

County Council of Beaufort County
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**AIRPORTS BOARD MEETING MINUTES
OF FEBRUARY 17, 2011**

The print media was notified in accordance with the State Freedom of Information Act.

The regularly scheduled meeting of the Beaufort County Airports Board was held at 1:30 PM on Thursday, February 17, 2011 in the Council Chambers of the Beaufort County Government Center. Chairman Pete Buchanan called the meeting to order.

Mr. Buchanan stated that he would like to add the financial updates to the agenda to be presented by Alicia Holland of Finance. He also noted that Mr. Phillips would be presenting the Lady's Island Airport Budget rather than Mr. Jorgensen.

It was moved by Mr. Kerr, seconded by Mr. Dopp, that the agenda for the February 17, 2011 meeting be accepted with an amendment to add Alicia Holland to report on the financial status of both Airports as of December 31, 2010. The vote was: FOR – Mr. Mazzei, Mr. Sanders, Mr. Dopp, Mr. Zimmerman, Mr. Buchanan, Mr. Newman, Mr. Kerr, Mr. Wirth, Mr. Gilbert. ABSENT – Mr. Jorgensen and Mr. Law. The motion passed.

It was moved by Mr. Kerr, seconded by Mr. Zimmerman that the minutes for the January 20, 2011 meeting be accepted. The vote was: FOR – Mr. Mazzei, Mr. Sanders, Mr. Dopp, Mr. Zimmerman, Mr. Buchanan, Mr. Newman, Mr. Kerr, Mr. Wirth, Mr. Gilbert. ABSENT – Mr. Jorgensen and Mr. Law. The motion passed.

GUEST INTRODUCTIONS – Guests attending the meeting introduced themselves.

MEMBERS PRESENT

Pete Buchanan – Chairman
Jared Newman – Vice Chairman
Councilman Rick Caporale – Beaufort County Liaison
Will Dopp
Joseph Mazzei
Joe Zimmerman
Graham Kerr
Ross Sanders
Richard Wirth
Derek Gilbert

MEMBERS ABSENT

Councilman Ken Heitzke – Town of Hilton Head Liaison
Leonard Law
Paul Jorgensen

STAFF

Paul Andres – Airport Director
Rob McFee – Director, Engineering and Infrastructure Division
Larry Yeager – Chief of Operations
Joel Phillips – Beaufort Co. Airport Supv.
Linda Wright – Admin. Asst.
Alicia Holland – Finance

GUESTS

Councilman Bill McBride
Councilman Paul Sommerville
Judy Elder – Talbert & Bright
Joe Croley – Resident
John Morrisette – Resident
Marty Craig – Resident
Susan Zimmerman – Resident

PUBLIC COMMENTS – There were no public comments at this time.

HILTON HEAD ISLAND AIRPORT REPORT

1. Tower Report: Paul Andres

- For the month of January 2011 there were 2,174 total flight operations of which 1,082 were conducted under IFR procedures. Mr. Andres stated that every quarter he receives airline data for the Southeast Region. According to this report, as of September 30, 2010, the Hilton Head Island Airport had a 2% increase in passengers, the revenue increased approximately 3% and the average fare increased 2% compared to the same time period in 2009. Mr. Andres noted that this was prior to Delta suspending service this past November.

2. Projects: Paul Andres

- **Tree Obstruction Removal** – This project is still on hold pending resolution of the St. James Baptist Church litigation. Mr. Andres stated the motions will be heard in Circuit Court in March.
- **ARFF Station** – The building is essentially complete. A substantial completion inspection will be held February 18th at which time a punch list will be developed for the contractor. Mr. Andres stated they will then seek occupancy approval from the Town.
- **Runway Safety Area Drainage Improvements** – This project is still on hold pending resolution of the water quality plant issue with the Town. The County Administrator plans to forward some information for the Town to consider in hopes of resolving this matter.
- **Hilton Head Master Plan** – The Master Plan was submitted to the FAA for their review in December. Mr. Andres stated they have finished a preliminary review and have provided some comments to the consultant for clarification on the Airport Layout Plan drawing sets. The consultant is in the process of doing this and once this action is finished it will go back to the FAA for their final review comments. Once they have conditionally approved the Airport Layout Plan set then the Master Plan will be considered complete and ready for public dissemination. Mr. Dopp wanted to know if Mr. Andres knew what the comments were or if they go straight to the consultant. Mr. Andres stated they go straight to the consultant, but it is his understanding that the comments are minor data items that they want shown on the different drawings.
- **Design Projects** – The commercial terminal improvement design and the commercial apron joint repairs are still on hold, but hopefully these projects will be moving forward in the next couple of months.

3. Operations Report: Chief Yeager

- For the month of January 2011 there were 4 medivacs. There was 1 in-flight emergency where a general aviation aircraft was losing fuel. The aircraft landed without incident.

4. Noise Complaints & Traffic Counters: Chief Yeager

- For the month of January 2011 there were no noise complaints. A new noise complaint hotline phone number will be made available to the public once the new ARFF station becomes fully functional.
- For the month of January 2011 the after hours traffic count was 48. The counters were out for part of the month, but are fully operational at this time.

BEAUFORT COUNTY AIRPORT REPORT

1. Fuel Sales: Joel Phillips

- For the month of January there were a total of 920 operations. The total flow of fuel was 6,616 (3,580 gallons of AvGas and 3,036 gallons of jet fuel).

2. Projects: Paul Andres

- Tree Obstruction Removal – Mr. Andres stated the attorney hopes to be able to complete the remaining tree project litigation by this summer. He stated they are still waiting on the FAA to respond on the SCE&G utility pole issue. Mr. Buchanan wanted to know why SCE&G has not taken care of this. Mr. Andres stated that SCE&G has submitted the required 7460 forms to the FAA for their review. The FAA reviewed those documents and agreed that the majority of the power poles discussed posed an obstruction issue. The FAA also identified additional poles outside of the original planned scope of work SCE&G had looked at. The FAA is trying to resolve this internally. Mr. Andres stated the scope of the problem became significantly bigger and more costly with the additional poles that were identified. He stated the original SCE&G plan called for the relocation or lowering of 13 poles and the total project cost was estimated at \$1 million. Mr. Buchanan stated SCE&G violated our LMO concerning air space. Mr. Andres stated SCE&G did not get the appropriate air space determinations prior to installing the poles and they (SCE&G) are looking at ways to correct this error.
- Master Plan – Mr. Andres stated he has not had any further feedback from the consultant. He stated if he has not heard anything by tomorrow he will be repeating the request to see when the consultant plans to finish up and when they will schedule a joint presentation to County and City Councils, as well as when they will submit the draft report to the FAA for their review. Mr. Buchanan wanted to know if the Airport Layout Plan is complete. Mr. Andres stated it should be close to being completed.

COMMITTEE REPORTS

1. Lady's Island Airport Operations: Graham Kerr

- Mr. Kerr stated government is responsible for creating infrastructure, but the Airports are businesses whose goal is to minimize the costs to the citizens. He stated that a year ago the fuel business at Lady's Island Airport was abominable. The fuel trucks and fuel farm were dirty, rusty and unreliable. Forty-four days of fuel operations were lost last year due to malfunctioning equipment. A huge amount of money was spent to get the equipment fixed because the trucks had to

be transported on a lowboy as they are not allowed to be driven on the highways. Mr. Kerr stated that leasing fuel trucks was the obvious choice in order to avoid costly maintenance. He stated that Eastern Aviation invested approximately \$20,000.00 to clean up the Lady's Island Airport fuel farm and to put in a new fuel filtration system. Mr. Kerr stated the project was finished yesterday with new trucks on the line, a painted fuel farm and the filtration system in place and working. Mr. Kerr stated the best news is that no fuel business has been lost this year. He wanted to publicly thank Mr. Phillips, Mr. Andres and Eastern Aviation for completing this project. Mr. Kerr stated this is an example of where a business and a County enterprise work together to improve service and reduce the cost to the taxpayers.

- Mr. Kerr stated the requirements under the draft Airport Master Plan and the County Ordinances state that Beaufort County shall provide normal FBO services to include maintenance. Mr. Kerr stated we simply cannot afford to do this and probably cannot get FAA funding. Mr. Kerr stated the Charleston Airport Authority enters into land lease agreements with operators to provide these services. He said they may want to consider this type of agreement especially with a maintenance hangar and suggested the Charleston document be given to our legal department for their review. Mr. Buchanan suggested a proposal in order to have the legal and purchasing departments determine what phrases they need in a Request for Proposal in order to lease land at either Airport. Mr. Kerr stated the Charleston Airport document would be a good starting point. Mr. Dopp wanted to know if they have ever had a maintenance facility at the Lady's Island Airport. Mr. Kerr stated they have not because they do not have a fire suppression system in the hangars. Mr. Mazzei stated they should not focus on just maintenance only. He said they need to put in place a system that will allow other businesses to come in under a plan that would inform them of the requirements to set up a business at the Airports. Mr. Buchanan concurred. Mr. Kerr stated he was only using maintenance as an example. Mr. Sanders stated that maintenance is currently a critical issue. Mr. Kerr stated that maintenance is specifically required by the ordinance. Mr. Buchanan concurred. Mr. Kerr stressed that we need an umbrella document that can be used for appropriate businesses. He stated he believes that by allowing businesses to come in there will be an increase in fuel sales and that in turn will add to the revenue. Mr. Dopp wanted to know if the Master Plan designates spaces for hangars, in particular one for maintenance. Mr. Buchanan stated these hangars have been on the Master Plan for years and have not changed. Mr. Kerr suggested that before the next Board meeting he and Mr. Phillips prepare a motion that would include a document for consideration by the County legal department. Mr. Andres suggested that a motion be made that would request that staff work in conjunction with other members of the Board to develop a general RFP that would allow for establishment of maintenance and other aeronautical services at both Airports.

It was moved by Mr. Kerr, seconded by Mr. Sanders that staff work in conjunction with other members of the Board to develop a general RFP that would allow for establishment of maintenance and other aeronautical services at both Airports. The vote was: FOR – Mr. Mazzei, Mr. Sanders, Mr. Dopp, Mr. Zimmerman, Mr. Buchanan, Mr. Newman, Mr. Kerr, Mr. Wirth, Mr. Gilbert. ABSENT – Mr. Jorgensen and Mr. Law. The motion passed.

2. Hilton Head Island Airport Operations: Will Dopp

- In comparing January 2011 to January 2010, aircraft movements were down 16%, but the passenger count was up 13%.
- Signature Flight Support's revenues were \$168,000.00 versus \$164,000.00 last year. The County's share was approximately \$4,800.00. Fuel sales were approximately 28,000 gallons compared to 30,000 gallons last year.
- Republic Parking has received \$138,000.00 in gross revenues for a ten month period which amounts to \$36,000.00 for the County's share. This is approximately twice the amount the County received last year under the old contract.
- Mr. Dopp stated he visited the Airport after receiving comments that the entrance to the terminal is hard to identify especially at night. He stated there is one sign on the Airport property and a green informational sign directly across from the entrance. Mr. Dopp said there should be one or two signs that indicate the Airport is up ahead and perhaps repaint the current sign with brighter paint, add more lighting and/or paint the curb with reflective paint. Mr. Andres stated there are a number of signs on 278 that indicate the different approaches to the Beach City Road entrance and there is one reflective DOT sign that the Town coordinated installment with information on both sides of the sign. He stated that the size, shape and color of the wooden sign on the entrance side of the terminal is controlled by the Town. He stated that additional signs on the road would have to be approved by the Town and DOT and he did not know if this would be favorably endorsed. Mr. Mazzei agreed with Mr. Dopp that finding the entrance to the Airport is very difficult especially at night.

3. Financial Reports for both Airports: Alicia Holland

- Ms. Holland stated that due to personnel changes they have just finished the reports as of December 31, 2010. Ms. Holland then reviewed the reports that were distributed to the Board members prior to the meeting (see Attachment A):

Hilton Head Island Airport – The net assets are approximately \$15.8 million. The Revised Budget column on page 2 is for the entire fiscal year of 2011 followed by the actual revenues and expenditures for December 31, 2010. Ms. Holland stated that for half of the year the percentage of budget should be around 50%. She stated that the non-operating revenues are somewhat skewed because of the timing of grant draw downs and expenditures.

Lady's Island Airport – The net assets are approximately \$3.8 million, which is an increase of about \$50,000.00 as compared to June 30, 2010. Ms.

Holland stated the revenues are slightly below budget as of December 31st, but expenditures are lower as well.

UNFINISHED BUSINESS

1. Aircraft Hangars (Rental Rate/Sell): Paul Andres

- Mr. Andres stated that a couple of weeks ago he and Mr. Dopp met with Mike Bennett, Manager of Signature Flight Support. He stated they reviewed the cash flows that pertain to the hangar management agreement and the Airports obligation to repay the construction debt service on the hangars. Mr. Andres stated they are trying to work on a compromise on the current arrangement and it was the consensus of all in the meeting that it made sense, in the long term both contractually and for the benefit of the Airport, for Signature to consider some modification to their current arrangement. Mr. Bennett informed Mr. Andres that he would submit this proposal to his superiors. Mr. Dopp stated that Signature has the right to manage the County owned hangars at the Hilton Head Island Airport for a 25% fee of the total rents collected as stated in Addendum No. 1 of the Basic Agreement. Mr. Dopp stated that they have this right for the primary term of the lease which ends in 2018. He stated the proposal was to give them the same management right for the two 5 year options if they reduce their management fee to 10% or 12.5%. Mr. Dopp stated that there is a legal issue that has to be examined concerning this proposal. Mr. Andres stated this would be a substantial increase for the County and would put the Airport in a more favorable cash flow position. He stated that with the current rents they are just about at the break even point for the debt service, but still bear the O&M cost which is approximately \$15,000.00 per year for electricity, water, and repairs.

2. Through-the-Fence Agreement: Paul Andres

- Mr. Andres stated the consultant is still working on the future land acquisition issues associated with the Exec Air complex. He stated there are 2 regimes in this condominium association; the hangar owners association and the horizontal property owners' regime. The owners of the hangars own the improvements on the land, but do not own the land. The horizontal regime consisting of approximately 8 parties, own the land under the hangars and the common space in the complex. Mr. Andres stated they are seeking clarification from the FAA regarding their willingness to participate in any future acquisition of property in there because the FAA wants free and clear title to the land to include any improvements. He stated that having a first right of refusal to purchase a hangar does nothing for the underlying land. Mr. Dopp stated they have offered the condo group a 25% discount on the ground rent if they do an early renegotiation. Mr. Andres stated the 25% reduction in access fees results from the common area that the Association maintains. Mr. Dopp stated he was referring to the fact they are offering a 25% reduction in rent compared to what Signature pays in rent. Mr. Andres stated that is correct because the Airport is responsible for maintenance of all the ground leased to Signature. Mr. Dopp wanted to know if the 25% had anything to do with early negotiations. Mr. Andres stated it does not and that the reason for the early negotiations is because they still have 3 years left on their lease. He stated that if they do not enter into an acceptable agreement soon, the Association runs the risk of being fenced out in three years and they will be denied access to the Airport. Mr. Andres stated this would be a lose-lose situation

for everyone. The FAA is insisting on an acceptable revenue producing agreement now or at the conclusion of their access agreement in 3 years, the access will be closed off. He stated that the FAA is taking a very hard line on this issue across the country.

3. Sea Breeze Airways: Pete Buchanan

- Mr. Buchanan stated he would be meeting with Mr. Marty Craig after the meeting in preparation of a presentation by Mr. Craig for the March Airports Board meeting.

4. FY-12 Budget Preparations: Joe Zimmerman and Joel Phillips

- Hilton Head Island Airport – Mr. Zimmerman stated it is important to understand that the budget for the Hilton Head Island Airport is a very rough first cut and that there would be many more meetings in order to refine the budget. He said it is going to be a difficult year for the Hilton Head Island Airport due to the loss of Delta Airlines which will cost the Airport approximately \$250,000.00 in revenues compared to last year. He stated replacement revenue sources are difficult to identify. Mr. Zimmerman stated that this year they have budgeted for a Passenger Facility Charge of \$4.50 which is the maximum and hopefully this will raise approximately \$225,000.00. He added that it is important to remember that these dollars, by law, are required to be used for Capital Improvement Projects, have to be segregated in a separate account and cannot be used to offset operating expenses. Mr. Zimmerman stated they were able to identify some savings in expenses and do show an overall decrease from the 2011 expense budget, but in spite of this, the 2012 budget shows the cash inflows being less than the cash outflows. He stated that while they will work hard to close the gap, the only viable short term solution may be a contribution from the County's General Fund. He further stated that they learned in the budget meetings that it is well past time for serious discussions with the Town of Hilton Head about contributing to the Airport's operating expenses and this should be addressed as soon as possible. Mr. Mazzei then gave a PowerPoint presentation covering the FY-12 budget for the Hilton Head Island Airport (see Attachment B). Mr. Mazzei summarized his presentation as follows:

- *2012 Budget \$138 K cash flow loss is the result of losing Delta service.*
- *Expense reductions, other than reallocation of personnel expenses, are minor savings in a tight budget.*
- *Collection of Town's portion of Master Plan cost incorporated in Capital Budget.*
- *Need concerted effort/group to gain acceptance of participation in Accommodations Tax or other Town funding to maintain Island/Town's image to airport visitors.*
- *Need to develop understanding/group with Town Council/Staff of cost impact of their actions on operating cost of Airport.*
 - *Impact of storm water rates increases should be discussed.*

- *Maintenance cost of ground cover being proposed by staff for tree cleared area.*
 - *Maintenance cost of future tree cutting not included, but needs to be considered.*
- *PFC is critical to offset future capital expense requirements.*
- Lady's Island Airport – Mr. Phillips presented the Lady's Island FY-12 Budget (see Attachment C). He stated that next year they plan on doing the parking lot relocation, utility connections design, the Runway 7 tree removal process will continue, and the DBE plan. Mr. Phillips stated he hopes these projects will be funded under a federal grant. Mr. Phillips then discussed the preliminary line items. Mr. Kerr stated that, not including depreciation, which is an accounting element, from a cash flow point of view the worse they will do will be \$7,555.00 in the hole. He stated that if the operating hours were changed to 8:00 a.m. to 5:00 p.m. they would be able to cover the \$7,555.00 shortfall. Mr. Phillips stated he is still running the numbers to see what kind of revenue loss they would have, but currently it does not show much loss in fuel sales with the change in hours. He stated they would probably save around \$15,000.00 a year in wages alone if the hours were to be reduced. Mr. Newman suggested a reduction in the full service hours to daylight hours. Mr. Phillips stated a problem with this would be repeated changes in publications such as facility directories, although some airports publish that they are manned from dawn to dusk. Mr. Dopp wanted to know if self-service fuel is available after dark. Mr. Phillips stated that self-serve Avgas is available. Mr. Kerr stated that he understands that the budget is complicated and requires a number of people to be involved, but he wanted to stress the importance of keeping the Board involved in preparing the budget.

Mr. Dopp asked Mr. Phillips to explain what types of businesses have shown interest in the hangars. Mr. Phillips stated he has 2 gentlemen interested in maintenance operations and at least 6 people that would like to build box hangars to store their aircraft. He stated the County would be able to benefit from the land lease and increased fuel sales. Mr. Dopp wanted to know why this hasn't been pursued up to this point. Mr. Phillips stated it has been stalled while they waited on the completion of the Master Plan and the Airport Layout Plan.

Mr. Dopp wanted to know if the County has insurance to cover this type of venture. Mr. Andres stated the County currently has a policy through the South Carolina Insurance Trust Fund, but it does have limitations on total dollar value and certain aviation exclusions. He said they are currently looking into the types of policies available to make sure they have the proper liability coverage that would be specific to the Airports.

NEW BUSINESS

1. Airports Board Goals/Objectives: Pete Buchanan
 - Mr. Buchanan stated he would like to have a few more responses to the email he sent to the Board members concerning the goals and objectives. He said he would like to have more ideas on what can be done to generate more revenues and improve public relations.

CONTINUATION OF PUBLIC COMMENTS - There were no public comments at this time.

FUTURE MEETINGS

The next meeting of the Airports Board will be held on Thursday, March 17, 2011 at 1:30 PM in the County Council Chambers of the Beaufort County Government Center.

ADJOURNMENT

With no further business to discuss, the meeting was adjourned at approximately 3:00 PM.

DRAFT

Unaudited
BEAUFORT COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
Hilton Head Island Airport
December 31, 2010 & December 31, 2009

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
<u>ASSETS</u>		
Current Assets		
Cash and Investments with Trustee	\$ 200	\$ 200
Receivables, Net	319,791	343,034
Internal Balances	-	240,000
Prepayments	862	-
Total Current Assets	<u>320,853</u>	<u>583,234</u>
Capital Assets	25,371,746	23,706,302
Accumulated Depreciation	<u>(6,276,547)</u>	<u>(5,767,792)</u>
	19,095,199	17,938,510
Total Assets	19,416,052	18,521,744
<u>LIABILITIES</u>		
Liabilities		
Account Payable	202,928	197,094
Accrued Payroll	29,340	30,295
Due to General Fund	1,462,291	1,692,714
Current Portion of Advance		
from General Fund	<u>22,147</u>	<u>21,073</u>
Total Current Liabilities	1,716,706	1,941,176
Long Term Liabilities		
Accrued Compensated Absences	38,596	37,833
Net Other Postemployment		
Benefits Obligation	137,444	108,724
Advance from General Fund	<u>1,639,054</u>	<u>1,682,277</u>
Total Long Term Liabilities	1,815,094	1,828,834
Total Liabilities	3,531,800	3,770,010
<u>NET ASSETS</u>		
Invested in Capital Assets, Net		
of Related Debt	19,095,199	17,938,510
Unrestricted (Deficit)	<u>(3,210,945)</u>	<u>(3,186,778)</u>
Total Net Assets	<u>\$ 15,884,254</u>	<u>\$ 14,751,732</u>

Unaudited
BEAUFORT COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Hilton Head Island Airport
For the Period Ended December 31, 2010

	Revised Budget FY 2011	December 31, 2010	Budget to Actual	Percent of Budget
Operating Revenues				
Ground Leases	\$ 44,892	\$ 22,446	\$ (22,446)	50%
FBO Concessions	35,008	52,006	16,998	149%
FBO Fuel Commission	100,800	4,633	(96,167)	5%
Firefighting Fees	346,650	180,160	(166,490)	52%
Landing Fees	161,370	87,877	(73,493)	54%
Parking/Taxi Fees	55,000	28,989	(26,011)	53%
Security Fees	39,064	18,313	(20,751)	47%
Rentals	827,320	379,782	(447,538)	46%
TSA Revenues	152,688	76,747	(75,941)	50%
Other Charges	6,000	1,145	(4,855)	19%
Total Operating Revenues	1,768,792	852,098	(916,694)	48%
Operating Expenses				
Personnel	880,483	455,610	(424,873)	52%
Purchased Services	490,499	275,735	(214,764)	56%
Supplies	43,582	19,857	(23,725)	46%
Depreciation	546,108	273,054	(273,054)	50%
Total Operating Expenses	1,960,672	1,024,256	(936,416)	52%
Operating Income (Loss)	(191,880)	(172,158)	19,722	90%
Non-Operating Revenues (Expenses)				
FAA Grants	1,181,131	898,971	(282,160)	76%
SCAC Grants	31,082	-	(31,082)	0%
Non-Operating Grant Expenses	(1,243,296)	(72,937)	1,170,359	6%
Contributions from General Fund	12,500	12,500	-	100%
Interest Earned	35,030	546	(34,484)	2%
Interest Expense	(83,325)	(41,931)	41,394	50%
Total Non-Operating Revenues	(66,878)	809,649	876,527	-1211%
Change in Net Assets	(258,758)	637,491	896,249	-246%
Net Assets, Beginning	15,047,802	15,246,763		
Net Assets, Ending	\$ 14,789,044	\$ 15,884,254	\$ 896,249	107%

Unaudited
 BEAUFORT COUNTY, SOUTH CAROLINA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 Hilton Head Island Airport
 For the Period Ended December 31, 2009

	Revised Budget FY 2010	December 31, 2009	Budget to Actual	Percent of Budget
Operating Revenues				
Ground Leases	\$ 36,054	\$ 18,235	\$ (17,819)	51%
FBO Concessions	16,351	4,598	(11,753)	28%
FBO Fuel Commission	108,561	40,801	(67,760)	37%
Firefighting Fees	360,474	161,121	(199,353)	45%
Landing Fees	106,704	75,911	(30,793)	71%
Parking/Taxi Fees	18,366	21,554	3,188	117%
Rentals	861,544	416,615	(444,929)	48%
TSA Revenues	90,737	67,615	(23,122)	75%
Other Charges	21,863	4,531	(17,332)	21%
Total Operating Revenues	1,620,654	810,781	(809,873)	50%
Operating Expenses				
Personnel	932,102	493,249	(438,853)	53%
Purchased Services	479,582	261,476	(218,106)	55%
Supplies	68,984	17,596	(51,388)	26%
Bad Debt Expense	1,571	-	(1,571)	0%
Depreciation	(276,264)	310,407	586,671	-112%
Total Operating Expenses	1,205,975	1,082,728	(123,247)	90%
Operating Income (Loss)	414,679	(271,947)	(686,626)	-66%
Non-Operating Revenues (Expenses)				
FAA Grants	8,792,392	-	(8,792,392)	0%
SCAC Grants	119,089	-	(119,089)	0%
Town of Hilton Head	-	39,800	39,800	100%
Non-Operating Grant Expenses	(5,728,846)	(116,820)	5,612,026	2%
General Fund Contributions	150,000	75,000	(75,000)	50%
Gain/Loss on Sale of Property and Equipment	26,745	705	(26,040)	3%
Interest Earned	23,574	20,157	(3,417)	86%
Interest Expense	(126,535)	(42,965)	83,570	34%
Total Non-Operating Revenues	3,256,419	(24,123)	(3,280,542)	-1%
Change in Net Assets	3,671,098	(296,070)	(3,967,168)	-108%
Net Assets, Beginning	15,047,802	15,047,802		
Net Assets, Ending	\$ 18,718,900	\$ 14,751,732	\$ (3,967,168)	79%

Unaudited
BEAUFORT COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
Lady's Island Airport
December 31, 2010 & December 31, 2009

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
<u>ASSETS</u>		
Current Assets		
Cash and Investments with Trustee	\$ 372	\$ 372
Receivables, Net	15,620	163,810
Internal Balances	-	(240,000)
Inventories	60,669	60,707
Total Current Assets	76,661	(15,111)
Capital Assets	4,832,583	4,109,927
Accumulated Depreciation	(704,932)	(654,076)
	4,127,651	3,455,851
Total Assets	4,204,312	3,440,740
<u>LIABILITIES</u>		
Liabilities		
Account Payable	45,210	16,732
Accrued Payroll	5,168	2,632
Due to General Fund	280,808	197,530
Total Current Liabilities	331,186	216,894
Long Term Liabilities		
Accrued Compensated Absences	2,554	2,090
Net Other Postemployment Benefits Obligation	10,924	7,528
Total Long Term Liabilities	13,478	9,618
Total Liabilities	344,664	226,512
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	4,127,651	3,455,851
Unrestricted (Deficit)	(268,004)	(241,626)
Total Net Assets	\$ 3,859,647	\$ 3,214,225

Unaudited
BEAUFORT COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Lady's Island Airport
For the Period Ended December 31, 2010

	Revised Budget FY 2011	December 31, 2010	Budget to Actual	Percent of Budget
Operating Revenues				
Fuel and Oil Sales	\$ 520,000	\$ 199,485	\$ (320,515)	38%
Concession Sales	9,000	2,759	(6,241)	31%
Landing Fees	15,000	6,850	(8,150)	46%
Rentals	111,094	56,584	(54,510)	51%
Other Charges	7,800	-	(7,800)	0%
Total Operating Revenues	662,894	265,678	(397,216)	40%
Operating Expenses				
Costs of Sales and Services	335,950	138,256	(197,694)	41%
Personnel	183,855	90,545	(93,310)	49%
Purchased Services	96,528	48,489	(48,039)	50%
Supplies	12,000	3,511	(8,489)	29%
Non-Grant Capital Expenditures	1,500	-	(1,500)	0%
Depreciation	60,826	26,502	(34,324)	44%
Total Operating Expenses	690,659	307,303	(383,356)	44%
Operating Income (Loss)	(27,765)	(41,625)	(13,860)	150%
Non-Operating Revenues (Expenses)				
FAA Grants	90,895	90,895	-	100%
Non-Operating Grant Expenditures	(52,625)	(3,893)	48,732	7%
Gain (Loss) on Sale of Capital Assets	295	296	1	100%
Interest Earned	2,000	963	(1,037)	48%
Total Non-Operating Revenues	40,565	88,261	47,696	218%
Change in Net Assets	12,800	46,636	33,836	364%
Net Assets, Beginning	3,813,011	3,813,011		
Net Assets, Ending	\$ 3,825,811	\$ 3,859,647	\$ 33,836	101%

Unaudited
 BEAUFORT COUNTY, SOUTH CAROLINA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 Lady's Island Airport
 For the Period Ended December 31, 2009

	Revised Budget FY 2010	December 31, 2009	Budget to Actual	Percent of Budget
Operating Revenues				
Fuel and Oil Sales	\$ 477,666	\$ 182,222	\$ (295,444)	38%
Concession Sales	7,188	3,647	(3,541)	51%
Landing Fees	18,561	7,091	(11,470)	38%
Rentals	103,775	53,263	(50,512)	51%
Other Charges	100	29	(72)	29%
Total Operating Revenues	607,290	246,252	(361,038)	41%
Operating Expenses				
Costs of Sales and Services	363,776	105,995	(257,781)	29%
Personnel	114,411	56,193	(58,218)	49%
Purchased Services	108,949	46,497	(62,452)	43%
Supplies	26,630	5,882	(20,748)	22%
Non-Grant Capital Expenditures	10,906	-	(10,906)	0%
Depreciation	(11,351)	28,651	40,002	-252%
Total Operating Expenses	613,321	243,218	(370,103)	40%
Operating Income (Loss)	(6,031)	3,034	9,065	-50%
Non-Operating Revenues (Expenses)				
FAA Grants	1,183,471	152,479	(1,030,992)	13%
SCAC Grants	31,144	-	(31,144)	0%
Non-Operating Grant Expenditures	(1,281,195)	(16,133)	1,265,062	1%
General Fund Contributions	100,000	50,000	(50,000)	50%
Gain on Sale of Capital Assets	562	-	(562)	0%
Interest Earned	-	362	362	100%
Total Non-Operating Revenues	33,982	186,708	152,726	549%
Change in Net Assets	27,951	189,742	161,791	-679%
Net Assets, Beginning	3,024,483	3,024,483		
Net Assets, Ending	\$ 3,052,434	\$ 3,214,225	\$ 161,791	105%

ATTACHMENT B

Hilton Head Airport Budget 2012 as compared to 2011 approved Budget

Key Items for discussion

o

HHI Airport Revenue Analysis 2012

Delta Service Loss Revenue Impacts

- Firefighting Fees \$-69.0 K
- Landing Fees \$-46.0 K
- Security Fees \$-11.0 K
- Rent
 - Common space \$-44.5 K
 - Exclusive space \$-29.7 K
- Rental Cars Fee \$-47.3 K
- Delta loss impact \$247.5 K**

HHI Airport Revenue Analysis 2012

Delta Service Loss Revenue Impacts	Revenue Impacts and Assumptions	
• Firefighting Fees	\$-69.0 K	• Hangar rental increase \$ 4.2 K
• Landing Fees	\$-46.0 K	• Fuel Sales commission \$ 30.0 K
• Security Fees	\$-11.0 K	• Thru the Fence Revenue \$ 2.0 K
• Rent		• County Contribution \$-150.0 K
– Common space	\$-44.5 K	• No Interest on funds \$- 35.0 K
– Exclusive space	\$-29.7 K	
• Rental Cars Fee	<u>\$-47.3 K</u>	
Delta loss impact	\$247.5 K	

HHI Airport Revenue Analysis 2012

Delta Service Loss Revenue Impacts	Revenue Impacts and Assumptions	
• Firefighting Fees	\$-69.0 K	• Hangar rental increase \$ 4.2 K
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• Rent		• County Contribution \$-150.0 K
– Common space	\$-44.5 K	• No Interest on funds \$- 35.0 K
– Exclusive space	\$-29.7 K	
• Rental Cars Fee	\$-47.3 K	

Revenue Highlights

Revenue down \$276 K as compared to 2011, assuming County Contribution of \$150K in 2010 is not repeated

HHI Airport Expense Analysis 2012

Expense Increases

- Overtime \$ 1.2 K
- Electricity /Nat Gas \$ 8.0 K
- Cleaning Services \$ 2.1 K
- Contents Insurance \$ 6.0 K
- Unclassified Operating \$25.0 K
- Fuels and lubricants \$ 3.0 K
- Specialized Equip. ARFF \$ 5.0 K
- Renovations buildings \$55.0 K
- Uniforms \$ 8.5 K
- Facility maint. Supplies \$ 3.5 K

HHI Airport Expense Analysis 2012

Expense Increases

• Overtime	\$ 1.2 K	• Salaries / Benefits reallocated	\$- 20.7 K
• Electricity /Nat Gas	\$ 8.0 K	• FICA tax allocation	\$- 6.4 K
• Cleaning Services	\$ 2.1 K	• Transfers to cap. Projects	\$- 7.0 K
• Contents Insurance	\$ 6.0 K	• Telephone expense reduction	\$- 5.4 K
• Unclassified Operating	\$25.0 K	• Garage Repairs & Maint.	\$- 10.0 K
• Fuels and lubricants	\$ 3.0 K	• Professional Services	\$- 52.8 K
• Renovations buildings	\$55.0 K	• Uniforms	\$- 7.5 K
• Uniforms	\$ 8.5 K	• Maint. Supplies	\$- 7.0 K
• Facility maint. Supplies	\$ 3.5 K	• Employer unclassified	\$- 43.3 K
		• Specialized equip. ARFF	\$- 45.0 K

HHI Airport Expense Analysis 2012

Expense Increases

• Overtime	\$ 1.2 K	• Salaries / Benefits reallocated	\$- 20.7 K
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		• Specialized equip. ARFF	\$- 45.0 K

Net Expenses Decreased \$32,000 s compared to 2011 Budget

HHI Airport Expense Analysis 2012

Expense Increases

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• Uniforms	\$ 8.5 K	• Maint. Supplies	\$- 7.0 K
• Facility maint. Supplies	\$ 3.5 K	• Employer unclassified	\$- 43.3 K
		• Specialized equip. ARFF	\$- 45.0 K

Net Expenses Decreased \$32,000 as compared to 2011 Budget

Expense reduction is primarily from reallocation of expenses, various account reductions and assumed lower legal fees

Summary Hilton Head Airport 2012 Budget

- 2012 Budget \$138 K cash flow loss result of Delta loss
- Expense reductions, other than reallocation of personnel expenses, are minor savings in a tight budget
- Collection of towns portion of Master Plan capital incorporated in Budget
- Need concerted effort/group to gain acceptance of participation in Accommodations Tax or other town funding to maintain island/towns image to airport visitors
- Need to develop understanding/group with town council/staff of cost impact of their actions on operating cost of airport.
 - Impact of storm water rates increases should be discussed
 - Maintenance cost of ground cover, being proposed by staff for tree cleared area
 - Maintenance cost of future tree cutting not included, but needs to be considered
- PFC is critical to offset future capital requirements

**Beaufort County Airport (KARW)
Proposed Budget FY 2012**

ARW Capital Project Fund		FY 2012
	FAA Grant Revenue	(\$864,500)
	SCAC Grant Revenue	(\$22,750)
	Parking Lot Relocation/Utility Conn. (Design)	\$100,000.00
	Rwy 7 Tree Removal Phase III (Const. & Miti)	\$800,000.00
	2012 DBE Plan	\$10,000.00

**Beaufort County Airport (KARW)
Proposed Budget FY 2012**

Account	Account Description	FY 2012
ARW Operating Fund		
44801	Fuel AVGAS	\$ (332,750.00)
44802	Fuel JET	\$ (272,250.00)
44810	Oil sales to Others	\$ (4,000.00)
44840	Ramp Fees	\$ (4,000.00)
44870	Tie Down Fees	\$ (11,000.00)
44880	Soda Machine Sales Concession Fee	\$ (1,140.00)
44881	Merchandise Sales	\$ (7,000.00)
47010	Miscellaneous Revenues	\$ (100.00)
47100	Flight Training Concession	\$ (1,000.00)
47132	Rental Cars - Commission	\$ (2,300.00)
47210	Hangar Rentals	\$ (105,000.00)
47220	Rental Office	\$ (7,800.00)
48500	Xfer from General Fund(Aircraft Property Tax)	\$ (40,000.00)
47xxx	LI/SH/FD Land Lease	\$ (12,000.00)
47xxx	Private Hangar Development Land Lease	\$ (2,000.00)
47xxx	Conference Room Rental	\$ (4,300.00)
Total		\$ (806,640.00)

Note: Additional revenue enhancement item.

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Beaufort County Airport (KARW) Proposed Budget FY 2012

Created February 16, 2012

Account	Account Description	FY 2012
50020	Salaries and Wages	\$ 143,948.00
50060	Overtime	\$ -
50070	Shift Holiday Pay	
50100	Employer FICA	\$ 8,881.00
50110	Employer Medicare	\$ 2,077.00
50120	Employer SC Retirement	\$ 13,517.00
50130	Employer PO Retirement	
50140	Employer Group Insurance	\$ 7,933.00
50150	Employer Work Comp Insurance	\$ 2,667.00
50160	Employer Tort Liability Ins	\$ 734.00
50170	Employer Unemployment Ins	\$ 162.00
50199	Employer Unclassified	\$ 3,936.00
51000	Advertising	\$ 300.00
51010	Printing	\$ 150.00
51030	Postage/Other Carriers	\$ 300.00
51040	Licenses/Permits	\$ 1,700.00
51050	Telephone	\$ 3,500.00
51060	Electricity/Natural Gas	\$ 23,000.00
51070	Water/Sewer/Garbage	\$ 1,000.00
51110	Maintenance Contracts	\$ 7,500.00
51120	Repairs to Equipment	\$ 3,000.00
51130	Repairs to Buildings	\$ 5,000.00
51140	Equipment Rentals	\$ 20,500.00
51160	Professional Services	\$ 10,000.00
51210	Cleaning Services	\$ 8,000.00
51295	Other Vehicle Operating Costs	\$ 50.00
51300	Garage Repairs/Maintenance	\$ 4,000.00
51310	Books/Subscriptions/Memberships	\$ 1,500.00
51320	Training and Conferences	\$ 1,500.00

Note: 2.5 percent sponsor share cost of 2012 Grant Projects.

Beaufort County Airport (KARW) Proposed Budget FY 2012

Created February 16, 2012

Account	Account Description	FY 2012
51500	Vehicle Insurance	\$ 1,590.00
51510	Building/Contents Insurance/Airfield	\$ 13,000.00
51990	Unclassified Operating	\$ 15,000.00
52010	Supplies - Office/Photo/Etc	\$ 2,200.00
52020	Data Processing Supplies	\$ 1,000.00
52030	Cleaning Supplies	\$ 100.00
52050	Uniforms	\$ 300.00
52240	Small Tools, Etc	\$ 500.00
52330	Facility Maintenance Supplies	\$ 5,000.00
52340	Signs (Each under \$500)	\$ 500.00
52400	Other Supplies	\$ 100.00
52410	Grounds Maintenance Supplies	\$ 300.00
52500	Fuels/Lubricants	\$ 4,000.00
52600	Minor Office Furniture/ Equip <\$3000	\$ 3,000.00
52610	Data Processing Equip <\$3000	\$ 1,000.00
54110	Data Processing Equipment	\$ 1,000.00
54200	Specialized Capital Equipment	\$ -
54420	Renovations to Exist Buildings	\$ -
54630	Consultants/Professional Services	\$ -
58000	Purchases - Fuel/Lubes	\$ 462,000.00
58030	Purchases - Concessions	\$ 6,000.00
58500	Depreciation Expense	\$ 85,000.00
	Total	\$ 899,195.00

Note: Contains estimated additional insurance cost for Airfield and operations.

Note: Depreciation expense to be absorbed through year end Net Asset Reduction.

Total Revenues	\$ 806,640.00
Total Expenses	\$ 899,195.00
Total Operating Profit (Loss)	\$ (92,555.00)

Total Operating Profit (Loss), Less Depreciation Expense = (7,555.00)