



City of Naples Airport Authority Operating and Capital Budget

Fiscal Year 2023

(October 2022-September 2023)



Photo: Naples Airport staff in front of newly remodeled General Aviation Terminal.

**City of Naples Airport Authority
Operating and Capital Budget
Fiscal Year 2023**

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Introduction

The Airport

The Naples Airport is in western Collier County, Florida, approximately one mile from the City of Naples business district and approximately one and a half miles inland of the Gulf of Mexico. The airport, which is owned by the City of Naples, was leased to the City of Naples Airport Authority (the “Authority”) in 1969 under a 99-year lease. The airport was constructed in 1943 and served as an U.S. Army Air Corps base for training gunners and fighter pilots for combat during World War II.

Although the Naples Airport has previously offered commercial airline service, general aviation (GA) drives activity today. GA includes all types of civilian aviation such as flight training, emergency responders, and charter of high-performance business aircraft weighing less than 75,000 lbs. The airport generates a significant economic impact throughout the community and ranks among the top 20 GA airports nationally for business aircraft activity and customer service.

The Authority

The City of Naples Airport Authority was created by State Enabling Legislation and City of Naples action in 1969. The City of Naples, recognizing the benefits of an authority type management concept, established the Authority for the purpose of enhancing service to users, improving the community gateway image and eliminating financial subsidies by city taxpayers.

The Authority’s Board of Commissioners is composed of five members appointed by Naples City Council. Commissioners are appointed for a term of four years. The Board of Commissioners retains the Executive Director, who is the chief operating officer, chief financial officer and secretary of the Authority. The Executive Director hires all other Authority employees.

Our purpose statement is “Connecting you to Naples through an exceptional airport experience.”

Our customer service vision statement is “First and lasting impressions of excellence.”

We have a five-year strategic plan with the following goals:

1. Provide a safe, modern and efficient airport.
2. Be an engaged community partner.
3. Strengthen the airport’s economic vitality.
4. Equip employees to excel today and in the future.

Naples is an extremely noise sensitive community. In FY 2023, the Authority will continue its commitment to advocating for the community by completing the ongoing federally regulated Part 150 Noise Study, the fourth such study conducted since 1987.

Financial Information

The Authority financially supports itself directly from aviation fuel sales and airport user fees. No local, state or federal general taxes, such as property and sales taxes, directly support the Authority. The Authority receives, for certain capital projects, state and federal financial grants from trust funds established largely from aviation fuel taxes and airline ticket taxes. The Authority pays the City of Naples for utilities, police and firefighting services. The Authority built, maintains and equips the City Fire Station #3, located at the airport, at no expense to taxpayers. The Authority builds and maintains its roadways, landscaping and recreation trails.

The Authority's budget and amendments, if any, are adopted by resolution of the Board of Commissioners, as required by Florida Statute 189.016(3). The adopted budget regulates the total expenses of the Authority for the fiscal year, and it is unlawful for any officer of the Authority to expend or contract for expenses that exceed the budgeted appropriations. The Authority has a fiscal year ending September 30th and, accordingly, the budget must be adopted by the Board of Commissioners before October 1st, the beginning date of the new fiscal year.

The Authority has published rates and charges for services based on maintenance, operating costs and capital recovery. These rates and charges, as a package, maintain and ensure the financial health of the Authority. At a minimum, the Authority's rates and charges are updated annually.

As part of the Authority's planning process, a five-year capital improvement program is also updated at least annually. These projections assist the Authority in determining the potential impact of capital projects on future budgets and future revenue requirements, enabling the Authority to develop successful plans.

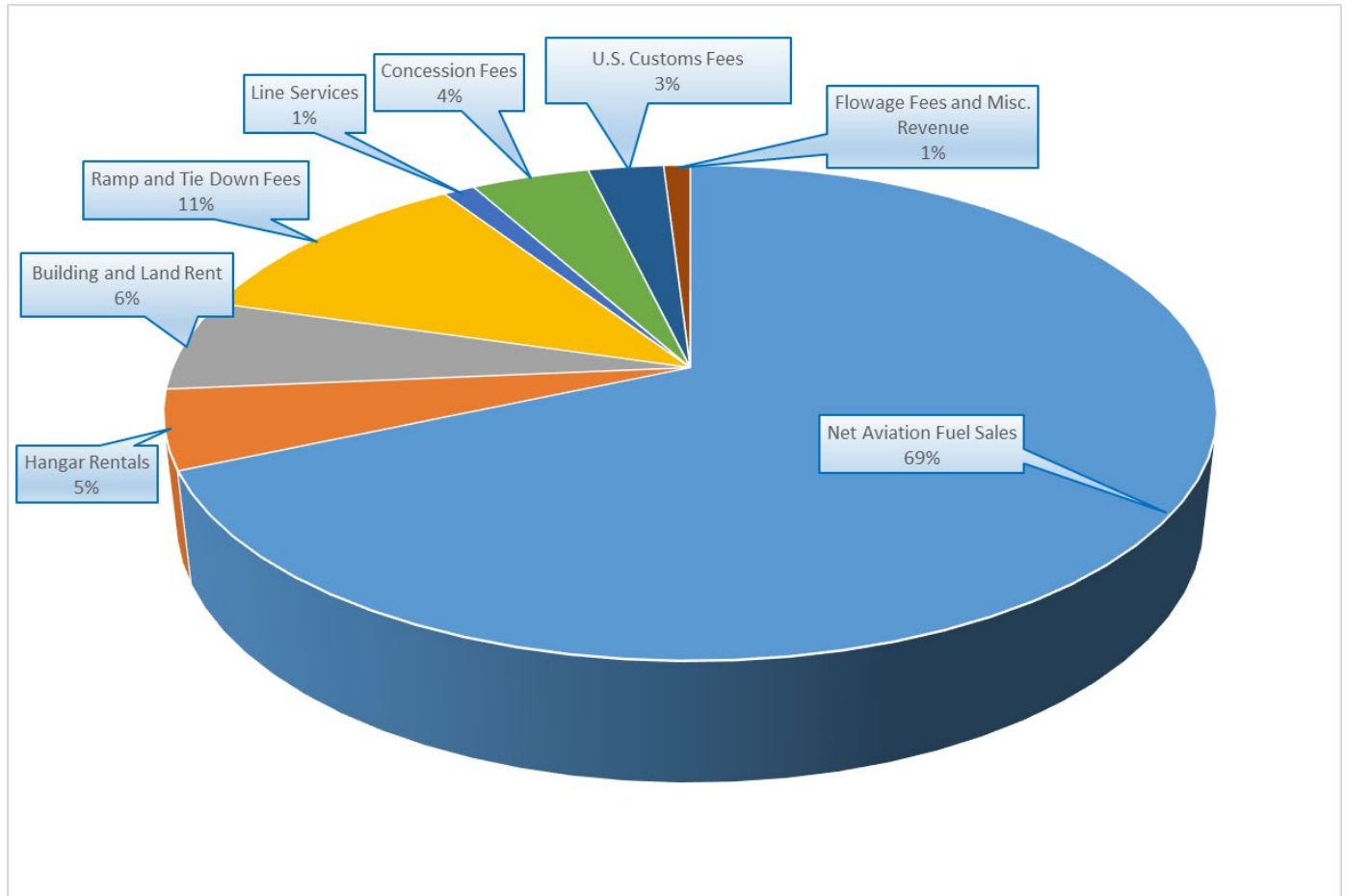
The Authority maintains a \$12.0 million cash reserve for emergency operating contingencies and uses the remaining excess funds for future capital projects. The Authority also maintains an investment portfolio. The investments conform to the Authority's investment policy adopted pursuant to Florida Statutes, Section 218.415. The investments are primarily in U.S. Treasury Notes and have an average maturity of 4 years.

Executive Summary – Operating Budget

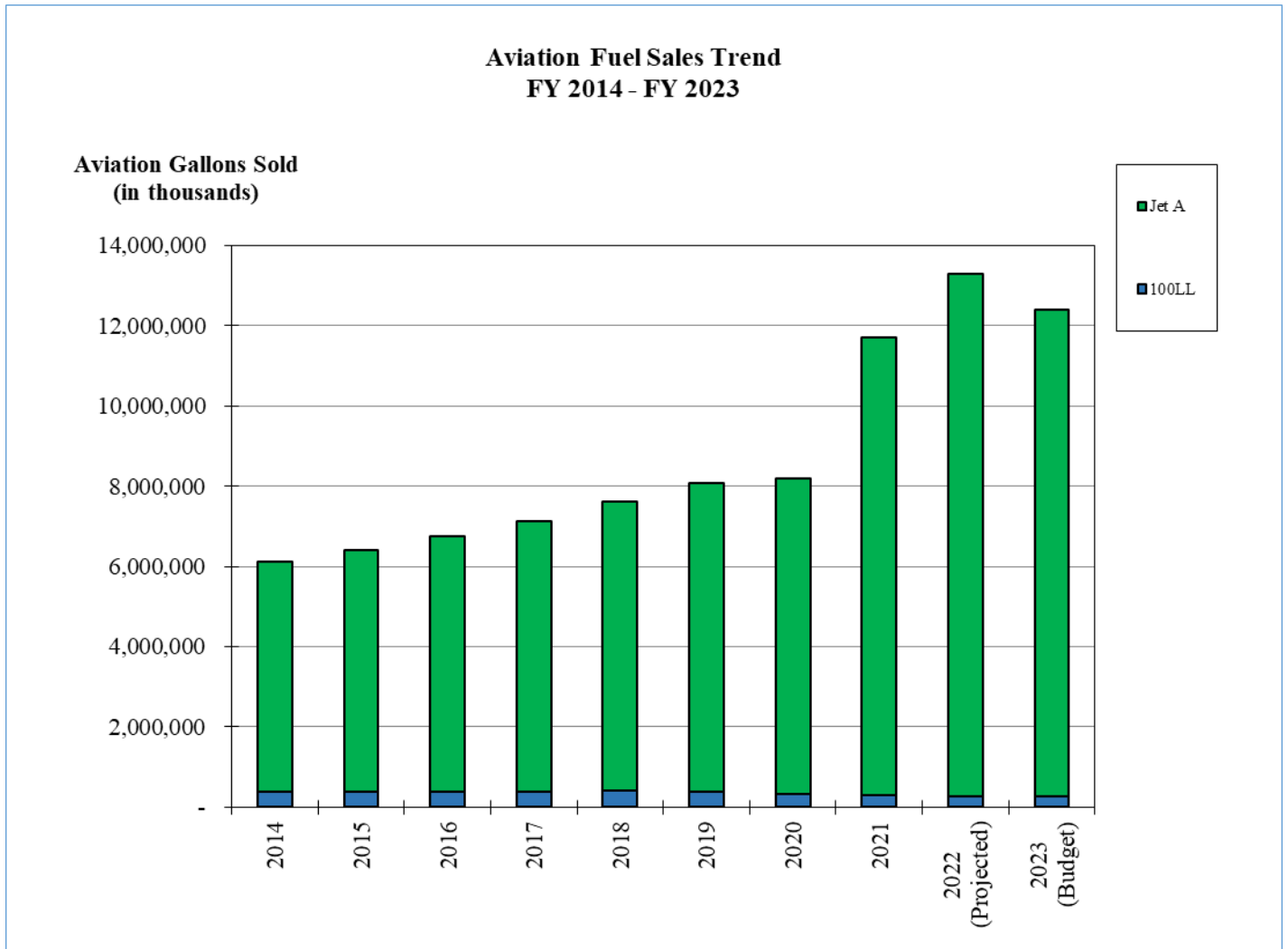
The revenue in the operating budget for FY 2023 was prepared using FY 2022 estimated actual revenue as a baseline and adjusted by management based on expected market trends. The operating budget expenses were prepared utilizing the zero-based budget methodology, where each department determined the actual resources needed based on expected activity to ensure a safe and efficient operation.

Revenue is significantly dependent on fuel sales as shown in the table below. During the pandemic, Florida led the US market in general aviation travel activity. As the pandemic subsides, fuel prices remain volatile and economic uncertainty continues, we expect the use of general aviation travel will decline. The Authority has budgeted a 5% reduction in the gallons expected to be sold in FY 2023. See table on page 4.

Breakdown of Operating Revenue – FY 2023



Executive Summary – Operating Budget (continued)



Expense increases are primarily due to inflation, wage increases and filling open positions to ensure we continue to provide customer service excellence. The ongoing noise study and community outreach programs will also be significant initiatives in FY 2023.

The Authority currently has no debt and the Authority staff have prepared the budget that assumes no debt in FY 2023. We continue to maintain a strong balance sheet with \$25.7 million in current assets and \$4.5 million of current liabilities as of July 31, 2022.

Operating Budget Assumptions

Revenue Assumptions:

Aviation Fuel – Total gallons budgeted to decrease 5% from FY 2022 projected actual as fuel prices have increased significantly and we anticipate the general economic slowdown due to inflation to continue into FY 2023. We budgeted a fuel margin increase to offset the impact of less gallons as well as recover additional costs.

Hangar, Building and Land Rents - Budget based on resumed increase to market rents as per appraisal done in FY 2019 as well as Consumer Price Index (CPI) increases for the current year.

Expense Assumptions:

Personnel – Six additional positions budgeted to improve noise and outreach efforts and build depth in certain departments (\$725,000). The new positions include a director of communications and noise, assistant director of finance, a noise mitigation specialist and three other staff positions. Open positions (34) to be filled in FY 2023 account for \$1,375,000 of the increase to FY 2022 projected actual. Budgeted CPI and merit increases for existing employees account for \$800,000 of the increase. An increase in the retirement plan contribution rates accounts for \$280,000.

Professional Services – Adding dedicated law enforcement services.

Insurance – Increases in insurance rates and insured values.

Airfield and Grounds Maintenance – Resealing of ramp joints and exotic tree removal in the preserve.

Software License and Support – Moving to new cloud-based software for financial, leasing and facilities applications.

Legal Services – Adding services of attorney specializing in noise issues.

Communications – Increasing community outreach and engagement.

Pilot Services – Adding valet and local transportation services.

Non-Operating Revenues (Expenses) Assumptions:

Depreciation and Amortization – Depreciation on capital projects placed into service in FY 2022.

Investment Income – Maintain current investment portfolio averaging 1.7% return. Cash accounts averaging 0.5%.

Statements of Revenues, Expenses and Changes in Net Position
Estimated Actual FY 2022 to FY 2023 Proposed Budget

	Estimated FY 2022 *	Proposed Budget FY 2023	Increase (Decrease)	%
Operating Revenue				
Gallons	13,170,000	12,490,000	(680,000)	(5) %
Aviation Fuel Sales	\$ 68,850,000	\$ 76,940,000	\$ 8,090,000	12 %
Cost of Aviation Fuel Sales	(45,830,000)	(53,200,000)	(7,370,000)	(16)
Net Aviation Fuel Sales	\$ 23,020,000	\$ 23,740,000	\$ 720,000	3
Hangar Rentals	\$ 1,520,000	\$ 1,640,000	\$ 120,000	8
Building & Land Rent	1,810,000	1,900,000	90,000	5
Ramp and Tie Down Fees	3,690,000	3,610,000	(80,000)	(2)
Line Services	370,000	370,000	-	-
Concession Fees	1,310,000	1,340,000	30,000	2
U.S. Customs User Fees	780,000	740,000	(40,000)	(5)
Flowage Fees and Misc. Revenue	340,000	310,000	(30,000)	(9)
Total Operating Revenue	\$ 32,840,000	\$ 33,650,000	\$ 810,000	2 %
Operating Expenses				
Personnel Expenses:				
Salaries and Wages	\$ 8,920,000	\$ 11,310,000	\$ 2,390,000	27 %
Payroll Taxes	630,000	800,000	170,000	27
Benefits	1,960,000	2,930,000	970,000	49
Total Personnel Expenses	\$ 11,510,000	\$ 15,040,000	\$ 3,530,000	31 %
Professional Services	\$ 1,770,000	\$ 2,050,000	\$ 280,000	16 %
Contracted Services	1,470,000	1,500,000	30,000	2
Insurance	780,000	960,000	180,000	23
Airfield and Grounds Maintenance	490,000	670,000	180,000	37
Building Maintenance	290,000	230,000	(60,000)	(21)
Vehicle and Equipment Maintenance	330,000	390,000	60,000	18
Utilities	400,000	430,000	30,000	8
Credit Card Fees	560,000	550,000	(10,000)	(2)
Software Licenses and Support	430,000	560,000	130,000	30
Legal Services	370,000	550,000	180,000	49
Communications	300,000	460,000	160,000	53
Conferences and Travel	120,000	170,000	50,000	42
Minor Equipment	390,000	360,000	(30,000)	(8)
Pilot Services	230,000	350,000	120,000	52
Training & Education	100,000	60,000	(40,000)	(40)
Operating Supplies	240,000	220,000	(20,000)	(8)
Leased Equipment	170,000	210,000	40,000	24
Employee Recognition	80,000	100,000	20,000	25
Dues & Subscriptions	80,000	80,000	-	-
Uniforms	110,000	100,000	(10,000)	(9)
Miscellaneous	10,000	10,000	-	-
Total Operating Expenses	\$ 20,230,000	\$ 25,050,000	\$ 4,820,000	24 %
Income from Operations	\$ 12,610,000	\$ 8,600,000	\$ (4,010,000)	(32) %
Non- Operating Revenue/(Expenses)				
Customer Facility Charges	\$ 240,000	\$ 210,000	\$ (30,000)	(13) %
Depreciation and Amortization	(5,300,000)	(5,850,000)	(550,000)	(10)
Investment Income	460,000	860,000	400,000	87
Other Income (Expense)	(30,000)	-	30,000	100
Total Non- Operating Revenue/(Expenses)	\$ (4,520,000)	\$ (4,780,000)	\$ (260,000)	(6) %
Change in Net Position	\$ 8,090,000	\$ 3,820,000	\$ (4,270,000)	(53) %

* Actual of 10 months and projection of 2 months.

**Statements of Revenues, Expenses and Changes in Net Position
FY 2022 Budget to FY 2023 Proposed Budget**

	Adopted Budget FY 2022	Proposed Budget FY 2023	Increase (Decrease)	%
Operating Revenue				
Gallons	11,480,000	12,490,000	1,010,000	9
Aviation Fuel Sales	\$ 48,640,000	\$ 76,940,000	\$ 28,300,000	58 %
Cost of Aviation Fuel Sales	<u>(27,100,000)</u>	<u>(53,200,000)</u>	<u>(26,100,000)</u>	<u>(96)</u>
Net Aviation Fuel Sales	\$ 21,540,000	\$ 23,740,000	\$ 2,200,000	10 %
Hangar Rentals	\$ 1,560,000	\$ 1,640,000	\$ 80,000	5 %
Building & Land Rent	1,810,000	1,900,000	90,000	5
Ramp and Tie Down Fees	3,557,000	3,610,000	53,000	1
Line Services	562,000	370,000	(192,000)	(34)
Concession Fees	1,210,000	1,340,000	130,000	11
U.S. Customs User Fees	630,000	740,000	110,000	17
Flowage Fees and Misc. Revenue	<u>230,000</u>	<u>310,000</u>	<u>80,000</u>	<u>35</u>
Total Operating Revenue	\$ 31,099,000	\$ 33,650,000	\$ 2,551,000	8 %
Operating Expenses				
Personnel Expenses:				
Salaries and Wages	\$ 9,460,000	\$ 11,310,000	\$ 1,850,000	20 %
Payroll Taxes	750,000	800,000	50,000	7
Benefits	<u>2,290,000</u>	<u>2,930,000</u>	<u>640,000</u>	<u>28</u>
Total Personnel Expenses	\$ 12,500,000	\$ 15,040,000	\$ 2,540,000	20 %
Professional Services	\$ 2,220,000	\$ 2,050,000	\$ (170,000)	(8) %
Contracted Services	1,330,000	1,500,000	170,000	13
Insurance	870,000	960,000	90,000	10
Airfield and Grounds Maintenance	520,000	670,000	150,000	29
Building Maintenance	270,000	230,000	(40,000)	(15)
Vehicle and Equipment Maintenance	260,000	390,000	130,000	50
Utilities	390,000	430,000	40,000	10
Credit Card Fees	369,000	550,000	181,000	49
Software Licenses and Support	470,000	560,000	90,000	19
Legal Services	370,000	550,000	180,000	49
Communications	410,000	460,000	50,000	12
Conferences and Travel	90,000	170,000	80,000	89
Minor Equipment	230,000	360,000	130,000	57
Pilot Services	340,000	350,000	10,000	3
Training & Education	80,000	60,000	(20,000)	(25)
Operating Supplies	210,000	220,000	10,000	5
Leased Equipment	140,000	210,000	70,000	50
Employee Recognition	110,000	100,000	(10,000)	(9)
Dues & Subscriptions	40,000	80,000	40,000	100
Uniforms	100,000	100,000	-	-
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	\$ 21,329,000	\$ 25,050,000	\$ 3,721,000	17 %
Income from Operations	\$ 9,770,000	\$ 8,600,000	\$ (1,170,000)	(12) %
Non- Operating Revenue/(Expenses)				
Customer Facility Charges	\$ 250,000	\$ 210,000	\$ (40,000)	(16) %
Depreciation and Amortization	(5,600,000)	(5,850,000)	(250,000)	(4)
Investment Income	<u>190,000</u>	<u>860,000</u>	<u>670,000</u>	<u>353</u>
Total Non- Operating Revenue/(Expenses)	\$ (5,160,000)	\$ (4,780,000)	\$ 380,000	7 %
Change in Net Position	\$ 4,610,000	\$ 3,820,000	\$ (790,000)	(17) %

Executive Summary – Capital Improvement Plan

The Authority's capital improvement plan (CIP) contains projects that are eligible for funding assistance from outside agencies and usually require matching funds from the Authority. The two major sources of outside funding for the Authority's capital improvement plan are the Federal Aviation Administration (FAA) and the Florida Department of Transportation (FDOT). The Naples Airport is a general aviation airport and is eligible for \$150,000 per year in Entitlement Funding from the FAA under the Airport Improvement Program. The airport may also be eligible for other FAA grants. The Authority, as a publicly owned Florida airport, is also eligible for state funding. FDOT provides up to one-half of the local share of project costs when FAA funding is received, and when no federal funding is available, FDOT can provide up to 80% of eligible project costs for general aviation airport projects. Any eligible grants must be approved by the Board of Commissioners. Certain grants have grant assurances that obligate the Authority to operate and maintain the improvements for 20 years.

The FY 2023 Capital Improvement Plan (CIP) anticipates \$31.8 million in projects with \$7.8 million in assistance from Federal (FAA) and State (FDOT) agencies and \$24.0 million funded by the Authority. FAA and FDOT funding are not guaranteed. The CIP projects or items listed are prioritized based upon needs according to our strategic plan. The cost estimates for capital projects were updated in July 2022 due to the rapid cost escalations we have seen recently.

Our CIP for the next five years (FY 2023 – FY 2027) is estimated to cost approximately \$107 million. Major projects include those listed in the table on page 9 plus a runway rehabilitation, apron improvements, taxiway safety improvements, airfield LED lighting, and the design of a new general aviation terminal.

The Board acceptance of the CIP Budgets for FY 2023 does not constitute automatic Board approval for each item listed. All items exceeding the Executive Director's Delegation of Powers (currently \$50,000), must be brought before the Board for consideration and approval.

FY 2023 Proposed Budget - Capital Improvement Plan

Goal 1 - Provide a safe, modern and efficient airport.	Funding Source - Current Year			Total - Current Year	Total Project Amount
	Authority	FAA	FDOT		
Runway 5-23 Drainage - Phase 3 (construction)	\$ 280,000	\$ 5,320,000	\$ -	\$ 5,600,000	\$ 5,600,000
Solar Canopy (construction)	5,000,000	-	-	5,000,000	5,500,000
North Quad Site Prep (construction)	3,000,000	-	-	3,000,000	12,600,000
Facilities Shop Improvements (construction)	2,900,000	-	-	2,900,000	3,140,000
North Road Terminal and Rental Car Improvements (design and construction)	2,500,000	-	-	2,500,000	12,000,000
Fuel Farm Improvements (construction)	1,500,000	-	-	1,500,000	3,500,000
AOB Remodel, AV & Furnishings (construction)	1,200,000	-	-	1,200,000	2,000,000
Electric Vault Replacement (construction)	53,000	945,000	52,000	1,050,000	2,000,000
NAVAIDS (construction)	50,000	950,000	-	1,000,000	1,000,000
Airport Road Landscaping (construction)	1,000,000	-	-	1,000,000	1,000,000
Stormwater Drainage Plan (design)	800,000	-	-	800,000	1,300,000
South Quad T-hangars (design)	770,000	-	-	770,000	10,500,000
ARFF Truck	563,000	-	-	563,000	563,000
General Aviation Terminal Remodel (construction)	500,000	-	-	500,000	500,000
General Aviation Terminal Additional Parking	450,000	-	-	450,000	450,000
General Aviation Terminal Ramp Lights	400,000	-	-	400,000	400,000
Airport Road Airfield Fencing (construction)	175,000	-	175,000	350,000	350,000
Security Improvement Project	300,000	-	-	300,000	2,771,000
Hangar Door Replacements (construction)	300,000	-	-	300,000	2,700,000
Trucks (4) - ordered in FY 2022	245,000	-	-	245,000	245,000
Trucks (3) - electric - ordered in FY 2022	210,000	-	-	210,000	210,000
Taxiway A&B Safety Improvements (design)	7,000	124,000	7,000	138,000	1,000,000
Diesel Refueler Truck	120,000	-	-	120,000	120,000
5/23 Service Road (design)	6,000	103,000	6,000	115,000	115,000
Lekro Tug	115,000	-	-	115,000	115,000
Diesel Power 28V GPU (2)	100,000	-	-	100,000	100,000
Paved Pads -Airfield Signage (construction)	100,000	-	-	100,000	100,000
Radios	100,000	-	-	100,000	100,000
Taxiway A-3 Relocation (design)	5,000	81,000	5,000	91,000	91,000
Ground Vehicle Tracking	65,000	-	-	65,000	65,000
Electronic Message Boards (2)	60,000	-	-	60,000	60,000
Runway Closure Markers (2)	60,000	-	-	60,000	60,000
Various Capital under \$50,000	270,000	-	-	270,000	270,000
	23,204,000	7,523,000	245,000	30,972,000	70,525,000
Goal 2 - Be an engaged community partner.					
Greenway Wayfinding	100,000	-	-	100,000	100,000
Observation Deck and Playground Upgrades	500,000	-	-	500,000	500,000
	600,000	-	-	600,000	600,000
Goal 3 - Strengthen the airport's economic vitality.					
Software Implementations	125,000	-	-	125,000	125,000
Various Computer Hardware	125,000	-	-	125,000	125,000
	250,000	-	-	250,000	250,000
Totals	\$ 24,054,000	\$ 7,523,000	\$ 245,000	\$ 31,822,000	\$ 71,375,000

**FY 2023 APPROPRIATION FOR EXPENDITURES AND RESERVES
SCHEDULE OF AVAILABLE RESOURCES, REVENUES, EXPENSES AND EXPENDITURES**

Florida Statute 189.016(3) requires that the governing body of a special district adopt a budget by resolution each fiscal year. The total amount available from revenues and other sources, including amounts carried forward from prior fiscal years, must equal the total of appropriations for expenditures and reserves. The adopted budget regulates the total expenditures of the special district for the fiscal year, and it is unlawful for any officer of a special district to expend or contract for expenditures that exceed the budgeted appropriations.

The Authority's sources of revenues include both operating and non-operating revenues. The Authority's expenses and expenditures include operating and non-operating expenses and capital improvement projects. The Authority has no debt. Depreciation expense is not included since the outlay for capital projects either occurred in the past or is reflected in this schedule. The available resources at the beginning of the year and at year-end are not representative of the Authority's actual cash on hand, since the Authority reports revenues and receipts when earned, not when received from the customers, and reports expenses and expenditures when incurred, not when paid to the vendor.

For FY 2023 budget, the total budgeted available resources, revenues, and receipts (i.e., total of appropriations for expenditures and reserves) is \$94,361,000. The total budgeted expenses and expenditures is \$49,104,000 and the total budgeted available resources at year end is \$45,257,000.

The Schedule of Available Resources, Revenues, Expenses and Expenditures is consistent with Generally Accepted Accounting Principles (GAAP) except that in order to clarify the Authority's intent for total expenses and expenditures and capital improvement projects are included as expenditures and depreciation is excluded. When there is a difference between the budgetary basis of accounting and GAAP, a reconciliation must be provided.

Total available unrestricted cash and investments - 9/30/2021	\$ 55,345,000
Estimated actual net operating revenue - FY 2022	32,840,000
Estimated actual operating expenses - FY 2022	(20,230,000)
Proceeds from lease term buybacks - FY 2022	5,320,000
Estimated actual interest and other revenue/expense - FY 2022	430,000
Estimated actual CIP - Authority funded - FY 2022	<u>(13,854,000)</u>
Total estimated available unrestricted cash and investments - 9/30/2022	\$ 59,851,000
Budgeted net operating revenue - FY 2023	33,650,000
Budgeted operating expenses - FY 2023	(25,050,000)
Budgeted interest and other revenue - FY 2023	860,000
Budgeted CIP - Authority funded - FY 2023	<u>(24,054,000)</u>
Total budgeted available unrestricted cash and investments - 9/30/2023	<u>\$ 45,257,000</u>
Operating reserves	\$ 12,000,000
Excess of reserves for capital projects - 9/30/2023	\$ 33,257,000