But if we can get money from this operation to do our 50 percent of it, now this has just also helped out our capital improvement.

MR. BRUNSON: If the PFCs come in, yes.

CHAIRMAN BARRERA: Yeah, Randy, I would want to also remind you, and I'm not sure if you remember this or not -- and I know that Mike can definitely speak to this point. But that construction of that hangar or the remodification of that hangar has two backup contracts should something happen with the -- with air service.

MR. BRUNSON: Yes.

CHAIRMAN BARRERA: So, that is covered either way --

MR. BRUNSON: Yeah.

CHAIRMAN BARRERA: -- for -- for revenue.

MR. BRUNSON: And that's one of the reasons we went along with it.

CHAIRMAN BARRERA: Right, because it was very conservative.

MR. BRUNSON: Multipurpose.

CHAIRMAN BARRERA: Right.

MR. BRUNSON: The only thing we -- you know, we've got security equipment and other things that somebody hanging a plane doesn't need. But that's -- we decided to do it the way we did it.

MR. WUELLNER: Well, and I would interject the critical time line here is really about a year from beginning of PFC collections, whenever that ends up being marked in time here. After a year, you're broken even on everything you've invested all the way down the line.

MR. GORMAN: At the 80 percent.

MR. WUELLNER: Yeah. You have -- you have broken even on everything that's been invested by anybody into the facility.

MR. BRUNSON: Okay. But say --

MR. WUELLNER: I mean, it's not by way of a guarantee, but I'm just saying that --

MR. BRUNSON: But in your opinion --

MR. WUELLNER: -- the recovery is that quick.

MR. BRUNSON: In your opinion, has anything we're doing with Skybus and the PFCs that we have to spend on -- helped us in any way with our becoming self-sufficient?

MR. WUELLNER: Absolutely. This --

MR. BRUNSON: With the car rental, we can use that revenue.

MR. WUELLNER: You can use these --

MR. BRUNSON: And we can use parking revenue. We -- just we can't use the PFCs for certain things.

MR. WUELLNER: Right. PFCs are not even in this up here. That bottom line there is new revenue, you can expend any way you wish. You can bank it, you can appropriate it, you can do whatever you wish.

MR. GEORGE: Maybe even use it to replace tax dollars.

MR. WUELLNER: Exactly.

MR. BRUNSON: Thank you.

MR. TUCKER: Ed?

MR. WUELLNER: Yes, sir.

MR. TUCKER: I had a quick question. I don't really understand the enplanement numbers on the top column. I understand how you got the 42,000. That's 144 times 80 percent times 365. That's $42,048. And three of them is three times that amount, but four of them is not four times that

amount. So, what happened with the four flights?
Four, five, and seven are different numbers.

MR. WUELLNER: You know what? I think we changed the base aircraft to the 155-seat aircraft.

MR. TUCKER: So, it's a larger aircraft after those?

MR. WUELLNER: It's the same airplane. They have several configurations. All of the new airplanes they're getting, which start deliveries in December, are all 155-seat aircraft.

MR. TUCKER: So, we just assume that because it's a bigger aircraft, it's still going to go to 80 percent or --

MR. WUELLNER: Yes.

MR. TUCKER: Build it and they'll come.

MR. WUELLNER: So far, they are, unfortunately.

CHAIRMAN BARRERA: Not unfortunately. It's a positive thing.

MR. BRUNSON: I didn't hear.

CHAIRMAN BARRERA: I said not unfortunately.
It's a positive thing. It's good for the taxpayers, it's good for the local economy, it's good for the area, and it's what people have been

asking for.

MS. SUTHERLAND: For tourism.

MR. GORMAN: I agree with you, Kelly. The counterpoint to that is as long as we can minimize any expenditures now that we do not absolutely have to have, because -- so that we are not any gambling at all, in other words, so the whole thing, their enplanements go down, they cut flights, poof, we're going to wash out, we cut to -- cut to plan B.

CHAIRMAN BARRERA: I agree, we have to be very conservative.

MR. GORMAN: That's the point. I mean, that's the counterpoint to what you just said. I don't mean to be a wet blanket, but...

MR. WUELLNER: And I agree with you to this point, though. You've got to make whatever baseline continuing investments you have to accommodate the numbers you're -- the numbers involved with those flights. And as I mentioned earlier, we're good through three flights.

You know, we believe what we've got in place in the context of parking and the like, there's no additional expenditure required to accommodate up through that number. But as you start going through four flights, if those -- those loads are indeed 80 percent of those aircraft, we're going to quickly run out of paved parking places -- spaces there, so we may need to make additional -- we would approach you, obviously, but we would have to make additional investments --

MR. GORMAN: So, you would say the only --

MR. WUELLNER: -- to continue the revenue.

MR. GORMAN: The only thing that would then encumber us besides additional staff that we talked about would be additional parking.

MR. WUELLNER: Exactly. That's -- that's the critical path --

MR. GORMAN: Those are the two -- those are the two costs. One is an operational, one is a capital.

MR. WUELLNER: Correct.

MR. GORMAN: All right.

MR. WUELLNER: Up till the level of eight or

nine flights. You know, at that point, we've got
to rethink the whole thing. Yes, sir.

MR. KENDEIGH: Bruce Kendeigh. Just so I understand, you mentioned the Pease and Greensboro airport had a similar contract than -- than we do?

MR. WUELLNER: No.

MR. KENDEIGH: They don't. Okay.

MR. WUELLNER: No. They have -- they have existing airline service and are limited to the same structure of contract that those airlines have also. So, when you go into any airport with airline service, I can tell you 99.9 times out of -- you're going to have to have an agreement with the airline that's coming in that mirrors what's already in place with the other -- other airlines. That -- that comes on the federal side.

You can't offer a different lease, so to speak, for a similar facility to anybody that comes in. It's going to be the same.

Now, what they do -- where maybe I lost you was what they do is then offer an incentive package that -- it effectively offsets the rental that they're charging a new airline when they're developing new service. But -- but they're going in and executing, I'm quite sure, an agreement

that matches what they're getting from every other
airline up there.

MR. KENDEIGH: So, we don't get any landing
fees or -- or lease fees for the -- for the --

MR. WUELLNER: No.

MR. KENDEIGH: -- hangar? No weight fees, any of that sort of thing.

MR. WUELLNER: No, sir, not at this point.

MR. KENDEIGH: But they -- they get --

MR. WUELLNER: They do that because that's how their other agreements are structured. That's the old traditional airline model --

CHAIRMAN BARRERA: And conversely --

MR. WUELLNER: Or airport model, I should say.

CHAIRMAN BARRERA: And conversely, we are not paying any economic incentives to bring them here, as -- as opposed to Greensboro, who is.

MR. KENDEIGH: They're paying it --

CHAIRMAN BARRERA: Economic incentives to get the company to come. They did. If you go and research it, you'll find it.

MR. KENDEIGH: All right. That's fine.

MR. WUELLNER: The -- yeah, the net cost to the airline is essentially the same as what we charge them, which is nothing.

MR. KENDEIGH: Right.

MR. WUELLNER: For the first five -- I don't know what it is, three- or five-year agreement they have with Greensboro. But it -- but it offsets what they pay in rent. It -- they reimburse them, in a sense, for new market development. They -- they posture it that way at those airports.

MR. KENDEIGH: It just seems like they're getting revenue from Pease and Greensboro that we're not getting to the Airport Authority.

MR. WUELLNER: That they're getting -- well, Pease had -- Pease had some airline service, so they had the same kind of a deal. This is greatly enhanced over what they did have.

Now, Westover, as an example, the Hartford location, that's more in line with how we're doing it.

MR. BRUNSON: Also Portsmouth.

MR. WUELLNER: Well, Portsmouth is -- is the one I'm talking about. That is Pease.

MR. BRUNSON: Yeah, okay.

MR. WUELLNER: That's the old Pease Air Force Base.

MR. KENDEIGH: Right. Right. Thank you.

MR. BRUNSON: Ed, may I ask a question? You made a statement that the -- the figures here for adjusted industry revenue for us is better on the car rental because we're -- people are coming in.

MR. WUELLNER: Yes.

MR. BRUNSON: And the gossip on the street is that more people are going out than coming in. Is this documented that we do have --

MR. WUELLNER: Actually, it is pretty much even in and out.

MR. BRUNSON: Okay.

MR. WUELLNER: This last month -- again you're stealing my slide from Tuesday's meeting, but there's one passenger difference in and out last month, for a whole month. You have 3385 passengers outbound, 3384 inbound.

MR. BRUNSON: And you had something on the table here the other day that showed the economic impacts and the per day that people spent that the University of Florida --

MR. WUELLNER: That's coming up.

MR. BRUNSON: Right. That -- which is really good information.

MR. WUELLNER: That's coming up, so...

MR. BRUNSON: Oh, is it?

MR. WUELLNER: Do you have a question? I thought I saw your hand up.

Okay. Anyway, plugging it in the financial model, you can see while -- it's hard to tell off of that and I'll get you clean copies of this.

But the -- the first year, not the highlighted year, the year next to it, which is current -- the new current-year budget, most of those items, we -- we just put in what was adopted, all right, so it's -- it's not been adjusted in any way. So, beginning the year 2 column, you'll notice that the revenue begins to come up significantly, especially in the -- under the classification of operating expense -- operating revenues, I'm sorry.

(Mr. Brunson leaves the room.)

MR. WUELLNER: The dramatic jump in the total dollars is a result of grant, the capital program with some grants programmed out there that may or may not come to pass in the -- the capital program, about $11 million, which again, is always 80 percent of our budget.

But you can see by year 3, as it's shown here, which is the last year that you're currently planning to be on ad valorem taxes, you generate essentially a profit, for lack of better terms, of $1.3 million going into the next year. And you can see from that point on, beginning year 4 up there, the '10-'11 fiscal year, there's no ad valorem from that point on.

Now, keep in mind some of the bottom-line number there is money that's being tracked on your PFC revenue, some residual PFC. So, you will -- you'll expend some of that as the projects come up. So, that's not what I would call true profit at the bottom. It's an accumulated fund, sort of a sinking fund for future capital projects.

So, everyone done that with that one? Okay. All right.

Economic impact explained. There are two components to the economic impact. The first one is construction costs, which is a single-year economic impact. So, it doesn't have any residual benefits in that sense. And we explained that this way: Construction costs, terminal cost, approximately $2 million. There's an economic multiplier that applies to that that equals $3,040,000, based on $2 million, which is a 1.52 multiplier. When you add the two together, you have an economic impact one time strictly related to construction of $5,040,000. And that's using the AOPA Guide to Obtaining Community Support Local Airports publication which uses standard economic forecasting tools to develop the economic impact.

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There's also other modeling sources out there. This is the one that our consultant had chosen to use to develop this one, but there are other models out there, including those developed by the University of Florida.

CHAIRMAN BARRERA: Ed, can you explain to everybody what an economic multiplier is? Because I think that sometimes people get lost in what that is and what that means.

MR. WUELLNER: It's -- it's determine -- the multiplier is determined on the type of business. And they use a larger multiplier to simulate the number of times that dollar passes through your community. And that can be -- you can call it local, you can call it whatever. It's just whatever that dollar touches when it comes into your community.

(Mr. Brunson enters the room.)

MR. WUELLNER: And unfortunately, really, construction costs, it doesn't go too awful far in your community. It's passed approximately one and a half times within your community before it in theory exits your community.

Some businesses, the highest rate -- the highest types of multipliers are applied to industrial uses. A good example is when you do something like Northrop Grumman, because the -- the revenue sources for Northrop Grumman are not dependent on how much St. Augustine or St. Johns County residents buy of Grumman's product. It's dependent on how much somebody else buys of Grumman's product. We don't -- we don't sell E-2Cs locally. And that's the easiest way to explain it.

So, as a result, when that money comes in to pay for an E-2C, it passes through your community any number of times. And I think currently it's in the six times number that that dollar -- because what they're paying their employees, paying their suppliers locally comes through your community six times, is my recollection, six something. And that was using the old RIMS II model at the University of Florida. And they ascribe that multiplier by type of business.

Service businesses, restaurants, things like that typically have very low multipliers, because all they're doing is continuing to pass the same dollar. It's not new money in your community.

Manufacturing, industrial uses is new money in your community, and the theory is that it passes more often.

So, it's about $5 million economic impact to -- to Florida by building the terminal. You'll find that with all -- pretty much all capital projects, you're going to have that kind of multiplier. And I don't think it's even atypical to airports. I think it's more just construction in general, at least commercial construction.

Second component is the air carrier activity. This is arguably a little -- little more squirrely than the other, because that's easy to come up with. But using the 144-seat airplane at 80 percent load factors, that brings in a daily number of 115 passengers. That's just -- that part's simple math.

The typical Florida visitor spending, now this is $276 a day. This came out -- and I'll cite the source here at the bottom. But this came out of our TDC here locally. That also is a

3.5-day stay in Florida.

Again, do the math, three and a half days times 150 -- I don't think I changed the numbers. But anyway, it's $111,090 a day. I didn't carry the right number into the equation. My apologies.

So, the impact, in theory, is $111,000 times

365 days a year generates $40 million in impact, not in revenue. That's two -- they are two different things.

If Skybus generated $40 million in revenue to the airport, there would be no reason we were on tax rolls. And we'd be able to, you know, pave the runways in gold. Not that that would be a need.

MR. GEORGE: Ed, where'd the $156 come from?

MR. WUELLNER: $156, I believe, is what -- I picked the $276. I have the wrong number. I think it's supposed to be $156.

MR. GEORGE: Okay.

MR. WUELLNER: I didn't get it corrected. Those two numbers should be the same.

MR. GEORGE: But we're taking three and a half days as a multiplier, and then doing 365 -- oh, I see what you're saying. Every passenger --

MR. WUELLNER: Per plane.

MR. GEORGE: Every passenger that comes in. Okay.

MS. SUTHERLAND: Everyday, they're bringing that number of people here.

MR. WUELLNER: In theory.

MS. SUTHERLAND: Staying 3.5 days.

MR. WUELLNER: Where -- where I say it gets squirrely is really this number, because I believe that the TDC has probably has spent a lot of money determining what they actually spend in your community and how long their average stay is. I'm quite comfortable the base data's fine.

What you could argue -- and, you know, you're free to argue because I don't disagree with you -- is that when you -- not everybody arriving on every flight is indeed a visitor to the State of Florida, or to St. Augustine for that matter. They are maybe -- you know, you could pick a number here. Is it 50 percent of the airplane, are, you know, tourists arriving in -- through here? I don't know that number. So, it's as high as $40 million if everybody was a tourist. But the odds of it being all tourist is pretty -- pretty unlikely.

CHAIRMAN BARRERA: So, it's up to.

MR. WUELLNER: Up to that number.

CHAIRMAN BARRERA: And that's -- that's based on 80 percent load factor.

MR. WUELLNER: Correct. It's -- it's adjusted relative to what the load factors we've got, but it's not adjusted to what percentage on the plane is actually a tourist.

MR. GORMAN: Well, it's certainly true, even if -- even if you halved it to 20 million --

MR. WUELLNER: It's still huge.

MR. GORMAN: -- it's still a positive economic impact.

MR. WUELLNER: It's still huge.

MR. GORMAN: So, in fact, if this thing works, it's good. I mean, you --

MR. WUELLNER: Exactly. And that's per flight.

MR. GORMAN: -- don't have to even extrapolate it to 80 percent and even go to a hundred --

MR. WUELLNER: And even using your -- your $20 million number, which I'm not necessarily disagreeing with you on at all, times four flights, you're now at an $80 million economic impact for four flights. Big number.

MS. SUTHERLAND: I just wanted --

MR. GEORGE: Should that math line also be multiplied down to 115?

MR. WUELLNER: You did it at the one above it. The math is 115. No --

MR. GEORGE: A hundred and fifteen passengers are coming in per day, so that's 115 passengers times 3.5.

MR. WUELLNER: I may not have --

MR. GEORGE: I'm just wondering how that math, 3.5 and 156 gets to $111,000.

MR. WUELLNER: You're exactly right. I missed a -- when I brought it off the sheet, I missed the -- you're right.

MR. GEORGE: Okay.

MR. WUELLNER: The -- the total's correct.

MR. BRUNSON: Arithmetic is right at the end.

MR. GEORGE: Huh?

MR. BRUNSON: The arithmetic carried out is right.

MR. WUELLNER: Right, the total -- the total's the same.

MR. GEORGE: Okay.

MR. WUELLNER: But we do miss the 115. It's times 115 also.

MS. SUTHERLAND: Ed, can I make a comment?

MR. WUELLNER: Sure.

MS. SUTHERLAND: I just wanted to speak to the average stay of the visitors, because the TDC figures that we're using -- there's no way that they've been able to collect the figures with the new -- I mean, we haven't had commercial service here before when they were collecting figures. So, we're talking about average stay in Florida, 3.5 days based on maybe somebody flying to Disney or people driving in from Georgia, Alabama, that kind of thing.

I think we're going to find, as we move forward, that those figures are going to change. This airport and the airport board is collectively going to do what the TDC has been trying to do for over 20 years, and that's bring the long stay of visitor to St. Augustine and to Florida.

So, you're going to see that change when we start collecting numbers after the commercial service has been active here for a while in St. Augustine. And we're going to see five- to seven-day average stays, if not longer. So, that impact is, you know, a minimum, in my opinion, just with what I do with tourists daily now, I'm

expecting that to grow considerably. So, it's
still a real good thing.

MR. GEORGE: But one of the piece that
puzzles me a little bit is we're talking about 115
passengers a day. What percentage of those
passengers already live here and, therefore,

they're not considered a visitor to Florida that's going to spend $276 or $156?

MR. WUELLNER: Yeah. That's a great question because we don't know that. That's what I'm saying --

MR. GEORGE: If you consider that half of them, then it's $20 million.

MR. WUELLNER: Exactly.

MR. GEORGE: Okay.

MR. WUELLNER: Exactly right. And one of the things the State of Florida's been actively working, especially last two years, because they saw their average stay in the state coming down, is that people were either choosing other destinations or not spending as much time in the state when they did visit. And it's come down to that kind of a number. It was originally over five days, was the original -- I want to say it was 5.3, some reason sticks in my mind, was the average stay in the state. And it's down to 3.5.

So, part of why they go out and aggressively market nationwide is to bring -- try to bring the average stay up. You know, and places like Disney and others, obviously, are key players in the total, bringing the total number of days up.

MR. BRUNSON: Ed, I'd like to apologize to the board and to you, but I'm going to have to catch up with the rest of the presentation you give --

MR. WUELLNER: I'm pretty much done.

MR. BRUNSON: -- because I've got a function. I've got to change clothes and go.

(Mr. Brunson leaves the meeting.)

MR. WUELLNER: I'm pretty much done here. In fact, I was.

MR. GEORGE: Your apology is not accepted.

CHAIRMAN BARRERA: Do we have any questions? Mike?

MR. WUELLNER: No, you can't have the revenue.

MR. GEORGE: Can we have -- can we have copies of that economic impact chart?

MR. WUELLNER: Yes.

MR. GEORGE: Okay.

MR. SLINGLUFF: Have you looked at the breakeven analysis? Sixty-two percent is the -- really, the go or no-go point for the flight, for a load factor. If you ran the entire year at 62 percent and then throw in some worst-case scenarios, I think we could -- we could see --

MR. WUELLNER: Come up with the low end expectation, sure could.

MR. SLINGLUFF: You know, what's the critical path and where the breakeven point is.

MR. WUELLNER: Feeling that you're probably at risk at below 62 percent for having it at all.

MR. SLINGLUFF: Yeah. Yeah. I think -- I think they start analyzing whether or not that flight is viable. And I know from watching the industry at 58 percent, that's when they start claiming that it's weather or mechanical and, oh my gosh, that -- that flight was canceled.

MR. GEORGE: Yeah.

MR. WUELLNER: Yeah. Something wrong with the airplane suddenly when the load factors drop off consistently.

MR. SLINGLUFF: Yeah.

MR. WUELLNER: We can easily do that. That's a simple -- simple exercise here, is to take it

down to -- to 62 percent and see what, you know,
you can --

MR. SLINGLUFF: I think that would give
everyone --

MR. WUELLNER: See what the worst --

MR. SLINGLUFF: -- more of a comfort factor than betting on the larger side.

MR. WUELLNER: Well, that --

CHAIRMAN BARRERA: Any other questions or comments? Doug?

MR. BURNETT: I have one -- one quick one before we break, is I was in a hearing and could not get out, and the building I was in, the phone wouldn't work, so I couldn't get word that I was going to be running late. I apologize for that.

The other practical comment that I will comment as a citizen for a minute, which is I bought four tickets in February round trip to Greensboro, and it was right at 200 bucks for four round trip tickets, which is pretty neat. And what I found out about the Greensboro area researching online is High Point is 12 miles away, which is the furniture capital of the world.

MR. GEORGE: That's going to cost you more than 200 bucks.

MR. BURNETT: Yes. So, that's why I'm making the trip.

CHAIRMAN BARRERA: Worthwhile trip, I can assure you, speaking from my own previous experience.

MR. WUELLNER: Well, I -- I just kind of hope you get some understanding of the order of magnitude, anyway. I mean, it's not an exact science anywhere in this. But -- and it is dependent on how many people actually show up to some degree.

MR. GORMAN: I think Mr. Slingluff's point is -- is well taken. In other words, if in fact the airline can do their breakeven point, then these projections will come true. That's the only reason I'd like to stay very conservative as to what we spend at this point forward. But -- and just to cross our fingers and hope for the best.

CHAIRMAN BARRERA: I agree.

MR. WUELLNER: Shortly after we met last time, you know, when you met as an Authority, and you asked the question about recovery on the rental car, you know, I knew, based on what I knew at the time, what the recovery was likely to be, and it was very strong. That's why I made the comment I did.

But since that time, they announced another flight, and -- and when you backed it back in, you know, suddenly down -- you're down to as little as three or four months recovery of the Authority's share on this. So, I mean, that's -- that's pretty darn strong. I mean, we don't have anything else we do that would recover that fast.

Now, obviously, it is dependent on service, so I think that -- but even after the cost is recovered, if the structure of the agreements don't change, there's still something out of it. It -- it's not going to be the, quote, unquote, gold mine that, you know, it looks like it is today, but...

And the other thing that -- a little bit pessimistic in that we're only talking about it as it relates to enplanements, especially rental car revenues. The reality is there's a percentage and -- and maybe Michael has a better handle and that I have no idea, but I suspect it's at least 20 percent of the rentals that are being done today are nonairport, nonaviation-related rentals, you know, coming for other reasons from other places to rent a vehicle for whatever reason, everything from their car's in the shop to whatever. So, there's a piece -- there's even an additional I think revenue component available here that you still get a cut from.

MR. SLINGLUFF: I think it's more in the magnitude of 35 percent.

MR. GORMAN: You're saying that, for instance, you have -- of course, you're going to be less competitive in the market for those people renting off an airport, I can tell you from my own -- from my own --

MR. WUELLNER: True.

MR. GORMAN: -- experience.

MR. WUELLNER: It's probably true. So, the percentage probably will drop. But that's not even in here. I mean, we didn't even try to deal with that. We just dealt with it as a function of enplanements.

MR. GORMAN: That's fine. As enplanements.

MR. WUELLNER: Yeah. So, if there's other stuff that generates out of the -- out of the GA facility or other GA uses, that's still in the queue also.

CHAIRMAN BARRERA: Do we have any other questions or comments?

Okay. I'm going to go ahead and adjourn this meeting.

(Meeting adjourned at 5:14 p.m.)

AIRPORT AUTHORITY WORKSHOP - NOVEMBER 8, 2007

REPORTER'S CERTIFICATE

STATE OF FLORIDA)
COUNTY OF ST. JOHNS)

I, JANET M. BEASON, RPR-CP, RMR, CRR, FPR, certify that I was authorized to and did stenographically report the foregoing proceedings and that the transcript is a true record of my stenographic notes.

Dated this 15th day of November, 2007.

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

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