

TITUSVILLE – COCOA AIRPORT AUTHORITY

The regular meeting of the Titusville - Cocoa Airport Authority was held on May 18, 2006 at 8:00 a.m., at the Titusville - Cocoa Airport Authority Office at 355 Golden Knights Boulevard, Titusville, FL. The following members were present: Jay G. M. Schenck, Chairman; Larry Runyon, Vice Chairman; Patricia Patch, Treasurer; Dr. Matthew Boucher, Secretary; Veronica Clifford; Ken Rivard; Scott C. Carr, C.M., Executive Director; and Mr. Timothy Pickles, Esq., Airport Attorney. Philip Napolitano was absent.

Roll Call

Mr. Jay Schenck requested the roll be called and determined a quorum was present.

Approval of the Titusville – Cocoa Airport Authority Minutes

Mr. Carr reported that there were no minutes completed for approval, but Staff would try to have them completed in the near future for approval by the Board at an upcoming meeting.

Public Comment

Mr. Schenck announced that there was one speaker card handed in by Mr. Tony Yacono, Brevard Aviation Association (BAA), and asked if he would like to speak at the beginning of the meeting rather than wait to the end. Mr. Yacono replied that he would and stated that he wanted to address the fact that he had sent an email to the Authority two months ago which had not been addressed.

He stated that the t-hangar waiting list had not been updated and that he had asked for a method of identifying the new t-hangars and neither of these items had been addressed. Mr. Yacono mentioned an issue with grass growing through the apron at the Merritt Island Airport and wondered why that had not been taken care of by the Authority. He also stated that he had requested information on Staff pay increases and it had not been provided to him.

Mr. Yacono stated that he had listened to the past two Board meeting recordings, and suggested that the Board members listen to them also. He stated that the Authority was focusing too much attention on corporate aviation and should be focusing more on small businesses.

Mr. Yacono stated that he had heard about an upcoming 3.6% CPI increase on t-hangar rates and thought it was much too harsh. He added that he would like to know what that figure was based on and would like to see documentation supporting it.

Mr. Yacono closed his comments by stating that the tenants were the Airport

Authority's customers and he thought it was time that the Authority started to listen, ask questions, and do some homework.

Mr. Scott Carr addressed Mr. Yacono's issues regarding the t-hangar waiting lists and information on the new t-hangar numbers. Ms. Clifford remarked that she had asked Staff about the waiting lists and had been informed it was up-to-date. Mr. Carr stated that the list was not updated on a regular basis, rather whenever there are additions or subtractions to the list to actually reflect. Ms. Kimberly Paschke, Administrative Assistant, addressed Mr. Yacono stating that if he didn't see what he wanted on the website, he was welcome to contact her and she would either fax or email him any updated information. Mr. Yacono stated that Ms. Paschke had his fax number and could provide him with that information at any time. Ms. Clifford asked if updated information had been previously sent to Mr. Yacono, to which Mr. Carr replied that it had via email. Ms. Paschke stated that she would again email the most current waiting lists to Mr. Yacono after the meeting.

Ms. Clifford asked Mr. Carr if Mr. Yacono had received maps of the new t-hangar numbers. Mr. Carr presented an email as evidence that he had sent the information to Mr. Yacono per his request. Mr. Yacono then stated that he had received the information, but what he wanted was an explanation of why the Authority derived the new system of numbering the t-hangars. Mr. Carr stated that the issue was addressed at the last Board meeting, but asked Mr. Michael Powell, Operations Supervisor, to explain it again. Mr. Powell gave a brief explanation and stated that Staff used the most systematic approach so that emergency personnel could have a more reasonable expectation of the numbering layout as they approach the buildings. Mr. Powell also stated that the system was based on input from emergency responders and also with regards to coinciding with Sheltair's current Staff approved numbering system. He added that towards the end of June there would be an annual training session with emergency responders which would all a forum for them to provide feedback on the new system. Discussion ensued.

Mr. Carr addressed the grass growing through the apron issue, stating that Operations Staff has periodically checked on that and were continuing to work on it as time allowed. Mr. Powell explained that this was a seasonal issue and that as the growing season approached Staff was trying to systematically keep up with it.

Mr. Carr addressed the pay increase issue, stating that Staff members receive a merit pay increase on the anniversary of their date of employment based on reviews completed by their supervisors as has been discussed in the past.

Mr. Carr stated that regarding the issue of general aviation vs. corporate aviation he felt that they were one and the same. He added that the Authority was not in the market to chase scheduled commercial airline passenger service. Mr. Yacono stated that what he meant was actually a national type corporation. He discussed the extension of Runway 18-36 at Space Coast Regional Airport in 1999 and that it showed intent of wooing a major airline. Mr. Schenck stated that to his knowledge there had never been an offer to have a commercial airline come in to provide

scheduled passenger service. He added that any pilot would beg for a longer runway for safety reasons. Mr. Carr stated that the extension was completed to address concerns of existing users, such as United Space Alliance. He reviewed the four phases of the Board approved Runway 18-36 extension and rehabilitation project, stating that the fourth phase had not been started yet because improvement of existing infrastructure was higher on the priority list than extending a taxiway to a runway end that is the least used by aircraft at the airport.

Ms. Clifford told Mr. Yacono that the major issue she saw was that although the Authority was trying to do the best they could, due to limited Staff not everything could get done as quickly as he would like it to. She suggested that perhaps tenants could meet with one of the Board members from Merritt Island Airport with their questions and requests and that Board member could bring those comments back to the Board at a future meeting. Discussion ensued.

New Business

Item A – Approval of Preliminary Fiscal Year 2006-2007 Budget & Submission of Proposed Ad Valorem Tax Request to Brevard County for the Fiscal Year 2006-2007 Budget Cycle.

Mr. Carr gave an overview of the agenda item stating that the budget process had begun and Brevard County was requesting the Airport Authority's proposed Fiscal Year 2006-2007 operating budget and ad valorem tax millage for the upcoming budget cycle. Mr. Carr stated that Staff had prepared a balanced budget and that there were a few items he wanted to bring to the Board's attention. He stated that every year it got more difficult to balance the budget as costs continued to increase in some cases at a significant pace. Mr. Carr distributed a property insurance premium history and explained that in 2000 the insurance premium was \$44,812.00 and for the coming year it had increased to \$185,041.00. He stated that over the last couple of years the Authority had not had any significant rent increases other than an annual CPI increase which was not keeping pace with items such as insurance. He stated that the insurance premium increase was based on escalating property values as well as the recent string of hurricanes and 9/11. Mr. Carr also stated that there was 2% deductible for wind and hail, but since the Authority was in Brevard County's insurance pool and the County did some self-insuring that amount could be less if a claim was filed. Mr. Carr stated that Staff had initiated an independent analysis of the property insurance but that quotes had not been received yet from the various insurance carriers. Discussion ensued amongst the Board.

Mr. Rivard noted that the format of the budget was different from the previous year. Ms. Debbie Jimenez, Finance and Administration Supervisor, reminded him that it was per request of the Board to show more detail on this year's reports. Ms. Clifford commended Ms. Jimenez, stating that the budget was much easier to read over last year's version.

Mr. Carr reviewed the pie-charts and explained that looking at the proposed revenue chart that the operating budget comprised 89% of the overall revenue, ad valorem tax revenue was 10% of the proposed budget, and non-operating revenue was 1%. He stated that in the revenue allocation for Fiscal Year 2006-2007, the operating fund comprised 86% of the budget, debt service was 12%, and renewal & replacement was 2%. Mr. Schenck asked if 2% was enough for the renewal & replacement fund. Mr. Runyon stated that it probably wasn't, but looking at all the obligations that the Authority had, one thing that limited the overall services that could be provided to the tenants at the time was the understaffing of the Authority. Mr. Runyon stated that he wondered where the money would come from to add additional Staff to provide better services, increased communication, and support for the airports that Mr. Yacono was concerned about if that 2% figure was increased for renewal & replacement out of a budget which was already shrinking without any additional new revenue sources. He added that Administrative Staff had already been reduced to add the Facilities Staff. Mr. Runyon stated that the only way to increase that renewal and replacement fund was to find new or increase existing revenue sources. He added that the ultimate decision on how to address this critical issue was not going to make everyone happy. Discussion ensued.

Ms. Clifford had a couple of question regarding FYTD Actual Revenue. She wanted to know if that revenue was for a 5 month period. Ms. Debbie Jimenez replied that it was. She also wanted to know if the Projection to Current was for an entire 12 month period. Ms. Jimenez replied that based on what the Authority had received for the past 5 months it was projected for the remainder of the current fiscal year. Ms. Clifford asked about the lack of rent from tenants who had hurricane damaged t-hangars, and whether or not that had been taken into account. Ms. Jimenez stated that rent had been calculated in the first 5 months, so that amount was used to calculate the year. Mr. Schenck asked if there were still buildings where people weren't paying rent. Mr. Carr explained that several t-hangars were currently under renovation at Space Coast Regional Airport and at Merritt Island Airport there were still a few hangars left that needed to be renovated. He stated that the tenants were not currently paying rent, but the Airport Authority would receive Business Interruption insurance for them because the facilities would have been fixed a long time ago if the insurance carrier would have paid out the claims for the 2004 hurricanes. Mr. Carr further stated that unfortunately, only approximately \$186,000 had been received to date. Discussion ensued.

Mr. Carr stated that FEMA had sent a check for \$43,000.00 on the prior Tuesday, and it would cover some of the outstanding damage repairs. Discussion ensued amongst the Board regarding the hurricane damaged t-hangars and other commercial facilities.

Ms. Clifford asked Ms. Jimenez to explain what vacancy rate meant, to which Ms. Jimenez replied that it was the amount of rent that would be lost due to a t-hangar not be occupied. Ms. Jimenez replied that a 3% vacancy rate was taken out to keep the Authority from losing too much out of the budget when there might be a hangar

that's vacant for a small period of time. Discussion continued amongst the Board.

Ms. Clifford asked if the new numbers reflected any t-hangar rent increases. Ms. Jimenez explained that there was a 3.6% CPI increase built into the figures. Mr. Rivard stated that he would like to get rid of CPI for a couple of years because it was a "license to steal" from the tenants. He suggested the Airport Authority cut operating expenses to make up for the CPI increases to t-hangar tenants. Mr. Carr stated that the Airport Authority's operating costs continued to rise, and the current CPI wasn't even keeping pace with the costs being charged for goods and services from its vendors. Ms. Clifford stated that from what she saw, the Authority's rental rates were not up to par with everyone else's at comparable airports. Mr. Rivard stated that that rents at Melbourne were only \$220 a month for a t-hangar.

Mr. Runyon stated that the t-hangars were important, but it was also important to maintain the airfield infrastructure. Mr. Rivard stated that grants should be used to build new t-hangars, adding that grant money was available at the 80% matching level from Florida Department of Transportation (FDOT) – District 5 for new t-hangar construction. Mr. Carr agreed that the grant money for new t-hangars was eligible; however, it was considered an economic development project which was always the last item on the list for FDOT grant funding priorities. Mr. Carr also stated that he believed the current t-hangar rents were below current fair market value. He stated that the Board had previously passed a policy to conduct a real property fair market value appraisal every five years with CPI increases in between the appraisals on an annual basis. He stated that the upcoming appraisals would be done on all Airport Authority owned properties. Mr. Carr stated that the most recent fair market value increases in 2002 were based upon a study conducted by Slack & Johnston of Miami, FL which was completed in May 2002. He added that it was a common method of how airports determine their fair market value and comply with the FAA and FDOT grant assurance provisions that state airports must maintain fair market value and be as self-staining as possible. Dr. Boucher asked how the last appraisal was paid for. Mr. Carr stated that the funding came out of the operating budget.

Mr. Rivard argued that an analysis was done with 20 pilots at 17 airports around Florida and that it showed that the Authority was \$40 per month high on t-hangar rents. He added that FAA and FDOT really didn't care what the Authority charged its tenants. He stated that due to that previous analysis there was a 15% increase in t-hangar rents applied to rents over a two year period and then the tenants were nailed for the 3% CPI the next year, which was the fault of Mr. Gregory Popp, a former Board member. Mr. Schenck corrected Mr. Rivard stating that Mr. Popp actually went for one large adjustment to get rents up to date, but it was the collective whole of the Board that actually voted to do it in a staggered approach over three years with CPI increases after that annually. Mr. Rivard argued that the Authority was receiving public money through its grants so the t-hangar rents should stay as low as possible.

Dr. Boucher asked Mr. Carr if he knew exactly what t-hangar rents were at the

Melbourne International Airport. Mr. Carr referred to Mr. Todd Anderson from Holland-Sheltair who was in the audience and has t-hangar facilities at that airport. Mr. Anderson stated that Mr. Rivard was right in that there was a difference; however, it was a market driven difference because the t-hangars in the \$220.00 range were 20-30 years old and the rents may not have been adjusted recently. He stated that in the private sector, his company was getting \$350 for their t-hangars and they were booked solid with a waiting list. He stated that they were getting ready to build another building consisting of 15-16 more t-hangar units.

Mr. Rivard argued that there was no doubt commercial money could be used to build t-hangars and that they could be rented and that the Airport Authority was a government entity and it shouldn't be run like a business. Ms. Clifford asked Mr. Rivard how he thought the Authority was going pay for all the additional costs in the future such as increasing insurance costs.

Mr. Schenck acknowledged Mr. Patrick Corr from Helicopter Adventures, who asked Mr. Pickles, legal counsel, if he thought there was a conflict of interest that an Authority Board member who was a t-hangar tenant was advocating that the Board's position should be that the t-hangars should operate at a subsidy to keep the rents low, while just moments ago that same Board member had stated that commercial tenants should pay fair market value and that existing leases shouldn't be assigned in the future but renegotiated to help increase revenue. Mr. Pickles stated that the Board was a dependent appointed body and even if there was a conflict the member could state their position; however, when it came to a vote if there was an allegation that a particular vote on an issue would benefit someone and that person voted on it, it could be an ethics related issue. He stated that the gain or loss would have to affect the Board member directly and in the issue of t-hangar rents it could arguably contribute directly to that persons gain or loss. Mr. Pickles stated that the conservative approach would be that if that individual in any way could benefit from the vote they should abstain from that particular vote.

Mr. Carr remarked that he wanted to make a correction to Mr. Rivard's earlier comment regarding the analysis of airports, stating that the correct number of airports analyzed was eight by Slack & Johnson. Mr. Carr also wanted to remind the Board that all the commercial vendors that provide goods and services to the Airport Authority operate as businesses and as their operating costs increased the Authority's costs increased; thus, the Authority needed to operate as a business. Discussion ensued amongst the Board.

Dr. Boucher asked for an explanation of what the Board should actually be discussing in this particular process of the budget review. Mr. Carr explained that Staff was presenting a balanced budget to the Board based on current expenses and the anticipated expenses from vendors for Fiscal Year 2006-2007. He stated that at this point it was still a tentative budget; however, Brevard County had asked that the Authority transmit a tentative budget for review by the following day. Mr. Carr suggested that as the budget was already balanced, Staff could transmit it to Brevard County and if the Board were to choose to direct Staff to get quotes for

another fair market value appraisal, Staff could come back with bids and then in June or July timeframe, the Board could decide if they wanted to move forward with that analysis. He stated that it does need to be done for commercial properties as stated in the lease agreements and the fee for the new fair market value analysis was included in the proposed budget under consideration. Mr. Carr stated that the appraisal wasn't just for setting and adjusting rates, but also for the determining net worth for insurance related purposes. He also stated that Brevard County does appraisals of their real property on an annual basis. Mr. Carr recommended that the Authority start the cycle of generating that report now because it would allow for a conclusion before the Fiscal Year 2006-2007 began on October 1, 2006. Dr. Boucher stated that the report could be used as justification to explain why rents were in need of an increase. Discussion continued amongst the Board in regards to CPI and fair market value.

Mr. Schenck requested that the Board go through the budget page by page. Mr. Rivard stated that he believed the \$35,000 Renewal & Replacement fund should be a lot larger. Mr. Carr stated that the Board should keep in mind that in the maintenance budget there was also an additional line item for t-hangar maintenance and repair. He added that the Renewal & Replacement item was a statutory requirement to meet the obligations of the Enabling Legislation. He stated that there was also additional funding in the operating budget for capital expenditures. The Board determined that the Renewal & Replacement amount was not a set figure by the Enabling Legislation and was basically a rollover fund and not mandated. Discussion ensued.

Mr. Schenck called a 5 minute recess, and upon returning called the meeting back to order and asked if there was any further discussion from page 1 of the proposed budget. He asked if there were any comments from page 2, to which there were none.

The Board discussed page 1 of 5 for the Revenue Analysis. Mr. Schenck noted that there was a 3.6% CPI increase reflected. Dr. Boucher stated that he would like to clarify with Mr. Carr that the Authority was moving forward with the comparative analysis and it would be available to implement on October 1, 2006. Mr. Carr stated that if that was the wish of the Board, Staff would be happy to facilitate that process. Mr. Carr also recommended that Staff could go ahead and advertise for the analysis and then selection of the firm would come back to the Board for approval. Mr. Rivard argued that the analysis wasn't necessary.

Mr. Schenck asked if the analysis shouldn't be done in 2007, since it was supposed to be done every 5 years and it was last one was completed in 2002. Mr. Carr answered that based on the five year cycle the new rates would be implemented beginning with the Fiscal Year 2007-2008 budget which begins on October 1, 2007. Discussion ensued between Dr. Boucher and Mr. Rivard. Mr. Carr asked the Board for direction in the matter. Mr. Schenck replied that now was not the time, but they would come back to the issue at a future date.

Mr. Schenck asked Mr. Carr about the now vacant building that was previously used as a church at Arthur Dunn Airpark and if that revenue was taken out of the proposed budget. Mr. Carr stated that it was. Mr. Schenck asked if there was any other use for the building and if there had been any interest. Mr. Carr explained that there had been quite a bit of interest; however, all of the proposals had been incompatible based on the Board's decision. Mr. Rivard stated that he thought the Board didn't want anyone in that building. Ms. Patch stated that she understood that the Board wanted to rent the building out, but not for residential, churches or schools. Discussion ensued.

Mr. Schenck asked if there were any questions from page 2. Ms. Clifford had some questions about fuel flowage. Mr. Carr explained that at Arthur Dunn Airpark and Space Coast Regional Airport the Authority receives \$0.05 for every gallon of fuel that's delivered by the fuel vendors into the tanks. He stated that Staff was tracking historically what had been done to make sure everything was in line. He stated that he felt the numbers had been inflated over the past few years to meet revenue goals, so Staff revised the numbers to reflect realistic revenue projection goals. Mr. Rivard asked Mr. Carr if he could provide him with a fuel flowage summary for Space Coast Regional Airport for the past three years, to which Mr. Carr stated that he could. Discussion continued amongst the Board.

Mr. Schneck asked the Board to move on to page 3. Mr. Carr discussed Buildings 40, 41 & 43, which were not due for CPI increases; therefore, they were not reflected. Ms. Clifford asked why they weren't subject to CPI. Mr. Carr stated that it was because it was an older lease agreement and that all of the new lease agreements had CPI plus a 5 year appraisal requirement. Ms. Clifford asked where Building 43 was at the Space Coast Regional Airport. It was determined that it was Aero Metals. Discussion ensued.

Mr. Schenck asked if there were any questions from page 4. Ms. Clifford asked about the Condo Hangars at Merritt Island Airport. Mr. Carr explained that it was a third party development. Ms. Clifford asked why the Citrus Groves and PAA Development numbers had not changed. Mr. Carr stated that they were ground leases. He explained that there were still leases that had been in effect prior to the 5 year appraisal policy being set by the Board, so the older leases were not subject to the new policy. Mr. Pickles, legal counsel, stated that there were times that in a long term lease some of those issues could be renegotiated as approved by the Board. Ms. Clifford asked if the rent for the rental houses at Arthur Dunn Airpark was ever increased. Mr. Carr stated that the monthly rental amounts did get re-evaluated, but at this point they had not been increased as part of the proposed budget. He added that the rental structure stayed pretty constant with what was going on in the community with other comparable houses.

Mr. Schenck asked the Board to continue on to page 5. Mr. Schenck asked Ms. Patch what she thought the chances were for a business operating out of the former church building at Arthur Dunn Airpark. Ms. Patch stated that it depended on what the business was, perhaps used for storage, but she didn't know how to go about

market it. Mr. Carr stated that one challenge was that the City of Titusville had a plethora of vacant commercial properties available that had more open area and fewer restrictions than the church property. Mr. Schenck asked when the lease was up for the church. Mr. Carr stated that they had moved out on April 30, 2006. Ms. Clifford offered her assistance to help find a tenant for the building. Mr. Schenck stated that his only comment was that revenues from rents was increasing by \$51,000.00 but insurance was increasing \$84,000.00, so there was a deficit of over \$30,000.00. He asked the Board members that when they talk to their Commissioners to please let them know that expenses were going up.

The Board discussed ways the Authority could bring in more revenue. Mr. Carr stated that he felt the Authority should be charging permit fees for all commercial operators that utilize airport land, such as rental car companies or canteen trucks. Mr. Carr stated that in 2001 the Authority did away with percentage fees from subleases and it could possibly be reinstated. Mr. Rivard stated that it really wasn't a lot of money and Staff would need to increase to keep track of it.

Mr. Schenck suggested the Board move on to the operating budget. Mr. Carr wanted the Board to make note that allocated benefits went up 7.3% as well as the property and casualty, which went up 82.6%. Ms. Clifford asked Ms. Jimenez about the Total CMP line. Ms. Jimenez stated that it was total compensation for personnel. Ms. Clifford stated that the Authority was paying 33% compensation above employee's regular pay. Ms. Jimenez stated that the prices on medical, dental and vision were set by Brevard County. Ms. Clifford asked if Brevard County gave the Authority multiple options. Mr. Schenck stated that since the Authority had chosen to participate in that plan, there are no options. Ms. Jimenez stated that there was one option on the types of insurance, but all costs were the same through the County. She added that if there was an employee that didn't want the insurance the Authority still had to pay the premium. Ms. Clifford asked if the insurance could be done independent of Brevard County. She also inquired about the retirement packages. Mr. Carr stated that it was through the State of Florida and that there were 2 options for employees to choose from but the cost was the same. Mr. Schenck cautioned the Board in looking at private insurance companies, because they usually had an introductory rate to draw you in but the rate got higher after they had you hooked. Mr. Carr added that the County shopped the market for the best rates. Ms. Patch stated that the County also had a bigger number to work with so they can get better rates.

Mr. Schenck stated that he would like to direct Staff to increase revenues by leasing airport land and going out to find new businesses. Ms. Clifford stated that in the short term that wasn't a realistic goal to increase revenues. Mr. Runyon stated that the Board needed just to get through the budget today, and not to get immediate answers to projected shortfalls in future budget years or the need for additional revenue to cover them. Mr. Carr stated that the Authority could operate the next year on the budget as presented.

Mr. Schenck stated that consulting fees were up, and asked Mr. Carr what the

reasoning was for that increase. Mr. Carr stated that it was for Pauley Management, Inc. as per instructed by the Board for Staff to renegotiate a contract adding in an increase from \$400 a month with possible additional incentive fees to \$2,000 a month without an incentive fee provision. Mr. Schenck asked if that contract could end at will, to which Mr. Carr replied that it could. Ms. Clifford stated she thought Pauley Management should be cut altogether immediately. Mr. Schenck stated that Pauley Management previously received a percentage fee payment for a grant it helped Staff obtain, but with the renegotiation it would be a flat fee. Mr. Carr stated that he believed it was very beneficial to have a federal lobbyist. Ms. Clifford stated that for the record she wanted the budget to be leaner than what it was. She stated that she didn't know if the Authority should have a lobbyist or a marketing firm at this time; however, they could be hired as temporary consultants and used as needed. Mr. Carr stated that both contracts were month-to-month.

Mr. Schenck asked Mr. Carr why there was a decrease in repairs & maintenance. Mr. Carr stated that last year the Authority had put \$50,000 into t-hangar maintenance which was what Mr. Runyon had requested that the Authority find money for previously. He stated that this year Staff was proposing that amount to be decreased to \$30,000 because grants had been obtained for t-hangar rehabilitation projects at Arthur Dunn Airpark and Merritt Island Airport, so as the facilities were continually renovated there was less of a need for repairs. Ms. Clifford stated that she disagreed. Mr. Runyon stated that he felt the Authority needed to put more into the maintenance fund. Mr. Schenck asked Mr. Carr how that fund could be increased. The Board discussed the marketing firm, Patterson-Bach Communications, and whether or not that was a necessary expense. Mr. Carr stated that one way to address the situation was to have the appraisals to make sure the Authority was charging fair market value for all of its real property. He added that they had done a plethora of building and infrastructure improvements since the last appraisal, but had not seen any economic return on them yet. Mr. Schenck suggested that Mr. Carr put the former church building back in as \$20,000 revenue and then increase the t-hangar repair & maintenance line item by \$20,000 to \$50,000. The entire Board concurred.

Mr. Rivard asked what the redevelopment fees were. Mr. Carr stated that they were for the Merritt Island Redevelopment Agency and the Authority was required to pay that to the County.

Mr. Schenck stated that he wanted to address the issue of ad valorem taxes. He stated that currently the Authority was at 0.0145 mils and the Brevard County Commission had asked for it to be reduced, which had been the direction in the past. Mr. Schenck asked if any of the Board members had received direction from their County Commissioners in regards to the ad valorem taxes. Dr. Boucher stated that any information he had heard was at public meetings and not directly from his Commissioner. Mr. Runyon stated that when he spoke to Commissioner Carlson she didn't indicate that there was any strong move to reduce the Authority's ad valorem taxes. Mr. Schenck made a suggestion that the Authority reduce it by

.0005 and it would show them that the Authority was working towards decreasing the millage rate. Mr. Carr stated that Staff would have to calculate how much that would reduce the ad valorem taxing authority to for purposes of the budget. Mr. Schenck asked if Brevard County had a formula. Ms. Debbie Jimenez stated that every year the Authority did take the roll back rate which increased each year. Mr. Schenck asked the Board what they wanted to do. The Board concluded that the millage rate had already been reduced from last year, and that it should be left as is. Ms. Clifford suggested that the Board ask for a larger amount right now and pay off any outstanding debts, then work out an agreement that the Authority wouldn't collect any additional tax revenue in the future. She stated that the overall goal was for the Authority to get off the tax roll. Dr. Boucher asked what the ad valorem tax amount would be if the same millage rate as last year was used.

Mr. Runyon made a motion to approve the tentative budget with the corrections discussed and to submit it to Brevard County. Ms. Patch seconded the motion for discussion.

Mr. Runyon stated that he would like to see the numbers of current property values against last year's millage rate to find out how much that would increase the tax revenue amount.

Mr. Schenck called the question. All voted aye. Motion passed unanimously.

Item B – Approval of a Capital Improvement Refunding Note for the Construction of T-Hangars at Space Coast Regional Airport.

Mr. Carr introduced the item stating that the Florida Department of Transportation (FDOT) had offered two matching grants for a total combined grant amount of \$950,000 for the construction of new t-hangars at a 50/50 funding level. He stated that FDOT would provide \$475,000 and the Authority was responsible for the other \$475,000. Mr. Carr stated that Staff requested fixed interest rates on \$500,000 over a 10 year period and Wachovia Bank came back with the lowest rate of 4.9%. He stated that the monthly principal payment on that amount would be \$5,278.87. Mr. Carr stated that Staff also had a general consultant take a look at the building costs vs. site preparation. He passed out a report and summary for the Board.

Mr. Carr stated that the buildings would be covered by the \$950,000; however, the proposed site which was the only available location adjacent to the existing t-hangar buildings needed an extensive amount of site work. He stated that the site improvements came up to an estimated \$381,000 based on a general consultant's engineering estimate. Mr. Carr stated that Staff had come up with some solutions to cover that additional construction related cost. He stated that one way was to amortize the project amount over a 20 year period vs. a 10 year period and in order to do that they would have to charge the tenants of those t-hangars a rental rate of \$420.25 per month for the first year in order to break even. Mr. Carr stated that it would provide for 20 new t-hangars and also the site work for 3 future bulk storage hangar facilities.

Mr. Schenck asked if there wasn't another location that wouldn't require as much site work. Mr. Carr stated there wasn't another location that was set aside for t-hangar development in the existing master plan or in the current update presently under development. Discussion ensued amongst the Board regarding other possible sites for the t-hangars at the Space Coast Regional Airport.

Mr. Rivard then stated that he had not received the agenda package via email, as the rest of the Board apparently did. Mr. Carr stated that he had sent it to him via email at the same time as all of the other Board members. Ms. Clifford confirmed that Mr. Rivard had received the agenda package via email as his email address was on the distribution list. Mr. Carr requested that Board members reply to him when an email was sent in the future so that he would know they had received it as this was the second time Mr. Rivard had claimed not to get his agenda package. Mr. Schenck stated that every Board member should have a package before the meetings, and if there were issues or they didn't receive a package they should call Mr. Carr immediately.

Mr. Rivard remarked that the life expectancy of the new t-hangars was probably 25-30 years so it would make more sense for the Authority to take a 20-25 year payback rather than a 10 year one. Mr. Carr stated that it would be a policy decision, and it was just a benchmark to start with. Mr. Schenck asked how long the metal t-hangars would last. Mr. Carr stated that the life expectancy was approximately 40 years. Mr. Runyon asked what the 20 year amortization rate would do in regards to the monthly rent rate requirements. Discussion ensued.

Mr. Rivard asked if the t-hangar item could be tabled until a future Board meeting as this was the first time he had even seen the proposed project. Mr. Carr replied that it could. Mr. Rivard made a motion to table the item. Ms. Patch seconded. Discussion ensued.

Ms. Clifford stated that interest rates were climbing, and the longer the Board took to decide on the issue, the higher the rates would be. She stated that to recoup the costs it didn't seem like a good project from a financial perspective but it was definitely needed. Ms. Clifford stated that the Authority would have to either find a new location, or try to find another grant to cover the site development costs. Mr. Carr stated that Staff had been working on that but had not been able to retain any additional grant funds. Ms. Clifford stated that the Board should also look at the future of the bulk storage hangars and based on the waiting list determine what revenue could be brought in to spread the site development cost out with the additional hangar facilities in Phase 3 of the overall project. Mr. Schenck stated that the percentage rate would probably be more on a 20 year loan vs. a 10 year loan and he believed the opportunity would be missed if the item was tabled. Ms. Clifford asked Mr. Todd Anderson from Holland Sheltair if he thought it was a poor financial deal based on his expertise. Mr. Anderson stated that in regards to the property there was a large amount of infrastructure work that needed to be put in place and the Authority should look at the costs and divide it by the number of

units to be constructed. Ms. Clifford stated that she didn't think the Authority could get the kind of rent needed to recoup the required development costs. Mr. Anderson stated that the Authority should look at 2 or 3 other sites and see what it would cost to do the infrastructure and then subtract that number from whatever it would cost for infrastructure on the current proposed site to get the net increase on what it would cost to do it on that site vs. another site. Discussion ensued.

Mr. Schenck stated that he was worried about the rising interest rates. He asked if there was a way within the motion to ask Staff to attempt to procure some type of commitment letter to lock in the quoted interest rate. Mr. Carr stated he didn't believe any financial institute would do that until the Authority was ready to sign the loan paperwork. He suggested that Staff continue to pursue other grant opportunities to facilitate taking care of the necessary site work. Discussion continued amongst the Board.

Mr. Carr stated that he wanted to address some issues with regard to inaccurate statements made by Mr. Rivard. He stated that this issue had been discussed on numerous occasions and Mr. Rivard and him had actually met in his office on several occasions and discussed the t-hangar development. He added that Mr. Rivard had received the drawings of the proposed t-hangar project currently being discussed contrary to earlier statements made by Mr. Rivard.

Mr. Carr stated that he was going to keep working on obtaining both traditional and non-traditional grants for the project. Dr. Boucher stated that at least having the item presented to the Board created dialogue on the issue. Mr. Runyon stated that he would like to add to the motion that Mr. Carr move ahead in pursuing an additional grant for the site related work. Mr. Rivard and Ms. Patch agreed to the amendment to the motion.

Mr. Schneck called the question. All voted aye. Motion passed.

Executive Director Report

Mr. Carr stated that at the special meeting on May 16, 2006, he had discussed setting up a construction project workshop on June 29, 2006 at 8:00 am and he wanted to know if the Board had looked at their schedules in regards to that date. Mr. Rivard stated that he would not be available for that date and suggested another date in July. Mr. Carr suggested moving the regular July meeting from the 20th to the 13th and then have the workshop on the 20th. Ms. Patch stated that she wasn't available on July 13, 2006. The Board agreed to set July 20, 2006 as the tentative date for the workshop and hold the regular meeting on July 13, 2006 even though Ms. Patch couldn't attend the meeting.

Mr. Carr discussed an issue that was brought up at the special meeting held on May 16, 2006 regarding Discovery Aviation vacating Building 1 at the Space Coast Regional Airport. He stated that Staff researched the issue and found the letter of termination for the leasehold signed by Mr. Marvin Juhl of Discovery Aviation.

Mr. Carr distributed copies of the letter to the Board. Mr. Rivard stated that in the minutes of the Airport Authority's regular board meeting held on November 6, 2003, Mr. Juhl had stated that he strongly objected to the negotiations about closing down Tico Executive Aviation to build a new Corporate Aviation Terminal Building. Mr. Carr stated that to be fair, the minutes went on to state that Mr. Dave Edwards stated that Mr. Juhl was on a month to month lease agreement and it had been evident in previous meetings that the Authority was planning on shutting down Tico Executive Aviation and terminating the lease when the new Corporate Aviation Terminal Building was to be built.

Mr. Schenck asked if this matter could be closed. Mr. Carr stated that the only reason he brought the issue up was because Commissioner Pritchard had discussed the issue with Mr. Rivard recently according to Mr. Rivard and the issue was raised once again at the last meeting. Mr. Carr stated that he thought it was dangerous for misinformation not to be corrected. Mr. Schenck asked Mr. Rivard to show the letter to Commissioner Pritchard. Mr. Rivard stated that he would.

Mr. Schneck asked if there was an update on the Willow Creek -- Road Extension Project and when the road that was going to be constructed. Mr. Carr stated that Staff was waiting on Forte McCauley to come back to the Authority. He added that it was guaranteed that the Authority was going to get a road through previously executed contractual agreements.

Attorney Report

Mr. Tim Pickles, legal counsel, stated that the only item he wanted to comment on was the Gryphon Group Security Solutions, Inc. matter. Mr. Carr distributed copies of some correspondence to the Board. Mr. Pickles stated that at the last regular meeting the Board had directed Staff and himself to send a letter about compliance issues with regard to their leasehold. He stated that the letter was sent out on April 25, 2006. Also, Mr. Pickles stated that on May 1, 2006, Mr. Michael Vaden of the Gryphon Group sent a letter back to his office. Mr. Pickles stated that there was some question from Mr. Vaden as to whether or not verbal modifications would be enforceable in the Space Use Permit. He stated that it was possible to modify it orally; however, in order to do that it would have to be a modification that came after the permit was consummated and not as part of the negotiation of it. Mr. Pickles stated that he didn't believe the issue was applicable in this case.

Mr. Pickles stated that Mr. Carr had denied that there ever was a verbal agreement and that some of the items had been discussed as part of the permit negotiations but never agreed upon. He added that even if there had been a verbal agreement it would be invalid because Mr. Carr wasn't authorized by the Board to go outside the boundaries of the Space Use Permit they approved. Mr. Pickles stated that at this juncture, Mr. Vaden hadn't shown any effort to comply with any of the requests of the April 25, 2006 letter so the clock was still running on the 45 day deadline set by the Board. He stated that the compliance time period would expire before the next regular board meeting on June 22, 2006. Mr. Pickles stated that there was no

Board action required at this point. He stated that he tried to make clear in the letter was that the permit had an absolute 90 day termination provision, so if at some time Mr. Vaden wasn't complying with the lease terms, rather than rely on those default issues that may go to litigation, he suggested to simply terminate it under the 90 day provision.

Mr. Schenck stated that one of the Brevard County Commissioners had advised him that the Authority shouldn't get in the middle of this issue. He asked if it would be smart to have Mr. Pickles send another letter stating the same thing and also that the Authority was concerned they hadn't heard anything meaningful since the April 25, 2006 letter was sent. Mr. Pickles stated that he would be happy to follow up with another letter. The Board concurred with his recommended action.

Mr. Carr stated that he wanted to address the issue raised by Mr. Vaden about verbal modification of the permit. He stated that he could not verbally modify any contract and then distributed copies of the special conditions section of Gryphon Group's Space Use Permit. Mr. Carr stated that in the last paragraph it indicated that they needed to obtain building permits for the privacy fencing that was contemplated under the agreement. He added that it also talked about environmental assessments and any other items that would have been required under the permit for the leasehold. Mr. Carr stated that if anything had actually been successfully negotiated and both parties were amenable to it, he would have brought that information to the Board to decide if they wanted it included in the Space Use Permit just as the environmental assessments and privacy fencing issues were addressed. He also stated that the additional items were not included because Staff either wasn't able to come to terms with the Gryphon Group on them or they were never actually discussed.

Mr. Carr distributed copies of the initial leasehold boundary drawing dated August 2005 and also the final copy of the leasehold boundary drawing. He stated that the storm water swales that were constructed outside the leasehold were originally included; however, after Mr. Vaden conveyed that he was going to put pipe in and create bridges across them Mr. Carr told him that wasn't permissible. Mr. Carr added that he modified the document and took the swales out of the leasehold drawing and square footage calculations for the purpose of determining the rent.

Mr. Schenck stated that he didn't feel it was a problem that they created ditch crossings; however, he thought they should have obtained permission from Staff, got the proper permitting, and committed to returning it to its original condition once the leasehold was vacated. Ms. Clifford stated that the Board gave clear direction to inform Mr. Vaden to remove all construction that were outside of the approved leasehold.

Ms. Clifford stated that Mr. Vaden had gone to the City of Titusville to work things out as it pertains to permitting. Mr. Pickles stated that he hadn't seen any documentation stating what Gryphon Group was working on with the City of Titusville. Ms. Clifford stated that she had documentation to show that they had

been in contact with the City of Titusville. Mr. Runyon stated that Mr. Vaden had not provided any documentation to Staff, the Board, or even taken the time to contact the Authority. Ms. Clifford stated that she had spoken with Mr. Vaden the previous Friday and he had indicated he was going to call all of the Board members. She added that in Mr. Vaden's most recent letter he had stated that Gryphon Group would comply but the impression she had gotten from Mr. Vaden was that he wanted the Authority to "grandfather" all of the constructed improvements into the existing permit. Mr. Runyon stated that he thought Mr. Vaden needed a reminder and if he responded that the Board collectively could decide to give him a break or not. Mr. Schenck asked why Mr. Vaden wasn't at the meeting trying to work things out. Mr. Rivard stated that he had asked Mr. Vaden to attend the meeting and he said he couldn't make it. Mr. Pickles stated that he believed Mr. Vaden was not going to seek an amendment to the permit. Discussion continued amongst the Board.

The Board revisited the issue of the storm water swale crossings. Ms. Clifford stated that in a letter to Gryphon Group from the City of Titusville, the City required that Gryphon Group receive proper permitting or exemption for the swale crossings from the St. John's River Water Management District. She stated that Gryphon Group said they were exempt, but they needed to show proof of that exemption to the Staff. Discussion ensued.

Mr. Schenck stated that what he really wanted was for the Gryphon Group to return the property to the original condition when they left and if there were environmental issues Gryphon Group should take care of cleaning up those issues. He also stated that he would like Brevard County to support the Gryphon Group by taking responsibility if Mr. Vaden were to walk away from the responsibility by holding the Authority harmless on any clean up and environmental related issues.

Mr. Carr stated that he wanted to clarify that not only in the Space Use Permit did it specify the need to obtain permits for agreed upon items, but he also had written a letter to Gryphon Group on January 11, 2006, that reminded Mr. Vaden of the need to obtain permits for the privacy fence. He added that he also wrote a letter to Mr. Vaden on February 8, 2006 reminding him that the Authority had not approved any construction additions to the leasehold other than the privacy fence.

Mr. Pickles clarified that Mr. Vaden had actually sent him a letter; however, the letter did not address the issues that had been outlined in his letter dated April 25, 2006. The Board concluded that the letter from Mr. Vaden was a stalling letter and was therefore unresponsive. Dr. Boucher stated that he would like the record to reflect that the Authority had gone above and beyond in trying to work out the situation amicably.

Check Register & Budget to Actual

Mr. Carr stated that there was nothing out of the ordinary to report and he would gladly answer any questions. No one had any questions for Mr. Carr.

Administration & Project Reports

Mr. Carr reviewed a few of the highlights of the project report. He stated that at Space Coast Regional Airport they were getting ready to break ground on the new Corporate Aviation Terminal Building, and that he would be polling the Board in the near future for a date for a groundbreaking ceremony so that they could all attend the event.

Mr. Carr reported that at Merritt Island Airport work was continuing on the Airfield Lighting and Signage Replacement Project, stating that it was about 30-40% complete. He stated that also at Merritt Island Airport in regards to the construction of the Corporate Hangar & Office Facilities Project for the Brevard County Sheriff's Department that the corporate hangar building had been recently demolished and the new building was on order. He added that all of the necessary site work had also begun.

Mr. Carr stated that a new project had begun in the Air Traffic Control Tower at the Space Coast Regional Airport. He stated that the former Patrick Approach Control Facility airspace which was now part of Daytona Approach Control was going to be switched over to Orlando Approach Control on July 25, 2006 to provide better service of the tenants of all the Space Coast airports. Mr. Carr stated that part of the project required modification of the radar equipment in the tower and that Federal Aviation Administration (FAA) and their contractors were currently on site completing those modifications. He also stated that this project was 100% paid for by the FAA.

Authority Members Report

Dr. Boucher discussed the ad valorem tax amount. He stated that if the amount for the new fiscal year was calculated with the same rate as last year, it would only give the Authority about \$15,000.00 more, which would not be a significant difference. Dr. Boucher stated that he felt the Board was on the right track concerning the budget.

Ms. Clifford asked about some work she had seen being done at the end of Golden Knights Boulevard at Space Coast Regional Airport. Mr. Carr remarked that Florida East Coast Railroad was adding another railroad track. Ms. Clifford discussed the FEMA money that had come in and asked if there was any update on the insurance money for hurricane damages from Brevard County. Mr. Carr stated that the County had not responded to a previous letter, so another letter had been sent earlier that week before the Board meeting. He also stated that the FEMA money was for the hurricanes of 2004 and didn't cover any damage done in 2005. Mr. Carr stated that Staff had already begun the process of utilizing the FEMA money for repairs. Ms. Clifford asked what was happening at the Space Coast Regional Airport in regards to t-hangar repair. Mr. Carr stated that inspections of individual t-hangar units that were damaged had been completed to determine the

full extent of the required repairs, a list of those required repairs was sent to the contractor, and the contractor was beginning to mobilize to begin work. The Board discussed the process of contacting tenants to gain access to their t-hangars as some have installed their own locks on the units which makes it challenging to complete maintenance and repair items.

Ms. Clifford discussed enforcement issues, stating that there were a couple of things she had discussed with Mr. Carr, and asked Mr. Carr if those issues had been addressed. Mr. Carr stated that Staff was continuing enforcement of several issues with regards to subleasing in the t-hangars and that other enforcement activities were continuing with commercial tenants as well. Mr. Runyon stated that there had been historic complaints about enforcement and the tenants were sensitive about that issue; therefore, the first time around should be done in a diplomatic manner by discussing the issue with the tenant rather than for Staff to just send a letter in the mail. Discussion continued amongst the Board.

Mr. Rivard stated that he had a discussion with Mr. Lloyd Morris from Valiant Air Command (VAC) in regards to the VAC being put on the June 2006 Board meeting agenda. He added that Mr. Morris told him Mr. Carr had sent him a letter requesting some type of agenda from him before he could make a presentation to the Board. Mr. Carr stated that he had already corresponded with Mr. Morris in regards to that assertion. Mr. Carr distributed copies of the letter he sent concerning that misinformation to the Board. Mr. Pickles stated it was a procedural issue as to what the VAC was going to present to the Board in June 2006. Mr. Carr stated that he had strongly encouraged that VAC provide the information so that the Board had an opportunity to digest that information prior to the meeting. He added that VAC's attorney wrote back and stated that they didn't have an obligation to provide the Authority with any information. Mr. Carr agreed that there was no obligation; however, it would be nice for the Board to have some information prior to the presentation so that they can ask educated questions.

Mr. Rivard also discussed an issue that VAC had with one of their signs. Dr. Boucher stated that the issue was here-say and VAC had not represented anything to the Authority. He added that it could be discussed in June 2006 when the VAC was in attendance. Discussion continued amongst the Board.

Public and Tenants Report

Ms. Bobbie Lasher announced that a Young Eagles event was taking place at the Merritt Island Airport on June 10, 2006 and she wanted to know if she could contact Patterson-Bach Communication and give them the information for a press release. Mr. Carr stated that he had already provided them with a flyer. Ms. Lasher thanked Mr. Carr and invited the Board members to come to the event.

Mr. Todd Anderson from Holland Sheltair discussed a request from Mr. Rivard to see a sublease for Buildings 40 & 41 at the Space Coast Regional Airport. He asked if there was a problem with the current tenant. Mr. Carr stated that there

wasn't a problem; however, there should have been a sublease approved by the Board but for some reason it had never done. He added that it was simply a procedural issue. Ms. Clifford mentioned to Mr. Anderson that she had complaints about his grass not being mowed around the t-hangars at the Space Coast Regional Airport. Mr. Anderson stated that it was the responsibility of the Civil Air Patrol per an agreement with them and if there was a problem he would resolve it.

Mr. Tony Yacono asked the Board to be aware that some old cars that the Gryphon Group was using at Space Coast Regional Airport had asbestos brake and clutch fluid as well as antifreeze that could be contaminating the ground on their leasehold. Mr. Schenck stated that the environmental studies would detect that and if there was contamination at the end of the term of the Space Use Permit that the Gryphon Group was responsible for its cleanup. Discussion ensued.

Mr. Rivard discussed an old fertilizer bin at Merritt Island Airport that had been sitting with fertilizer in it for years and had belonged to Brevard County – Mosquito Control. Mr. Carr stated that Staff had asked for it to be removed on several occasions. The Board asked Mr. Rivard if he could discuss that issue with Commissioner Pritchard. Mr. Rivard stated that he would follow up on it.

Mr. Yacono stated that people had been walking their dogs on airport property, gaining access through the entrance from the street on the west side of Merritt Island Airport near the Brevard County Sheriff's Department leasehold. He asked if Staff could take a look at the issue. Mr. Carr stated that the property line ran down the middle of a ditch and that Brevard County maintained the ditch. He added that a security fence couldn't be installed in the middle of the ditch and the issue was being researched to see what could be done since it was a difficult area. The Board discussed different options for this area.

Ms. Lasher asked about three derelict vehicles next to the former Brevard County – Mosquito Control at Merritt Island Airport and whether or not they would be removed. Mr. Carr stated that Mr. Rivard and he were working on the issue since Mr. Rivard knew the owners. He asked Mr. Rivard if he should go ahead and have the vehicles towed and send the owner the bill. Mr. Rivard stated that Mr. Carr would have it done.

Adjournment

Mr. Schenck called the question. Mr. Runyon made the motion to adjourn the meeting. Mr. Rivard seconded. All voted aye. Mr. Schenck adjourned meeting.

JAY G. M. SCHENCK, CHAIRMAN

DR. MATTHEW BOUCHER, SECRETARY