

CITY OF NAPLES AIRPORT AUTHORITY

FISCAL YEAR 2010

OPERATING

AND

CAPITAL BUDGET

FISCAL YEAR 2010 BUDGET

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EXECUTIVE SUMMARY

The City of Naples Airport Authority (“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 financially supports itself directly from aviation fuel sales and airport user fees, and indirectly by airport user taxes. No local, state or federal general taxes, such as property, utility, sales, intangible or income 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 utility, police and fire fighting services and also built, equips and maintains City Fire Station #3, as well as stormwater and environmental facilities. The Authority builds and maintains internal roadways and utilities and has constructed many of the external roadway improvements, including horticultural beautification and bicycle paths.

Although financial records of the Airport do not exist for the initial years, the Authority has operated in the black since its inception and, in fact, has increased the value of the Airport by \$49.4 million dollars. Audited figures in 1973 showed the value of the Airport (assets minus liabilities) to be \$267,000 as compared to the 2008 audited value of \$49.7 million.

The Naples Municipal Airport has enjoyed scheduled commercial air service since the 1950s. From FY 2000 through FY 2004, the amount of commercial passenger traffic declined dramatically due to the loss of American Eagle in 2001 and the total loss of scheduled commercial service in FY 2003. During FY 2004, only “seasonal” service was available on nine (9) passenger aircraft. After the loss of American Eagle, the Authority developed its first program designed to encourage new airline start-up service. Later, this program was expanded to include the existing carriers and the waiving of all landing, common use and rental fees. This program was further expanded to include complete ground handling support services and marketing support with the initiation of Delta Connection service in November 2004. Delta’s passenger load factors (number of passengers divided by the number of seats per flight) were over 70% which was high for new service and their revenue resulted in the \$1 million community backed revenue guarantee not being used. However, despite the high load factors, Delta terminated services from Naples as of October 1, 2007. Scheduled air service to Tampa was provided by Gulfstream (Continental Express) for a brief period in FY 2008, and scheduled air service to Key West was provided by Yellow Air Taxi from February 2007 through October 2008.

A survey conducted in November 2007 of 400 City of Naples registered voters showed that they wanted more airport service: 73% would use the airport more if a greater variety of flights were offered, 92% identified location and convenience of the airport as important when flying and a strong majority supported runway expansion if necessary to improve services. In order to support the community and provide the level of service they desire, the Authority has once again expanded the air service development program. In addition to the initial waiver of all landing, common use and rental fees, complete ground handling support services and marketing support, the program now includes complete personnel support and related equipment. The FY 2010 Budget includes \$744,000 in operating expenses for this program and \$377,000 of net operating revenue that would

be generated from the sale of fuel to the airline and federal government reimbursements for law enforcement services required by the Transportation Security Administration. In order for the Naples Municipal Airport to be classified as a Primary Commercial Service Airport, and therefore eligible for \$1 million in annual entitlement funding from the FAA, the Airport must serve at least 10,000 enplaning passengers each year.

The Authority assigns a high priority to noise compatibility. Efforts to reduce the impact of aircraft noise date back to the airport's 1974 Master Plan. Since then, the Authority has remained in the forefront of aviation noise issues by instituting a ban on Stage 1 and Stage 2 jets under 75,000 pounds and a voluntary nighttime use restriction. The Federal Aviation Regulation Part 161 Noise Study and the Supplemental Study that recommended a 24 hour restriction on Stage 2 aircraft operations, was accepted by the FAA in 2001, and was the first and remains the only such restriction adopted in the nation pursuant to the Airport Noise and Capacity Act of 1990. Some users of the airport, general aviation interest groups, and the FAA challenged the Stage 2 ban. Legal victories in Federal and State courts enabled the Authority to stay the course in pursuit of the nation's most successful and aggressive noise reduction program for small airports.

With the continued development of the Naples community and the expanding activity of the airport, the Authority's Board of Commissioners approved \$694,000 to be spent to complete an updated Part 150 Noise Study. This study will require significant community and staff effort in FY 2010 and FY 2011.

The Authority and the Naples Municipal Airport felt the impact of the economic recession. Net fuel revenue and gallons sold for Jet A, number of fuel sales transactions, ramp fee transactions, and aircraft operations, all revenue indicators, were down dramatically in FY 2009 as compared to FY 2008. In response to the reduction in operating revenues, the Authority reduced its staffing levels by 9.0 FTEs in March 2009. Non-management staff were reduced from 40 hours per week to 32 hours per week and part-time seasonal positions were eliminated earlier than planned.

The FY 2010 Operating Budget reflects a six percent (6%) increase in operating revenues over the FY 2009 estimate resulting from projected increases in Net Fuel Revenue and Other revenue. Operating expenses have been projected conservatively and are projected to increase twenty-one percent (21%) over the FY 2009 estimate. Staffing levels will include 15 full time equivalents to provide above and below wing services for the scheduled commercial airline service, to meet general aviation demand if activity recovers and to provide enhanced customer service. No pay increases, promotions or overtime, with the exception of holiday overtime, have been budgeted for FY 2010. The Authority's Operating Income for FY 2010 is projected to be \$1.5 million. The Budget reflects a Net Loss of \$1.0 million.

The Five (5) Year Capital Improvement Plan continues to address the need for airport pavement improvements and anticipates \$12.5 million in FY 2010 through FY 2012 for the rehabilitation of Runway 4-32, Runway 5-23 and the Commercial Terminal Apron. During FY 2009 the Authority received 6 federal grant awards totaling \$9.5 million. This enabled the Authority to complete a significant portion of the airport pavement improvements including all of the taxiways and to move forward with the General Aviation Terminal Apron.

The FY 2010 Capital Budget is organized into two (2) categories of capital projects. Participatory projects meet the eligibility requirements for funding assistance from outside agencies and require a

level of matching funds from the Authority. Non-participatory projects are anticipated to be fully funded by the Authority.

The Operating and Capital Budgets for FY 2010 are summarized as follows:

<u>Operating Budget</u>		<u>Capital Budget</u>	
<u>Operating Revenues</u>	\$ 9,784,000	<u>Capital – Participatory</u>	\$ 7,226,000
<u>Operating Expenses</u>	<u>(8,294,000)</u>	<u>Capital – Non-Participatory</u>	<u>2,207,000</u>
<u>Operating Income</u>	1,490,000	<u>Total Capital Budget</u>	<u>9,433,000</u>
<u>Other Revenues (Expenses)</u>	227,000	<u>Total Outside Funding</u>	6,338,000
<u>Depreciation Expense</u>	<u>(2,760,000)</u>	<u>Authority Funds</u>	\$ 3,095,000
<u>Net Loss</u>	<u>\$ (1,043,000)</u>		

The FY 2010 budget maintains reserves for capital contingencies and emergency operating contingencies at \$3.0 million. The Authority Board and staff recognize the economic pressure on the country and the impact it has had on the aviation industry. Management will be monitoring anticipated revenues carefully and be prepared to make any necessary cuts in costs, including delays in hiring staff, to maintain the positive revenue position projected in the budget.

We have allocated all funds available during FY 2010 for operating and capital expenditures, and reserves for capital and operating contingencies. The Authority’s intent is to continue to manage and operate the Naples Municipal Airport as a financially sound entity with an emphasis on safety for all, including the public. The Authority will continue to be a good neighbor, acting in the best interest of the Authority and the community.

HISTORICAL COMPARISONS

The charts on page 6 depict ten (10) year comparisons of aircraft operations, fuel sales in gallons and scheduled air service passenger activity for fiscal years 2000 through projected 2010.

TEN YEAR COMPARISON OF AIRCRAFT OPERATIONS AND FUEL SALES IN GALLONS

As of the end of August 2009, total aircraft operations were thirteen percent (13%) below the same time frame in FY 2008, and this level of activity is projected to continue to decrease throughout the end of September 2009 to fifteen percent (15%) below the FY 2008 activity level. The estimated total operations for FY 2009 of 110,000 will be a decrease of thirty-three percent (33%) from the highest level reached at the airport in FY 2005 of 163,000 operations. Total operations are expected to increase thirty percent (30%) in FY 2010 to 143,000. This level of activity is three percent (3%) above the FY 2001 and FY 2002 and includes activity for the addition of scheduled commercial air service. VFR (Visual Flight Rules) operations will have increased nineteen percent (19%) from 83,000 in FY 2000 to a projected 99,000 for FY 2010, an average increase of two percent (2%) per year. IFR (Instrument Flight Rules) operations will have increased sixteen percent (16%) from 38,000 in FY 2000 to a projected 44,000 for FY 2010, an average increase of two percent (2%) per year.

Total fuel gallon sales, including flowage, have increased since 2000 from a total of 4.4 million gallons to a projected 5.2 million gallons for FY 2010. As depicted, aviation gasoline (100LL) sales remain relatively flat. Jet A fuel gallon sales increased 0.4 million gallons between FY 2000 and FY 2009. Total fuel sales (in gallons) for FY 2010 is anticipated to increase by 14% (618,000 gallons) and is attributed to the addition of scheduled commercial air service. No increase in fuel gallon sales related to general aviation are projected.

The upward trend in Jet A fuel sales from FY 2000 through FY 2007 is attributed to the Authority's competitive fuel sales program, implemented in our first published Rates and Charges document in FY 1995, which reduced the selling price of fuel and the amount of "tankering" by Jet A users. "Tankering" occurs when an aircraft operator purchases additional fuel from the airport he is leaving so he does not need to purchase fuel at the next airport where the fuel pricing is significantly higher. Lower fuel prices do not attract additional aircraft activity to Naples Municipal Airport. High fuel prices do however, induce "tankering." By reducing "tankering" we effectively pass the cost of operating the Airport to all the users.

Also contributing to the growth in Jet A sales (by volume) since FY 2002 is the growth in corporate aviation, especially related to fractional aircraft ownership activity. Fractional ownership arrangements allow for a group of people or companies to own a "portion" of an aircraft. That portion enables them to use the aircraft for a set number of hours per year, and capital outlay is smaller than straight ownership. The use of corporate aircraft allows people and companies to reduce the amount of time spent traveling, thus increasing productivity.

The decrease in Jet A fuel sales in FY 2008 and FY 2009 is a result of extremely high fuel costs from May 2008 – November 2008, and the economic recession.

COMPARISON OF SCHEDULED AIR SERVICE PASSENGER ACTIVITY

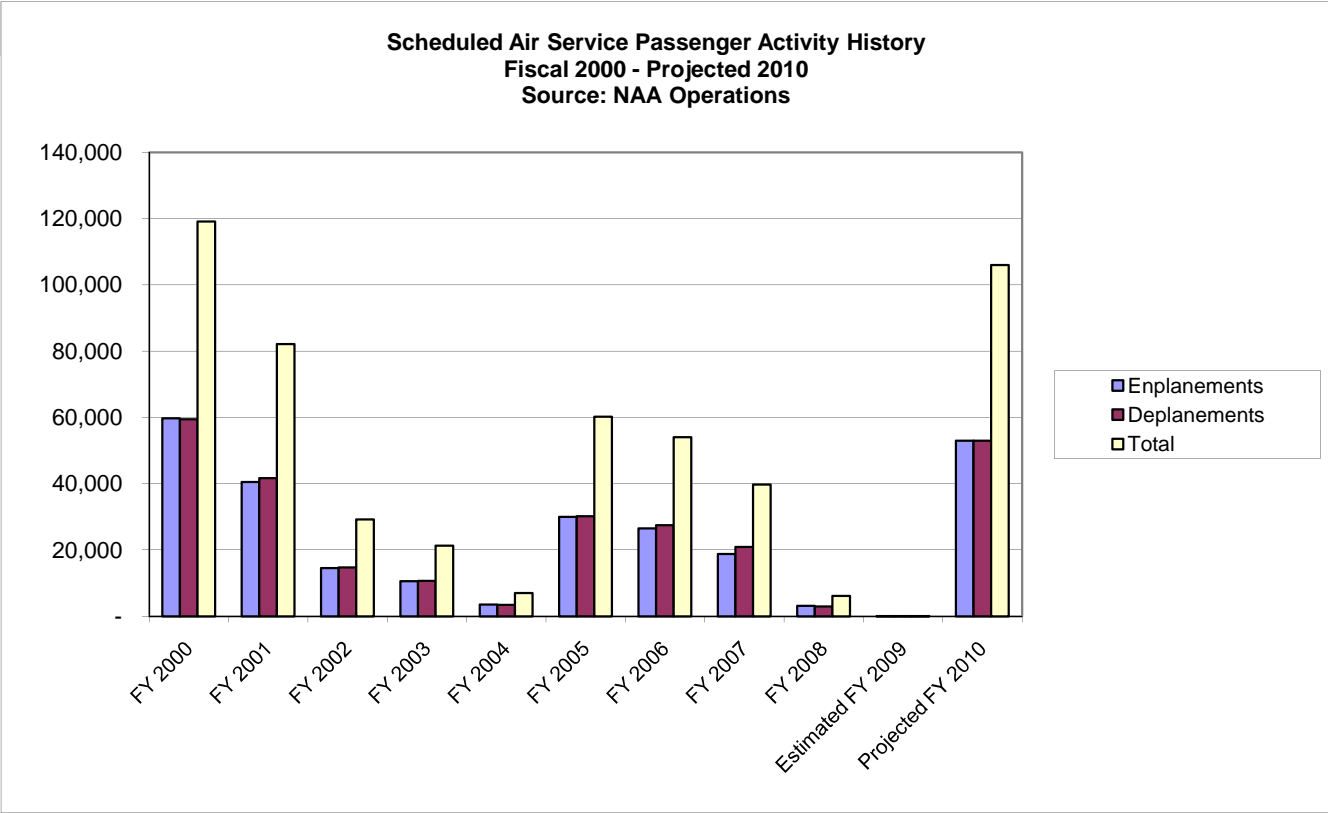
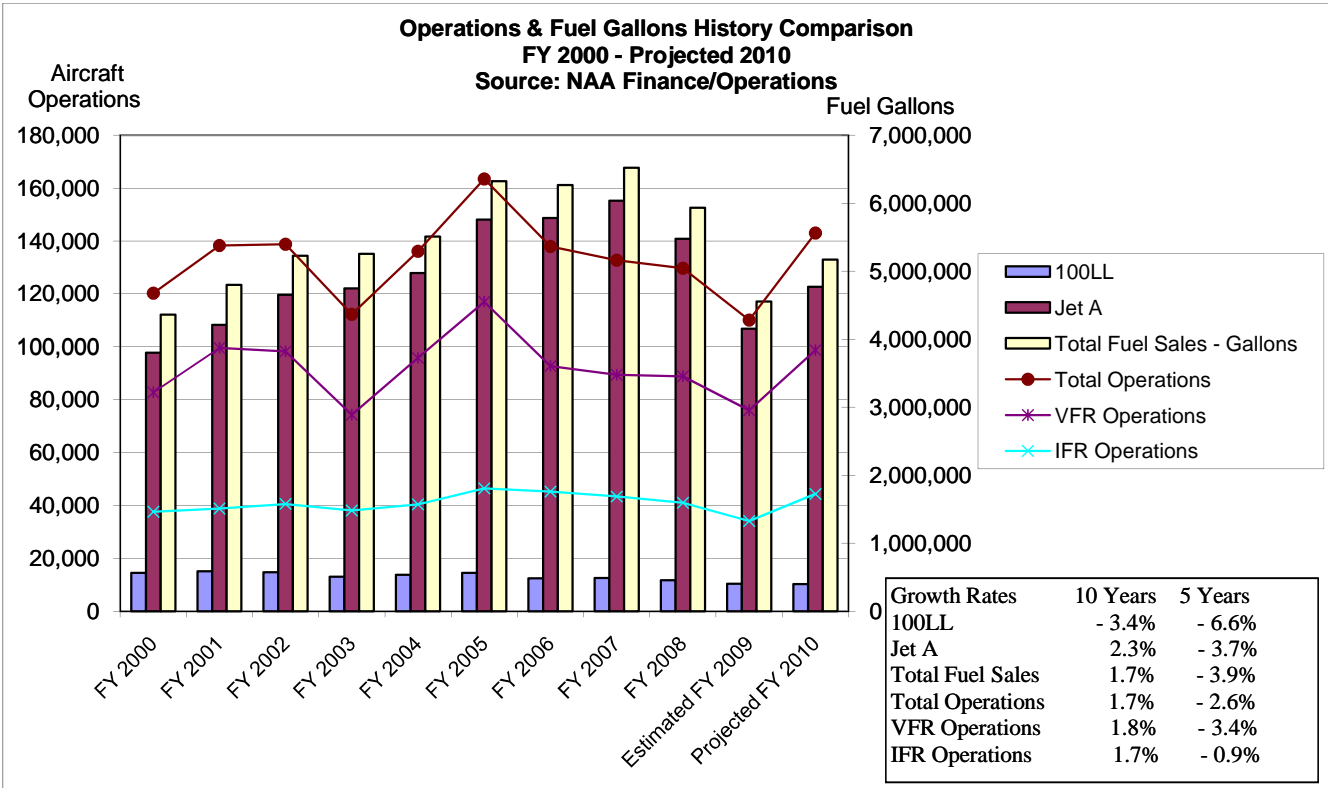
The Naples Municipal Airport is the only commercial air service airport in Collier County and has enjoyed sustained scheduled commercial air service since the 1950s. Historically, the airport has functioned as a non-hub airport with direct service to Miami, Orlando, Tampa and Key West. Air carriers have always viewed Naples as an attractive market because of its location and the community's affluence.

Since 1980, when the Naples Municipal Airport had a high of over 195,000 total passengers, the airport has experienced considerable fluctuations in air service. A significant drop in enplanements occurred between 1982 and 1985, when Southwest Florida International Airport opened as a commercial service airport in Ft. Myers, thus drawing a number of travelers away from the Naples Municipal Airport.

From 2000 to 2004, the airport experienced a ninety-four percent (94%) reduction of the total passengers as a result in the reduction of scheduled commercial air carriers from three carriers in 2000 down to one major carrier in 2001; and in the summer of 2003, experienced a complete loss of scheduled air service. During FY 2004, only seasonal service was available to Miami and Key West on nine (9) passenger aircraft. From November 2004 through September 2007, Delta Connection provided commercial air service with three (3) flights per day to and from Atlanta with 40 passenger regional jets and for a brief time period during FY 2008 Gulfstream (Continental Connection) provided service to Tampa. In FY 2007, Yellow Air Taxi commenced service to Key West and in FY 2008 expanded their service to Ft. Lauderdale. Yellow Air Taxi stopped service October 2008.

The Authority continues to work to secure scheduled air service to a major hub in an effort to support the community's desire for air service from Naples. Should the Authority be able to secure this service in early FY 2010, we expect to serve 106,000 passengers during the year.

Based on the FY 2000 passenger levels, Naples Municipal Airport has the potential to serve over 120,000 passengers from our local community.



**City of Naples Airport Authority
Fiscal Year 2010 Budget**

Key Assumptions

- No catastrophic hurricane
- General aviation activity stabilizes
- Operations increase
- General aviation fuel gallons remain flat
- Scheduled airline service
- No litigation expense
- Landscape / Improvements on North Road
- Major capital projects completed/move forward on schedule
 - Rehabilitate Runway 14-32 \$ 4.0 M
 - General Aviation Terminal Modifications \$ 3.5 M
 - General Aviation Terminal Apron \$ 2.8 M
 - Part 150 Study Update Continues \$ 0.6 M
- No debt
- Maintain reserves at \$3.0 M

FY 2010 OPERATING BUDGET INFORMATION

To develop FY 2010 operating expense budget projections, each department prepared line item projections identifying the specific costs associated with the operation of their department. Their direct participation provides the department with an understanding of the budgeting process and their budget constraints for the upcoming year. It also develops a sense of “ownership” that carries forward throughout the year, assisting in meeting our financial goals.

Staff is dedicated to maintaining the relationship between revenues and expenses to accomplish the budgeted margin. The FY 2010 operating budget reflects operating income of \$1.4 million.

OPERATING REVENUES AND EXPENSES

FY 2009 revenue estimates are based on the actual revenues from October 2008 through July 2009, and actual activity from August 2008 and September 2008 adjusted for current rates and charges and known changes in activity. FY 2010 revenue projections are based on the estimated FY 2009 activity adjusted for projected rates and charges and anticipated changes in activity.

FY 2010 revenues from the users of the Airport (after cost of goods sold) are projected to total \$9.8 million representing a \$551,000 increase over FY 2009.

- Fuel sales remain the Authority’s main source of revenue. Fuel prices are based on a cost plus formula in accordance with the published Rates and Charges set by the Executive Director. The FY 2010 budget reflects a six percent (6%) or \$362,000 increase in net fuel revenue over the FY 2009 estimate. This projection assumes the commencement of scheduled commercial airline service in early FY 2010. Aviation fuel programs are projected to remain at the FY 2009 levels and will include the two (2) five cent (\$0.05) per gallon increases in Jet A that were implemented in February and March 2009. Fuel flowage fees will remain at \$0.30 per gallon throughout the year, and no increase in flowage gallons are projected during FY 2010. Fuel sales from the Rental Car Facility, aviation oil sales, and fuel truck rental are projected to remain at the FY 2009 level. Any shifts in the fuel sales mix are anticipated to be minimal.
- Concession fees are projected to remain at the same level as the FY 2009 estimate. In order to provide conservative revenue projections, possible growth in scheduled airline activity that could increase the Authority’s concession revenue from rental car activity at the Commercial Terminal was not included.
- Hangar/T-shelter/tiedown rents are projected to increase by \$64,000 reflecting full occupancy of Authority owned T-hangars.
- Building rents are projected to increase by \$6,000 over the FY 2009 estimate reflecting full occupancy of the Airport Office Building and continued rents from GulfCoast Airways and the rental car companies at the Commercial Airline Terminal. In accordance with the Airline Incentive Program, no rents are reflected from scheduled commercial airline tenants.
- Land rent is projected to remain at the FY 2009 level. Additional revenue for new land leases is not projected.
- Line Services is projected to remain at the same level as the FY 2009 estimate.

- Other operating revenue is projected at \$119,000 for FY 2010 and includes federal government reimbursement for Naples Police services required by the Transportation Security Administration (TSA) and revenue received from gate cards, key and lock replacements, copies and faxes.

FY 2010 operating expenses are projected at \$8.3 million, which represents an increase of \$1.4 million from the FY 2009 estimate and includes costs associated with scheduled commercial airline service.

- Personnel costs, including salaries and wages, related taxes, employee benefits, uniforms, training, travel and employee recognition programs are projected to increase \$526,000 from the FY 2009 estimate. This increase reflects the addition of staff to accommodate scheduled commercial airline service, to meet general aviation demand should activity recover, and to provide enhanced customer service. No pay increases, promotions or overtime, with the exception of holiday overtime, have been budgeted for FY 2010. FY 2010 airline staffing costs are projected at \$333,000.
- Professional fees, including legal fees, audit services and other professional/consulting fees are projected to increase by \$109,000 from \$516,000 for FY 2009 to \$625,000 FY 2010. Legal fees are expected to remain at the FY 2009 level and include \$10,000 for legal expense related to scheduled commercial airline service and do not include any fees for litigation. Expenses related to Audit Services are projected to remain at the FY 2009 estimated level based on the engagement letter for the FY 2009 audit, the addition of comprehensive audits related to contract and lease compliance, and other special projects that may be assigned to our audit firm during the year. Other professional services are projected to increase by \$4,000 and include consulting services for human resources, noise abatement and security. Computer/MIS services are projected to increase by \$75,000 and includes outside consulting services, software maintenance and upgrades and hardware purchases of less than \$2,000 per item. Airline costs associated with this line item is \$35,000 for a portion of the annual maintenance cost associated with common use airline equipment and outside consulting services, if needed. Engineering and planning services are projected to increase by \$20,000 and include general engineering consulting services, surveying, geotechnical services and an obstruction survey including obstruction removal, if needed.
- Communications expense, including classified advertising, is projected to increase by \$120,000 from \$116,000 for FY 2009 to \$236,000 for FY 2010. This line item includes air service marketing, general aviation marketing and public relations consulting services, outdoor advertising, quarterly flight schedules, community mailings, photography and videos. Classified advertising is projected at \$11,000 and includes employment, bid and public meeting notices. Airline costs associated with this line item is \$125,000 for scheduled commercial airline service promotion.
- Insurance expense is projected to increase by \$85,000 from \$542,000 in FY 2009 to \$627,000 for FY 2010 and reflects an increase in insured property values with the completion of the General Aviation Terminal in December 2009. Increases in premiums are anticipated to be minimal. Airline costs associated with this line item is \$30,000 and includes additional workers compensation premiums and an increase in the airport liability premium.

- Utilities and environmental services is expected to increase by \$6,000 from \$407,000 to \$413,000. Telephone expense is projected to increase by \$3,000 and includes both local and long distance services, and Utilities expense is projected to remain at the FY 2009 level. Environmental services will increase \$3,000 for wetland maintenance and regulatory permit applications. The Authority will continue to budget for the disposal of used oil and fuel with an outside company.
- Office supplies, postage and printing expense is projected to increase \$7,000 from \$40,000 in FY 2009 to \$47,000 in FY 2010.
- ATCT (Air Traffic Control Tower), ARFF (Airport Rescue and Fire Fighting) Operations and Police Services are projected to increase by \$282,000 from \$679,000 in FY 2009 to \$888,000 for FY 2010. The ATCT expense increase is minimal at \$4,000. ARFF Operations expense is projected to increase \$18,000 from \$589,000 to \$607,000 and is based on the contract with the City of Naples for staffing, and additional Authority provided training costs. Police Services, also contracted with the City of Naples, are projected to increase by \$187,000 from \$31,000 in FY 2009 to \$218,000 for FY 2010. Because of scheduled airline service, law enforcement officers are required at the Commercial Terminal for all arrivals and departures. Most of this expense is reimbursable to the Authority by the federal government and is included in Operating Revenues.
- Dues/subscriptions/fees expense is projected to increase by \$6,000 from \$38,000 for FY 2009 to \$44,000 for FY 2010.
- Auto gas and diesel fuel expense is projected to remain at the same level as FY 2009.
- Pilot services are projected to increase \$4,000 from \$31,000 for FY 2009 to \$35,000 for FY 2010.
- Miscellaneous expense is projected to remain at the same level as FY 2009. This \$20,000 is anticipated for unforeseen expenses related to scheduled commercial airline service.
- Total Repair and maintenance expense is projected to increase \$348,000 from \$430,000 for FY 2009 to \$778,000 for FY 2010. Building maintenance is projected to increase by \$59,000 and includes replacing the carpet at the Commercial Airline Terminal with tile and the replacement of three air conditioning units. Airline costs associated with this line item is \$4,000 for the rental of the office trailer that is leased to the TSA. General Aviation Terminal Modification expense is projected at \$48,000 for FY 2009 and \$251,000 for FY 2010. This item includes furniture and equipment purchases not meeting the Authority capitalization limit of \$2,000 per item, temporary office rental and moving costs. These costs are also part of the \$3.5 million General Aviation Terminal Project that was approved by the Board. Airfield maintenance is projected to increase by \$6,000. Grounds maintenance is projected to increase by \$55,000 for landscaping and improvements to North Road. Vehicle maintenance is projected to remain at the FY 2009 level. Equipment maintenance is projected to increase by \$23,000. Small tools and supplies are projected to increase by \$2,000. This line item includes the purchase of gate cards and replacement of equipment and radios and furniture costing less than \$2,000 per item. Cleaning supplies are projected to remain at the same level as FY 2009.

Operating income, which represents operating revenues less operating expenses, is projected to total \$1.4 million for FY 2010, a decrease of \$0.9 million from the FY 2009 estimate. This will result in a

fifteen percent (15%) operating margin for FY 2010. This income will contribute significantly to capital improvement projects to maintain the safety, security and aesthetics of the Airport. We will continue to improve our customer service and to provide the best facility found anywhere as we live up to our motto of “*The Best Little Airport in the Country*”.

OTHER REVENUES AND EXPENSES

“Other Revenues (Expenses)” represents revenue and expense items that are not incurred from the normal user activity of the Airport. This classification includes revenue received from customer facility charges, interest earned on bank accounts, grants received for specific operating items, finance charge revenue, non-cash interest expense related to an advance rental credit agreement, the gain or loss on the sale or disposal of Airport property, and non-cash depreciation expense.

- ➔ Customer Facility Charges (CFCs) - A Rental Car Facility was completed in April 2002. This project eliminated the multiple wash and fueling sites and created a single facility for the rental car companies, therefore reducing exposure to environmental liabilities. This project includes a vehicular staging area. The Authority’s cost to build this facility is being repaid through a CFC collected by the rental car companies. General Aviation Terminal rental car service improvements completed in FY 2006 and FY 2009 were also repaid to the Authority through CFCs. The Authority will continue to collect CFCs to pay for the refurbishment of the existing Rental Car Washrack plus an additional wash bay scheduled in FY 2011 and FY 2012. CFC revenue for FY 2010 is anticipated to be \$163,000.
- ➔ Interest revenue - The Authority maintains an operating account at TIB Bank of the Keys and a money market account at Northern Trust, N.A. Both are qualified public depositories. Interest revenue for FY 2010 is anticipated to be \$90,000.
- ➔ Unrealized loss on investments – The Authority has funds held in the Local Government Surplus Funds Trust Fund Investment Pool (LGIP) – Fund B that may only be withdrawn as the various investments mature. Based on the information provided to the Authority by the State Board of Administration that administers the LGIP, it is uncertain if the Authority will recover the full amount. The Authority’s estimated unrealized loss for FY 2009 is \$107,000.
- ➔ Insurance proceeds – During FY 2008, the Authority received \$2,154,000 from its insurance companies for the insured portions of the Hurricane Wilma damages.
- ➔ Grant revenue – From time to time, the Authority receives outside funding from various governmental agencies for certain operating expenses. No operating grants are anticipated for FY 2010.
- ➔ ConocoPhillips marketing grant – As part of the ConocoPhillips’s FY 2004 bid response, ConocoPhillips contributed \$75,000 toward general aviation marketing costs. As the Authority completes the five year term of the sales contract with ConocoPhillips, portions of the funds are deemed a grant and will not need to be repaid to ConocoPhillips. As a result of a bid for an aviation fuel supplier, ConocoPhillips was awarded a new contract effective 1 October 2008. The new contract does not provide for a marketing grant.
- ➔ The Authority collects minimal revenue derived from finance charges assessed on past due customer account balances and a collection allowance deduction on sales tax reporting. Finance charges are calculated at 1.5% per month (18% per annum)

on account balances that are 30 days past due. This rate is allowable under the Florida Statutes. The collection allowance on sales tax, set by the State of Florida, is \$30 per month, maximum. For FY 2010 "Other revenue" derived from finance charges and collection allowance is projected to be \$4,000.

- The Authority currently has one "Braniff Plan" lease. Under the "Braniff Plan" arrangement, the lessee constructs a building at its own expense, and upon completion, the lessee deeds clear title of the building to the Authority in exchange for a lease that provides for reduced rent for the duration of the lease term. In order to impute interest costs associated with the lessee financing these improvements, the lease provides for non-cash interest (rental credit expense) charged to the Authority at a factor of eight percent (8%). Rental credit expense will be \$30,000 in FY 2010.
- During FY 2006, the Authority completed the construction of a sanitary sewer system in the North Quadrant, along with other improvements. The sewer utility was transferred to the City of Naples in FY 2008. The depreciated value of this utility was \$556,000.
- Depreciation is a non-cash expense that allows the Authority to recognize the capital costs of the Airport on an annual basis over those periods expected to benefit from the improvement. For FY 2010, fifty-three percent (53%) of the depreciation expense is attributed to expenditures made with contributed capital (largely FAA and FDOT grants). The other forty-seven percent (47%) of the depreciation expense is directly related to capital expenditures with the Authority's own funds.

The FY 2010 Operating Budget forecasts a net loss of \$1.0 million resulting from a net loss of \$491,000 related to supporting the development of scheduled commercial air service and an increase in depreciation expense related to the large amount of capital projects to be completed in FY 2010. Net income before depreciation expense is \$1.7 million.

A detailed comparison of operating revenues, operating expenses, and other revenues and expenses is provided on the following two pages.

**CITY OF NAPLES AIRPORT AUTHORITY
OPERATING INCOME
FISCAL YEAR 2010**

	ACTUAL	ORIGINAL	AMENDED	ESTIMATED	BUDGET	Increase (Decrease)	
						from Estimated	
	FY 2008	FY 2009	FY 2009	FY 2009	FY 2010	FY 2009	
OPERATING REVENUES							
Net fuel revenue	7,351,000	7,397,000	6,289,000	5,743,000	6,105,000	362,000	6%
Non-fuel revenue							
Concession fees	666,000	643,000	526,000	570,000	570,000	-	0%
Hangar/T-shelter/tiedown rents	1,535,000	1,694,000	1,622,000	1,615,000	1,679,000	64,000	4%
Building rents	323,000	250,000	228,000	220,000	226,000	6,000	3%
Land rents	654,000	785,000	770,000	773,000	773,000	-	0%
Line services	408,000	437,000	388,000	307,000	307,000	-	0%
Other	36,000	79,000	3,000	5,000	124,000	119,000	2380%
Non-fuel revenues	3,622,000	3,888,000	3,537,000	3,490,000	3,679,000	189,000	5%
Operating revenues	10,973,000	11,285,000	9,826,000	9,233,000	9,784,000	551,000	6%
OPERATING EXPENSES							
<i>Personnel - full time equivalents</i>	79.0	78.0	73.0	63.9	78.8	14.9	23%
Salaries and wages	3,359,000	3,503,000	3,394,000	2,999,000	3,318,000	319,000	11%
Payroll taxes	251,000	267,000	257,000	222,000	256,000	34,000	15%
Health plan	509,000	582,000	553,000	488,000	579,000	91,000	19%
Pensions	204,000	195,000	182,000	163,000	216,000	53,000	33%
Uniforms and laundry	34,000	36,000	26,000	19,000	22,000	3,000	16%
Training	28,000	42,000	27,000	31,000	50,000	19,000	61%
Travel and meetings	82,000	76,000	64,000	53,000	60,000	7,000	13%
Employee recognition and affairs	12,000	10,000	10,000	10,000	10,000	-	0%
Legal fees	321,000	400,000	350,000	300,000	310,000	10,000	3%
Audit services	42,000	65,000	55,000	55,000	55,000	-	0%
Other professional services	69,000	91,000	48,000	40,000	44,000	4,000	10%
Computer/MIS services	44,000	63,000	63,000	47,000	122,000	75,000	160%
Engineering and planning services	65,000	60,000	60,000	74,000	94,000	20,000	27%
Classified advertising	11,000	21,000	11,000	6,000	11,000	5,000	83%
Communications	308,000	325,000	225,000	110,000	225,000	115,000	105%
Insurance	598,000	707,000	543,000	542,000	627,000	85,000	16%
Telephone	47,000	70,000	67,000	64,000	67,000	3,000	5%
Utilities	291,000	347,000	347,000	337,000	337,000	-	0%
Environmental services	11,000	5,000	4,000	6,000	9,000	3,000	50%
Office supplies	24,000	25,000	25,000	20,000	25,000	5,000	25%
Printing	10,000	15,000	15,000	13,000	16,000	3,000	23%
Postage	6,000	6,000	6,000	7,000	6,000	(1,000)	-14%
Tower	68,000	59,000	59,000	59,000	63,000	4,000	7%
ARFF operations	521,000	586,000	586,000	589,000	607,000	18,000	3%
Police services	60,000	149,000	32,000	31,000	218,000	187,000	603%
Dues/subscriptions/fees	27,000	44,000	44,000	38,000	44,000	6,000	16%
Auto gas and diesel fuel	82,000	95,000	70,000	70,000	70,000	-	0%
Pilot services	41,000	34,000	34,000	31,000	35,000	4,000	13%
Miscellaneous	-	-	-	20,000	20,000	-	0%
<i>Operating Expenses excluding R&M</i>	7,125,000	7,878,000	7,157,000	6,444,000	7,516,000	1,072,000	17%
Building maintenance	245,000	206,000	116,000	86,000	145,000	59,000	69%
General Aviation Terminal Expansion	-	-	-	48,000	251,000	203,000	423%
Airfield maintenance	174,000	34,000	34,000	28,000	34,000	6,000	21%
Grounds maintenance	214,000	186,000	116,000	61,000	116,000	55,000	90%
Vehicle maintenance	14,000	17,000	17,000	17,000	17,000	-	0%
Equipment maintenance	127,000	151,000	144,000	116,000	139,000	23,000	20%
Small tools, equipment and supplies	59,000	60,000	48,000	49,000	51,000	2,000	4%
Cleaning supplies	26,000	29,000	25,000	25,000	25,000	-	0%
<i>Repair & maintenance expenses</i>	859,000	683,000	500,000	430,000	778,000	348,000	81%
Operating expenses	7,984,000	8,561,000	7,657,000	6,874,000	8,294,000	1,420,000	21%
Operating income	\$ 2,989,000	\$ 2,724,000	\$ 2,169,000	\$ 2,359,000	\$ 1,490,000	\$ (869,000)	-37%

**City of Naples Airport Authority
Fiscal Year 2010 Operating Budget**

	Actual FY 2008	Original Budget FY 2009	Amended Budget FY 2009	Estimated FY 2009	Budget FY 2010	Increase (Decrease) from Estimated FY 2009
Net operating revenues	\$ 10,973,000	\$ 11,285,000	\$ 9,826,000	\$ 9,233,000	\$ 9,784,000	\$ 551,000
Operating expenses	7,984,000	8,561,000	7,657,000	6,874,000	8,294,000	1,420,000
Operating income	2,989,000	2,724,000	2,169,000	2,359,000	1,490,000	(869,000)
Customer facility charges	209,000	204,000	163,000	163,000	163,000	-
Interest revenue	201,000	218,000	111,000	118,000	90,000	(28,000)
Unrealized loss on investmnets	(101,000)	-	-	(107,000)	-	107,000
Insurance proceeds	2,154,000	-	-	-	-	-
Grant revenue	211,000	-	-	-	-	-
ConocoPhillips marketing grant	15,000	-	-	-	-	-
Other revenue	4,000	4,000	4,000	4,000	4,000	-
Rental credit expense	(32,000)	(31,000)	(31,000)	(31,000)	(30,000)	1,000
Contribution of capital asset to government agency	(556,000)	-	-	-	-	-
Gain on disposal of capital assets	10,000	-	-	-	-	-
Depreciation expense	(1,733,000)	(2,025,000)	(2,025,000)	(2,130,000)	(2,760,000)	630,000
Non-operating revenues (expenses)	382,000	(1,630,000)	(1,778,000)	(1,983,000)	(2,533,000)	(550,000)
Net income (loss)	\$ 3,371,000	\$ 1,094,000	\$ 391,000	\$ 376,000	\$ (1,043,000)	\$ (1,419,000)

FY 2010 OPERATING BUDGET ASSUMPTIONS

Account Name	Descriptions or Assumptions Used for Budgeted FY 2010	FY 2010
OPERATING REVENUES:		
Net fuel revenue	Fuel gallons based on actual gallons pumped from October 2008 through July 2009 and actual gallons pumped in August and September 2008 reduced by 29% for Jet A and 8% for 100LL. Additional 733,000 gallons of Jet A anticipated for airline operations.	\$ 6,105,000
Concession fees	Rental car concession fees based on estimated FY 2009 activity and no minimum annual guarantee. Other fees based on estimated FY 2009 activity. Includes concession fees from restaurant, rental car facility, advertising and catering.	570,000
Hangar/T-shelter/tiedown rents	Based on full occupancy of hangars and T-shelters with no rate adjustment. No increase in rates for transient aircraft storage (hangar and tie-down).	1,679,000
Building rents	Based on current leases and full occupancy of the Airport Office Building. No rent anticipated from scheduled airlines for ticket counters or offices. No rental rates adjustments.	226,000
Land rents	Based on current leases with no rental rates adjustments.	773,000
Line services	No anticipated increase in activity or increase in rates for lavatory and ground power unit services.	307,000
Other	Includes federal government reimbursement for police services per TSA requirements for scheduled airline service and charges for copies, outgoing faxes, gate cards and hangar keys.	124,000
OPERATING REVENUES:		\$ 9,784,000

FY 2010 OPERATING BUDGET ASSUMPTIONS

Account Name	Descriptions or Assumptions Used for Budgeted FY 2010	FY 2010
OPERATING EXPENSES:		
Salaries and wages	Based on current staffing. No wage adjustments or anticipated promotions. Additional staffing, if needed for increase in seasonal activity, customer service enhancements and scheduled commercial airline staffing. No overtime budgeted except for holidays.	\$ 3,318,000
Payroll taxes	Salaries and wages @ .0765.	256,000
Health plan	Current plan based on full staffing of eligible positions. No significant increase in cost anticipated for the May 1 renewal.	579,000
Pensions	Eligible employees @ 6% of annual salaries and wages, and Executive Director per contract.	216,000
Uniforms and laundry	Standard uniforms for non-administrative personnel. Includes summer uniform program for all employees.	22,000
Training	Includes in-house management, customer service and HR training, tuition, professional seminars and conferences, and safety program.	50,000
Travel and meetings	Business/conference/seminar travel and sponsorship of airport related events.	60,000
Employee recognition and affairs	Employee recognition awards, plaques, certificates and pins. Also to include two NAA employee events.	10,000
Legal fees	Based on FY 2009 estimated activity and no activity for litigation.	310,000
Audit services	Based on current contract plus audit fees for concession agreements and other special assignments.	55,000
Other professional services	Various outside services including, Muzak for Commercial Terminal, photography and graphics, criminal history background checks, and pension plan administration. Also includes consulting services for human resources, noise abatement, security, and DBE program.	44,000
Computer/MIS services	Consulting and training services, equipment/software upgrades and maintenance.	122,000
Engineering and planning services	Small engineering projects, surveying and geotechnical. Includes \$50,000 for an obstruction survey and obstruction removal, if needed.	94,000
Classified advertising	Employment, RFPs, purchases, and public meeting notifications.	11,000
Communications	Air service marketing, marketing and public relations consulting services, various pamphlets and brochures, annual report, graphic design services, special events and promotions and related mailings.	225,000
Insurance	Based on estimated cost of insurance renewals, contingencies, deductibles and employee drug testing.	627,000
Telephone	Based on current activity of local telephone service, long-distance service, Nextel service and equipment replacement. Includes VoIP system for a full year.	67,000
Utilities	Based on current activity with full occupancy of the General Aviation Terminal in December 2009.	337,000
Environmental services	Disposal of waste oil and filters, water analysis samples and other environmental services as needed.	9,000

FY 2010 OPERATING BUDGET ASSUMPTIONS

Account Name	Descriptions or Assumptions Used for Budgeted FY 2010	FY 2010
Office supplies	General office supplies for all departments.	25,000
Printing	General printing including letterhead and business cards, checks, and various NAA publications. Printing related to noise and communications is allocated to the specific line item. Continuing with the use of recycled products.	16,000
Postage	Postage, Fed-Ex, and courier service.	6,000
Tower	General repair and maintenance of building and equipment, plus utility and telephone service and cleaning service.	63,000
ARFF operations	Includes cost of contracted City fire personnel with an increase of 1.3% over the prior year, repair and maintenance of fire equipment and building, utility service and fire fighting chemicals.	607,000
Police service	Service provided from the Naples Police per contract and additional services, to meet TSA security requirements. No increase in hourly rates charged by City of Naples.	218,000
Dues/subscription/fees	Organizations and memberships, licenses, permits, fees, dues, subscriptions and publications.	44,000
Auto gas and diesel fuel	Auto gas and diesel fuel for NAA vehicles.	70,000
Pilot services	Various services made available to GA and corporate pilots, including satellite service, newspapers, coffee, ice, flight crew real-time weather information, and red carpet service.	35,000
Miscellaneous	Unforeseen expenses related to scheduled commercial airline service.	20,000
OPERATING EXPENSES EXCLUDING REPAIR & MAINTENANCE		7,516,000

FY 2010 OPERATING BUDGET ASSUMPTIONS

Account Name	Descriptions or Assumptions Used for Budgeted FY 2010	FY 2010
Building maintenance	Routine repair and maintenance of NAA owned buildings, including carpet, furniture, and window cleaning, pressure cleaning of Authority buildings, fire alarm monitoring and inspections, elevator maintenance, and plant maintenance for CAT and GAT. Includes additional \$35,000 of non-routine maintenance for ceramic tile for the Commercial Terminal and the replacement of 3 air conditioning units.	145,000
General Aviation Terminal Modification	Includes furniture and equipment purchases not meeting the Authority capitalization limit of \$2,000 per item, temporary office rental and moving costs.	251,000
Airfield maintenance	Routine repair and maintenance, including signage, tree service, paint, fence repair, runway lighting, security gates, and ramp lighting repair. Includes rent for off-airport ODAL property.	34,000
Grounds maintenance	Routine maintenance, including fertilizer, weed killers, mulch, sprinkler maintenance, plant maintenance, and palms/hedge trimming. Includes an additional \$55,000 for landscaping/improvements for North Road.	116,000
Vehicle maintenance	General repair and maintenance of NAA vehicles.	17,000
Equipment maintenance	General repair and maintenance for tractors and mowers, fuel farm and fueling equipment, radios, telephone system, and office equipment maintenance contracts. Includes expenses associated with Rental Car Facility and cleaning of fuel tank interiors.	139,000
Small tools, equipment and supplies	Small equipment and supplies for all departments, and miscellaneous signage. Includes costs for badging and gate cards.	51,000
Cleaning supplies	Custodial cleaning and paper goods.	25,000
REPAIR & MAINTENANCE EXPENSES		778,000
OPERATING EXPENSES		8,294,000
OPERATING INCOME		\$ 1,490,000

**CITY OF NAPLES AIRPORT AUTHORITY
BUDGET SENSITIVITY ANALYSIS
FISCAL YEAR 2010**

<u>SENSITIVITY: UPSIDE (OPPORTUNITY)</u>	<u>Revenue Increase or Expense Decrease</u>
Fuel Revenue Increase	\$ minimal to \$ 290,000
<u>Amount:</u> Increase in aircraft operations could increase Net Fuel Revenue.	
<u>Timing:</u> Could occur throughout the year, but must occur during the January through March time frame to have any significant impact.	
	\$ minimal to \$ 200,000
<u>Amount:</u> Increase in airline service could increase Net Fuel Revenue.	
<u>Event:</u> Additional service to a major hub reinstated prior to "season"	
<u>Timing:</u> Could occur throughout the year.	
Land Rent Revenue Increase	\$ minimal to \$ 62,000
<u>Amount:</u> The Authority has approximately 112,000 square feet of land available to lease along Taxilane E and approximately the same amount of land available to the east of the Collier County Sheriff's facility.	
<u>Timing:</u> Could occur throughout the year. The land along Taxilane E has all of the infrastructure in place, however, the leasing of the land to the east of the Collier County Sheriff's facility would require the tenant to develop all of the necessary infrastructure, including a taxilane, at the tenant's cost.	
<u>SENSITIVITY: DOWNSIDE (RISK)</u>	<u>(Revenue Decrease) or (Expense Increase)</u>
Hurricane or Other Disaster	\$ (minimal) to \$ (catastrophic)
<u>Amount:</u> Could be extreme, depending on strength and direction of storm and coincidence with the tide cycles. Impact includes lost revenue from interrupted fuel sales and concession activity, plus unusable hangars. Also, expenses for unanticipated repairs and replacements, cleanup, overtime, contractors, and supplies, partially offset by postponed projects and staff re-deployment.	
<u>Timing:</u> Hurricane most likely to occur for FY 2010 in October 2009 and August - September 2010.	
<u>Other Effects:</u> Cash flow impact could be significantly worse than revenue/expense impact due to delayed payments from insurance reimbursements and government disaster grants/loans. Major insurance coverage in place, including loss of revenue and building and equipment replacement. Naples Municipal Airport is a designated base for disaster relief and will receive immediate assistance from Federal and State agencies to get the airport operational in the event of a disaster or emergency. We have learned very much in the events of this past few years which will help us mitigate potential negative impact.	
Terrorist Event	\$ (minimal) to \$ (moderate)
<u>Amount:</u> Could be minimal to moderate, depending on type and duration of event.	
<u>Event:</u> Terrorist attack intended to cause significant national economic impact by damage to physical infrastructure or denial of use of a key economic sector. Could be specific to aviation (air traffic shutdown; fuel disruption) or not.	
<u>Timing:</u> Could occur anytime during the year.	

FY 2010 CAPITAL BUDGET INFORMATION

The Authority's Capital Improvement Plan (CIP) is organized into two categories of capital projects for FY 2010 through FY 2014. Participatory projects meet the eligibility requirements for funding assistance from outside agencies and require a level of matching funds from the Authority. Non-participatory projects are anticipated to be fully funded by the Authority.

Participatory Projects

In FY 2010, the Authority's Capital Improvement Plan anticipates \$7.2 million in participatory projects. Eighty-eight (88%) or \$6.3 million is anticipated in federal and state assistance and twelve percent (12%) or \$0.9 million will be funded by the Authority.

The Five Year Capital Improvement Plan (FY 2010 – Unallocated) anticipates \$31.7 million in participatory projects with \$23.1 million in assistance from Federal (FAA) and State (FDOT) agencies, and Customer Facility Charges, and \$8.6 million funded by the Authority. Of the \$21.6 million in anticipated outside funding assistance, only \$2.1 million has been obligated by the funding agency. The FAA and FDOT funding amounts shown for FY 2010 through FY 2014 are not guaranteed and do not reflect standard Authority match requirements. Anticipated participatory projects with a breakout of anticipated outside funding assistance are listed on the following pages.

Non-participatory Projects

In FY 2010, The Authority's Capital Improvement Plan anticipates \$2.2 million in non-participatory projects. The Five Year Capital Improvement Plan (FY 2010 – Unallocated) anticipates \$4.3 million for projects that are fully funded by the Authority.

The following pages list the items submitted by the different departments for consideration. **The acceptance of the Capital Budget for FY 2010 does not constitute automatic Board approval for each item listed. All items exceeding the Executive Director's Delegation of Powers must be brought before the Board for individual consideration and approval.**

FY 2010 - 2014 Capital Improvement Plan

Project	Actual Expenditures					2014	Unallocated	Project Total
	Expenditures as of 9/30/08	2009	2010	2011	2012			
South Quadrant T-Hangars Phase I								
FAA Funding	1,514,000	384,000						1,898,000
FDOT Funding	1,387,000	259,000						1,646,000
Other Funding								0
NAA Share	1,764,000	300,000						2,064,000
Project Total	4,665,000	943,000						5,608,000
South Quadrant T-Hangars Phase II								
FAA Funding								0
FDOT Funding	818,000	243,000	10,000					1,071,000
Other Funding								0
NAA Share	1,094,000	-34,000	678,000					1,738,000
Project Total	1,912,000	209,000	688,000					2,809,000
Access Control System								
FAA Funding								0
FDOT Funding	51,000	77,000						128,000
Other Funding								0
NAA Share	57,000	90,000						147,000
Project Total	108,000	167,000						275,000
General Aviation Rental Car Lot Lighting								
FAA Funding								0
FDOT Funding								0
Other Funding	4,000		81,000					85,000
NAA Share								0
Project Total	4,000		81,000					85,000
Taxiway B South - Design								
FAA Funding	47,000	27,000						74,000
FDOT Funding	1,000	1,000						2,000
Other Funding	92,000							92,000
NAA Share	17,000	5,000						22,000
Project Total	157,000	33,000						190,000
Taxiway B South - Construction								
FAA Funding			4,125,000					4,125,000
FDOT Funding			108,000					108,000
Other Funding								0
NAA Share	2,000	107,000						109,000
Project Total	2,000	4,340,000						4,342,000

FY 2010 - 2014 Capital Improvement Plan

Project	Actual Expenditures					2014	Unallocated	Project Total
	Expenditures as of 9/30/08	2009	2010	2011	2012			
Airfield Pavement Taxiway A East, Taxiway C South, Runway 23 End, Portion of Taxiway D and Airfield Pavement Testing								
FAA Funding		1,666,000						1,666,000
FDOT Funding		44,000						44,000
Other Funding (CFC)								0
NAA Share	210,000	-166,000						44,000
Project Total	210,000	1,544,000						1,754,000
Airfield Pavement Taxiway A South, Taxiway B North and Taxiway C North								
FAA Funding		920,000						920,000
FDOT Funding								0
Other Funding								0
NAA Share								0
Project Total		920,000						920,000
Airfield Pavement General Aviation Terminal Apron								
FAA Funding		675,000	1,995,000					2,670,000
FDOT Funding		18,000	52,000					70,000
Other Funding (PFC)								0
NAA Share		17,000	53,000					70,000
Project Total		710,000	2,100,000					2,810,000
Airfield Pavement Runway 14-32								
FAA Funding			3,800,000					3,800,000
FDOT Funding			100,000					100,000
Other Funding								0
NAA Share			100,000					100,000
Project Total			4,000,000					4,000,000
Airfield Pavement Runway 5-23								
FAA Funding			5,700,000					5,700,000
FDOT Funding			150,000					150,000
Other Funding								0
NAA Share			150,000					150,000
Project Total			6,000,000					6,000,000
Airfield Pavement Commercial Airline Terminal Apron								
FAA Funding					500,000			500,000
FDOT Funding					500,000			500,000
Other Funding								0
NAA Share					1,500,000			1,500,000
Project Total					2,500,000			2,500,000

FY 2010 - 2014 Capital Improvement Plan

Project	Actual Expenditures					2014	Unallocated	Project Total
	Expenditures as of 9/30/08	2009	2010	2011	2012			
Common Use Passenger Processing Equipment								
FAA Funding								0
FDOT Funding			300,000					0
Other Funding (DOT)			57,000					300,000
NAA Share			357,000					57,000
Project Total								357,000
Expand and Rehabilitate Rental Car Wash Facility								
FAA Funding								0
FDOT Funding								0
Other Funding			300,000	1,200,000				1,500,000
NAA Share								0
Project Total								1,500,000
West Quadrant Fill and Detention Basin								
FAA Funding								0
FDOT Funding							2,100,000	2,100,000
Other Funding								0
NAA Share			500,000	1,500,000				4,100,000
Project Total								6,200,000
Commercial Terminal Expansion								
FAA Funding							3,708,000	3,708,000
FDOT Funding							1,236,000	1,236,000
Other Funding								0
NAA Share							1,236,000	1,236,000
Project Total								6,180,000
Ground Based Navigational Aid								
FAA Funding								0
FDOT Funding							750,000	750,000
Other Funding								0
NAA Share							750,000	750,000
Project Total								1,500,000
Update Airport Master Plan								
FAA Funding							380,000	380,000
FDOT Funding							10,000	10,000
Other Funding								0
NAA Share							10,000	10,000
Project Total								400,000

FY 2010 - 2014 Capital Improvement Plan

Project	Actual Expenditures						Project Total	
	Expenditures as of 9/30/08	2009	2010	2011	2012	2013		2014
Exhibit "A" Property Map								
FAA Funding								190,000
FDOT Funding								5,000
Other Funding								0
NAA Share								5,000
Project Total								200,000
Total Participatory Projects								
FAA Funding	1,561,000	7,797,000	5,795,000	5,700,000	500,000	0	0	4,278,000
FDOT Funding	2,257,000	750,000	162,000	150,000	500,000	0	0	4,101,000
Other Funding	96,000	0	381,000	300,000	1,200,000	0	0	0
NAA Share	3,144,000	319,000	888,000	150,000	1,500,000	500,000	1,500,000	4,101,000
Total Participatory Projects	7,058,000	8,866,000	7,226,000	6,300,000	3,700,000	500,000	1,500,000	12,480,000
Non-Participatory Projects								
GA Terminal Modification*	302,000	1,463,000	1,453,000					3,218,000
Part 150 Study Update	55,000	257,000	200,000	182,000				694,000
West Quadrant Drainage Improvements	1,000	6,000	183,000					190,000
ATCT Equipment Replacement		86,000						86,000
North Quad Drainage Improvements		26,000						26,000
Replace Gas Tug with Lektro (Green Plan)			91,000					91,000
ARFF Crash Phone Replacement			75,000					75,000
Public Observation Area			70,000					70,000
Passenger Loading Ramp			43,000					43,000
Extend Facilities Workshop Bay 20'			200,000					200,000
Replace Miscellaneous Aircraft Equipment			132,000					132,000
Replace Gas Tug with Electric Tug (Green Plan)			43,000					43,000
Additional GPU			35,000					35,000
Rampside Aircraft Canopy					300,000			300,000
Replace Miscellaneous Line Equipment					75,000			75,000
Equipment Shade Cover at Facilities					50,000			50,000
Replace 2005 Van - Operations					30,000			30,000
Replace Miscellaneous Line Equipment						75,000		75,000
Replace North Self Fueler Piping/Pump						60,000		60,000
Hurricane Shutters for CAT							75,000	75,000
Additional Equipment Canopy							32,000	32,000
Refurbish/Upgrade ARFF Station							30,000	30,000
Accounting Software - Replace/Upgrade							200,000	200,000
Portable Ramp Control Tower							75,000	75,000
Design/Build Communication Center							54,000	54,000
Additional Equipment Canopy							50,000	50,000
Noise Monitor Replacement Kits							50,000	50,000

FY 2010 - 2014 Capital Improvement Plan

Project	Actual Expenditures						Unallocated	Project Total
	Expenditures as of 9/30/08	2009	2010	2011	2012	2013		
ATCT Equipment Replacement		104,000	92,000	125,000	48,000	61,000	19,000	40,000
Individual Expenditures of \$25,000 or less		1,942,000	2,207,000	717,000	503,000	196,000	156,000	35,000
Total Non-Participatory Projects	358,000	1,942,000	2,207,000	717,000	503,000	196,000	156,000	504,000

Capital Improvement Plan Summary

Total Participatory Projects	7,058,000	8,866,000	7,226,000	6,300,000	3,700,000	500,000	1,500,000	12,480,000	47,630,000
Total Non-Participatory Projects	358,000	1,942,000	2,207,000	717,000	503,000	196,000	156,000	504,000	6,583,000
Total All Projects	7,416,000	10,808,000	9,433,000	7,017,000	4,203,000	696,000	1,656,000	12,984,000	54,213,000

Funding Sources

FAA Funding	1,561,000	7,797,000	5,795,000	5,700,000	500,000	0	0	4,278,000	25,631,000
FDOT Funding	2,257,000	750,000	162,000	150,000	500,000	0	0	4,101,000	7,920,000
Other Funding	96,000	0	381,000	300,000	1,200,000	0	0	0	1,977,000
NAA Share	3,502,000	2,261,000	3,095,000	867,000	2,003,000	696,000	1,656,000	4,605,000	18,685,000

GA Terminal Modification* - total approved budget is \$3.517 million. \$299,000 of the budgeted amount is included in the FY 2009 and FY 2010 Operating Budget.

CASH FLOW AND CASH ALLOCATION: FY 2010 FORECAST

The following Cash Flow and Cash Allocation: FY 2010 Forecast displays the Authority's anticipated cash balances from FY 2009 through FY 2014. This information shows the effect on cash resulting from projected operating revenues and expenses and the Authority's Capital Improvement Plan. Cash and Equivalents in FY 2009 increased over the year as a result of the reduction in operating expenses. Cash and Equivalents are projected to remain fairly consistent in FY 2010 through FY 2014.

This cash flow demonstrates that the Authority should be able to complete the anticipated Five Year Capital Improvement Plan without outside financing, as long as the anticipated levels of FAA and FDOT funding are received. It is important to note that the \$13.0 million in capital improvement projects listed as "Unallocated" on pages 23 through 25 are not included in the forecast.

The Forecast also shows the continuation of CFCs throughout FY 2014. The CFCs collected by the Authority, in excess of those used to reimburse the Authority for the construction of the Rental Car Facility and General Aviation rental car service improvements, will be used for future improvements to the Rental Car Facility. The FY 2011 and FY 2012 Capital Improvement Plan includes \$1.5 million for the refurbishment of the existing Rental Car Washrack plus an additional wash bay.

The Cash Allocation section of the report provides information on restricted (specific use) funds, unrestricted funds, operating and capital reserves, and unallocated cash. Operating and Capital Reserves are anticipated to remain at \$3.0 million to provide for yet to be identified or unexpected (emergency/disaster) operating and capital expenditures. All of the Authority's unallocated cash balance for FY 2009 through FY 2014 is reserved for the Capital Improvement Plan.

**CITY OF NAPLES AIRPORT AUTHORITY
CASH FLOW AND CASH ALLOCATION: FY 2010 FORECAST**

	FORECAST					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
CASH FLOW						
Operating Revenue	\$ 9,233,000	\$ 9,784,000	\$ 9,864,000	\$ 9,947,000	\$ 10,032,000	\$ 10,120,000
Operating Expense	(6,874,000)	(8,294,000)	(8,543,000)	(8,799,000)	(9,063,000)	(9,336,000)
Operating Income	2,359,000	1,490,000	1,321,000	1,148,000	969,000	784,000
Adjustment for Non-Cash Items	(99,000)	(101,000)	(102,000)	(102,000)	(102,000)	(81,000)
Adjustment for Working Capital	298,000	(155,000)	(62,000)	(62,000)	(62,000)	(62,000)
Cash Flow from Operating Activities	2,558,000	1,234,000	1,157,000	984,000	805,000	641,000
Operating Grants Received	165,000	-	-	-	-	-
Cash Flows from Non-capital Financing Activities	165,000	-	-	-	-	-
Hurricane Recovery/Repair - Operating	-	-	-	-	-	-
Grants and Insurance Proceeds	-	-	-	-	-	-
Cash Flows from Hurricane Recovery/Repair	-	-	-	-	-	-
Acquisition, Construction of Capital Assets	(10,808,000)	(9,433,000)	(7,017,000)	(4,203,000)	(696,000)	(1,656,000)
Capital Contributions	8,547,000	6,338,000	6,150,000	2,200,000	-	-
Proceeds from Sale of Capital Assets	14,000	-	-	-	-	-
Customer Facility Charge Revenue	163,000	163,000	163,000	163,000	163,000	163,000
<i>NAA Portion of Acquisition & Construction</i>	<i>(2,084,000)</i>	<i>(2,932,000)</i>	<i>(704,000)</i>	<i>(1,840,000)</i>	<i>(533,000)</i>	<i>(1,493,000)</i>
Interest Earned from Capital & Related Activities	-	-	3,000	4,000	-	-
Cash Flow from Capital & Related Activities	(2,084,000)	(2,932,000)	(701,000)	(1,836,000)	(533,000)	(1,493,000)
Interest Revenue	118,000	90,000	96,000	102,000	105,000	102,000
Other Revenue	4,000	4,000	4,000	4,000	4,000	4,000
Cash Flow from Investing Activities	122,000	94,000	100,000	106,000	109,000	106,000
Increase (Decrease) in Cash and Equivalents:	761,000	(1,604,000)	556,000	(746,000)	381,000	(746,000)
Cash and Equivalents at Beginning of Period	13,456,000	14,217,000	12,613,000	13,169,000	12,423,000	12,804,000
Cash and Equivalents at End of Period	14,217,000	12,613,000	13,169,000	12,423,000	12,804,000	12,058,000
CASH ALLOCATION						
CFC Account Balance	\$ 172,000	\$ 337,000	\$ 202,000	\$ -	\$ -	\$ -
State Board of Administration - Pool B Balance	420,000	-	-	-	-	-
Restricted Cash	592,000	337,000	202,000	-	-	-
Unrestricted Cash	13,625,000	12,276,000	12,967,000	12,423,000	12,804,000	12,058,000
Operating and Capital Reserves at End of Period	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Reserves	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Unallocated Cash	10,625,000	9,276,000	9,967,000	9,423,000	9,804,000	9,058,000
Reserved for Capital Improvement Program	(10,625,000)	(9,276,000)	(9,967,000)	(9,423,000)	(9,804,000)	(9,058,000)
Unallocated Cash after CIP Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FY 2010 APPROPRIATION FOR EXPENDITURES AND RESERVES

SCHEDULE OF AVAILABLE RESOURCES, REVENUES, RECEIPTS, EXPENSES AND EXPENDITURES

Florida Statute 189.418(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 schedule on pages 29 and 30 is used to clarify the Authority's intent as to setting the "total of appropriation for expenditures and reserves" for FY 2010. The Authority's sources of revenues and receipts include both operating and non-operating revenues and contributed capital. The Authority's expenses and expenditures include operating and non-operating expenses, capital projects and principal and interest payments. 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 year-end are not representative of the Authority's actual cash on hand, since the Authority reports revenues and receipts when earned, not received, from the customers and reports expenses and expenditures when incurred, not when paid to the vendor.

For FY 2010, total available resources, revenues and receipts is \$28,285,000 and total expenses and expenditures is \$17,757,000. The total available resources at year-end is \$10,528,000, a decrease of \$1,378,000 from FY 2009. This decrease is contributed to the Authority's support of scheduled commercial service commencing in FY 2010 offset by a reduction in capital expenditures.

The Schedule of Available Resources, Revenues, Receipts, 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, capital projects and principal payments on notes payable are included as expenditures and depreciation and amortization are excluded. When there is a difference between the budgetary basis of accounting and GAAP, a reconciliation must be provided. The reconciliation between Budgetary and GAAP Change in Net Assets is provided at the bottom of page 30.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the FY 2002 year-end audited financial statements, the Authority elected to early implement Governmental Accounting Standards Board (GASB) Statement Number 34. One of the changes required by GASB 34 was the inclusion of a Statement of Revenues, Expenses and Changes in Net Assets. In addition to the information provided in the previously required Statement of Revenues and Expenses (revenues and expenses operating revenues, operating expenses and non-operating revenues and expenses), this format includes capital contributions (previously shown as equity on the balance sheet). This statement showing comparison information for FY 2008 – FY 2010 may be found on page 31.

CITY OF NAPLES AIRPORT AUTHORITY
SCHEDULE OF AVAILABLE RESOURCES, REVENUES, RECEIPTS, EXPENSES AND EXPENDITURES

	ACTUAL	ORIGINAL	AMENDED	ESTIMATED	BUDGET	Increase (Decrease)	
	FY 2008	FY 2009	FY 2009	FY 2009	FY 2010		FY 2009
AVAILABLE RESOURCES, REVENUES AND RECEIPTS							
AVAILABLE RESOURCES AT BEGINNING OF YEAR							
Restricted	\$ 28,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 420,000	\$ (80,000)	-16%
Operating & capital reserves	2,500,000	2,500,000	2,500,000	2,500,000	3,000,000	500,000	20%
Unrestricted	6,883,000	8,366,000	8,661,000	8,661,000	8,486,000	(175,000)	-2%
Total available resources at beginning of year	9,411,000	11,366,000	11,661,000	11,661,000	11,906,000	245,000	2%
OPERATING REVENUES							
Fuel sales (net)	7,351,000	7,397,000	6,289,000	5,743,000	6,105,000	362,000	6%
Concession fees	666,000	643,000	526,000	570,000	570,000	-	0%
Hangar/T-shelter/tiedown rents	1,535,000	1,694,000	1,622,000	1,615,000	1,679,000	64,000	4%
Building and land rents	977,000	1,035,000	998,000	993,000	999,000	6,000	1%
Line services	408,000	437,000	388,000	307,000	307,000	-	0%
Other	36,000	79,000	3,000	5,000	124,000	119,000	2380%
Net operating revenues	10,973,000	11,285,000	9,826,000	9,233,000	9,784,000	551,000	6%
NON-OPERATING REVENUES							
Customer facility charges	209,000	204,000	163,000	163,000	163,000	-	0%
Interest revenue	104,000	222,000	115,000	15,000	94,000	79,000	527%
Insurance proceeds	2,154,000	-	-	-	-	-	0%
Grants	226,000	-	-	-	-	-	0
Total non-operating revenues	2,693,000	426,000	278,000	178,000	257,000	79,000	44%
RECEIPTS							
Capital contributions	2,696,000	3,458,000	8,729,000	8,547,000	6,338,000	(2,209,000)	-26%
Total receipts	2,696,000	3,458,000	8,729,000	8,547,000	6,338,000	(2,209,000)	-26%
TOTAL REVENUES AND RECEIPTS	16,362,000	15,169,000	18,833,000	17,958,000	16,379,000	(1,579,000)	-9%
TOTAL AVAILABLE RESOURCES, REVENUES AND RECEIPTS	\$ 25,773,000	\$ 26,535,000	\$ 30,494,000	\$ 29,619,000	\$ 28,285,000	\$ (1,334,000)	-5%

(Continued)

CITY OF NAPLES AIRPORT AUTHORITY
SCHEDULE OF AVAILABLE RESOURCES, REVENUES, RECEIPTS, EXPENSES AND EXPENDITURES

	ACTUAL	ORIGINAL	AMENDED	ESTIMATED	BUDGET	Increase (Decrease)	
	FY 2008	FY 2009	FY 2009	FY 2009	FY 2010		FY 2009
TOTAL AVAILABLE RESOURCES, REVENUES AND RECEIPTS	\$ 25,773,000	\$ 26,535,000	\$ 30,494,000	\$ 29,619,000	\$ 28,285,000	\$ (1,334,000)	-5%
EXPENSES AND EXPENDITURES							
OPERATING EXPENSES							
Personnel	4,479,000	4,711,000	4,513,000	3,985,000	4,511,000	526,000	13%
Professional fees	541,000	679,000	576,000	516,000	625,000	109,000	21%
Communications	318,000	346,000	236,000	116,000	236,000	120,000	103%
Insurance	598,000	707,000	543,000	542,000	627,000	85,000	16%
Utilities and environmental	349,000	422,000	418,000	407,000	413,000	6,000	1%
Office/postage/printing	40,000	46,000	46,000	40,000	47,000	7,000	18%
ATCT, ARFF and police service	650,000	794,000	677,000	679,000	888,000	209,000	31%
Dues/subscriptions/fees	27,000	44,000	44,000	38,000	44,000	6,000	16%
Auto gas and diesel fuel	82,000	95,000	70,000	70,000	70,000	-	0%
Pilot services	41,000	34,000	34,000	31,000	35,000	4,000	13%
Maintenance and repair	859,000	683,000	500,000	430,000	778,000	348,000	81%
Miscellaneous expense	-	-	-	20,000	20,000	-	0%
Operating expenses	7,984,000	8,561,000	7,657,000	6,874,000	8,294,000	1,420,000	21%
CAPITAL EXPENDITURES	6,096,000	9,524,000	15,901,000	10,808,000	9,433,000	(1,375,000)	-13%
NON-OPERATING EXPENSES	-	-	-	-	-	-	0%
DEBT SERVICE EXPENSES AND EXPENDITURES							
Rental credit expense	32,000	31,000	31,000	31,000	30,000	(1,000)	-3%
Total debt service expenses and expenditures	32,000	31,000	31,000	31,000	30,000	(1,000)	-3%
TOTAL EXPENSES AND EXPENDITURES	14,112,000	18,116,000	23,589,000	17,713,000	17,757,000	44,000	0%
AVAILABLE RESOURCES AT YEAR END							
Restricted	500,000	-	-	420,000	-	(420,000)	0%
Operating and capital reserves	2,500,000	300,000	300,000	3,000,000	3,000,000	-	0%
Unrestricted	8,661,000	5,419,000	3,905,000	8,486,000	7,528,000	(958,000)	-11%
TOTAL AVAILABLE RESOURCES AT YEAR END	11,661,000	8,419,000	6,905,000	11,906,000	10,528,000	(1,378,000)	-12%
NET CHANGE IN AVAILABLE RESOURCES BALANCE	\$ 2,250,000	\$ (2,947,000)	\$ (4,756,000)	\$ 245,000	\$ (1,378,000)	\$ (1,623,000)	-662%
RECONCILIATION OF BUDGETARY BASIS TO GAAP							
CHANGE IN NET ASSETS - BUDGETARY BASIS	\$ 2,250,000	\$ (2,947,000)	\$ (4,756,000)	\$ 245,000	\$ (1,378,000)		
Add: Capital expenditures	6,096,000	9,524,000	15,901,000	10,808,000	9,433,000		
Less: Depreciation expense	(1,733,000)	(2,025,000)	(2,025,000)	(2,130,000)	(2,760,000)		
Gain (Loss) on disposal of capital assets	10,000	-	-	-	-		
Contribution of capital asset	(556,000)	-	-	-	-		
Principal repayments - note receivable	-	-	-	-	-		
CHANGE IN NET ASSETS - GAAP	\$ 6,067,000	\$ 4,552,000	\$ 9,120,000	\$ 8,923,000	\$ 5,295,000		

CITY OF NAPLES AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FISCAL YEAR 2010

	ACTUAL FY 2008	ORIGINAL BUDGET FY 2009	AMENDED BUDGET FY 2009	ESTIMATED FY 2009	BUDGET FY 2010
OPERATING REVENUES					
Fuel sales (net)	\$ 7,351,000	\$ 7,397,000	\$ 6,289,000	\$ 5,743,000	\$ 6,105,000
Concession fees	666,000	643,000	526,000	570,000	570,000
Hangar/T-shelter/tiedown rents	1,535,000	1,694,000	1,622,000	1,615,000	1,679,000
Building and land rents	977,000	1,035,000	998,000	993,000	999,000
Line services	408,000	437,000	388,000	307,000	307,000
Other	36,000	79,000	3,000	5,000	124,000
Net operating revenues	<u>10,973,000</u>	<u>11,285,000</u>	<u>9,826,000</u>	<u>9,233,000</u>	<u>9,784,000</u>
OPERATING EXPENSES					
Personnel	4,479,000	4,711,000	4,513,000	3,985,000	4,511,000
Professional fees	541,000	679,000	576,000	516,000	625,000
Communications	318,000	346,000	236,000	116,000	236,000
Insurance	598,000	707,000	543,000	542,000	627,000
Utilities and environmental	349,000	422,000	418,000	407,000	413,000
Office/postage/printing	40,000	46,000	46,000	40,000	47,000
ATCT, ARFF and police service	650,000	794,000	677,000	679,000	888,000
Dues/subscriptions/fees	27,000	44,000	44,000	38,000	44,000
Auto gas and diesel fuel	82,000	95,000	70,000	70,000	70,000
Pilot services	41,000	34,000	34,000	31,000	35,000
Maintenance and repair	859,000	683,000	500,000	382,000	527,000
General Aviation Terminal Expansion	-	-	-	48,000	251,000
Miscellaneous expense	-	-	-	20,000	20,000
Depreciation and amortization	1,733,000	2,025,000	2,025,000	2,130,000	2,760,000
Total operating expenses	<u>9,717,000</u>	<u>10,586,000</u>	<u>9,682,000</u>	<u>9,004,000</u>	<u>11,054,000</u>
Operating income (loss)	<u>1,256,000</u>	<u>699,000</u>	<u>144,000</u>	<u>229,000</u>	<u>(1,270,000)</u>
NON-OPERATING REVENUES (EXPENSES)					
Customer facility charges	209,000	204,000	163,000	163,000	163,000
Interest revenue	205,000	222,000	115,000	122,000	94,000
Unrealized loss on investments	(101,000)	-	-	(107,000)	-
Insurance proceeds	2,154,000	-	-	-	-
Grant revenue	226,000	-	-	-	-
Interest expense	(32,000)	(31,000)	(31,000)	(31,000)	(30,000)
Contribution of capital asset to government agency	(556,000)	-	-	-	-
Gain on disposal of capital assets	10,000	-	-	-	-
Total non-operating revenues (expenses)	<u>2,115,000</u>	<u>395,000</u>	<u>247,000</u>	<u>147,000</u>	<u>227,000</u>
Income before capital contributions	3,371,000	1,094,000	391,000	376,000	(1,043,000)
Capital contributions	<u>2,696,000</u>	<u>3,458,000</u>	<u>8,729,000</u>	<u>8,547,000</u>	<u>6,338,000</u>
Change in net assets	6,067,000	4,552,000	9,120,000	8,923,000	5,295,000
Total net assets - beginning	<u>43,628,000</u>	<u>50,272,000</u>	<u>49,695,000</u>	<u>49,695,000</u>	<u>59,650,000</u>
Total net assets - ending	<u>\$ 49,695,000</u>	<u>\$ 54,824,000</u>	<u>\$ 58,815,000</u>	<u>\$ 58,618,000</u>	<u>\$ 64,945,000</u>