

Jacksonville Aviation Authority (JAA)

Central Service Type Activities

Recently, the Task Force has heard suggestions about consolidating central service type activities (legal, IT, procurement, fleet management, personnel, copy services, legal, janitorial, building maintenance, marketing, etc.). With that understanding, please advise the Task Force on the following questions.

Please discuss which services your organization has in house and why it is beneficial. Please go beyond simple preference to have it in house.

1. Is it to improve the quality of service, reduce cost, etc.?
2. What central services are you currently using? Why? Or why have you chosen not to utilize the service?

Specifics as to number of employees, budget size, etc do not need to be discussed but *should* be given to the Task Force as a hand out.

Budget Effects

The Task Force acknowledges that Federal Aviation Administration (FAA) regulations preclude the JAA from contributing profit back to the City of Jacksonville's General Fund. With that understanding, please advise the Task Force on the following questions.

1. How does JAA ensure that the JAA is spending its revenue in the best interest of the City of Jacksonville versus the best interest of JAA? Is that question even relevant?
2. Does the JAA Board take into consideration the effects of their decisions, related to finance and expenditures, on the rest of the City of Jacksonville?

Commercial Development

The Task Force recognizes that the JAA owns and engages in development on property that is not required to pay property tax, such as land surrounding the JIA and at Cecil Commerce Center. With that understanding, please advise the Task Force on the following questions.

1. Is there an effect, positive or negative, on surrounding private properties that are being developed similarly?
2. How does the JAA justify having this competitive advantage?
3. How is this development beneficial to the City of Jacksonville?
4. Does the City general fund receive any direct financial benefit?

Consolidated Authorities

At one time in Jacksonville's history, the Jacksonville Port Authority and the Jacksonville Aviation Authority were one authority. With that understanding, please advise the Task Force on the following questions.

1. Why were these two authorities historically one authority? Why were they separated?

2. What are the pros and cons of having separate authorities?
3. What would be the pros and cons of the two authorities being merged again?

Unity of Purpose

1. What is the mission statement of JAA?
2. Do you feel there is a clear, consistent mission & goal for the City of Jacksonville?
 - a. What is it?
 - b. How does your authority fit in?
3. How could the City of Jacksonville have one clear, consistent mission & goal that ensures cooperation and focus between the city, independent authorities, and constitutional officers?



MEMORANDUM

TO: Members of the Jacksonville City Council Consolidation Task Force

FROM: Steve Grossman, CEO

SUBJECT: Consolidated Government Study – Task Force Questions

DATE: September 11, 2013

Included in this memo is the information requested of the Jacksonville Aviation Authority (JAA/Authority) regarding consolidation; also included as **Attachment I** is a current organization chart.

With regard to the JAA, consolidation, the establishment of the independent authorities and the subsequent creation of the JAA (**see Attachment II, Condensed History of the JPA/JAA**) have been an absolute success. Today, the JAA is a \$65 million government business that operates at no cost to the taxpayers of Duval County and has for the last four fiscal years had an operating margin of approximately 30% and a net cash to revenue (profit) of approximately 18%. These numbers would be well received by any private sector business. Because the JAA must stand alone as a business, in that the City of Jacksonville is not responsible for JAA's debt, decisions are made on sound business principles and policies developed to ensure those decisions comply with Federal, State and local laws and regulations.

The primary guiding vision for the JAA is to be a major economic engine for Jacksonville and the surrounding region. Towards that end, the JAA facilitates the provision of transportation services to meet the business and leisure needs of the citizens of the region and works to attract businesses to its four airports that provide jobs to enhance the local economy. Based on the record to date, the JAA has been successful in meeting these goals. The air service provided at Jacksonville International Airport (JIA) is often cited as one of the reasons businesses locate in Jacksonville. Essentially Jacksonville passengers are one stop from almost anywhere in the world and can go non-stop to 26 destinations including most of the major cities in the East and Midwest of the U.S. With regard to economic development the JAA now has over 10,000 people that work at its four airports. Only 263 of them work for the JAA, the rest work for tenants and other service providers. The total economic impact of these activities now exceeds \$3 billion. While no governance structure is perfect, the current method allows the JAA to be successful, accomplish its vision and support the City of Jacksonville as it moves forward economically.

The questions posed by the Task Force seem to fall in three areas. Each will be addressed separately.

1. Central service type activities

Specific numbers are in the accompanying table (**see Attachment III, List of Departments**) but the question seems to be why the JAA has its own central services when similar services are also contained in the other Authorities and the City. The reasons are quite straight forward.

As a business, the JAA needs to control the provision of services to meet its business needs in a cost effective manner that complements the other activities of the Authority. It is crucial that the people who provide central services be embedded in the business so they understand the needs of the clients they are serving. Each of the four airports in the JAA system is unique and has specialized requirements which the staff within the service departments understand. Knowledge of Federal Aviation Administration (FAA) rules and regulations and how they apply to each airport (both commercial service and general aviation) is also crucial for effective operations. For example, if the facilities department needs a new runway light, they just have to contact the JAA procurement department and that staff member understands what to order and the difference between a runway light, taxiway light or any other type of light that may be on the property. A centralized buyer would have no such knowledge and time would have to be spent explaining what was needed and then ensuring that what was ordered met the need. This would involve extra time and cost. The JAA support staff functions are all full-time positions and therefore any centralization would require the same number of people, thus not achieving any economies of scale. Where such economies of scale are achievable, the JAA is already benefiting from them as we cooperate with the City procurement department in the acquisition of major items such as fuel, certain types of insurance and information technology services. We also acquire major items under state contracts such as vehicles and other major pieces of equipment. We also work with the other independent authorities and the City in the areas of IT, police services and risk management. Three years ago, a study was undertaken in conjunction with the Sheriff's Department on consolidating police services at the airport. It was found that it would cost the Authority \$1.6

million more per year to consolidate versus providing the service in-house. By our charter, aircraft, rescue and firefighting services must be provided by the City fire department at a cost of over \$3 million per year. Such services could be procured from the private sector at significantly less cost based on experiences at other airports. Finally, with regard to central services, any business must be able to set its priorities with regard to the provision of these services. Were these services consolidated under the City, the JAA would no longer be in control of setting priorities and thus would be subject to potential delays in the delivery of needed services should the entity setting the priorities establish a different set of priorities. The JAA's delivery of services to its customers would suffer as a consequence.

Each of the independent authorities and the JAA in particular are subject to different sets of government laws and regulations. A central services staff would need to be familiar with those laws and regulations to ensure compliance. Service delivery and cost savings in the areas of vehicle maintenance (**see Attachment IV, Fleet Maintenance Cost**), facilities maintenance and other service areas could not be effectively accomplished by centralizing them. The JAA has a written agreement with the City's General Counsel's office that while the Authority will retain its own counsel for day to day items, any specialized work will come through the General Counsel's office. The results have been a higher level of service provided to all departments at the JAA given that the on-staff attorney has developed expertise in aviation specific fields and can spend more time in supporting each department than was otherwise provided. This type of service is no longer nice to have but a requirement to conduct effective operations.

The bottom line with regard to central services is that the JAA needs specialists, not generalists, in providing these services. The model in place today works well and there is a high level of cooperation amongst the agencies and the City. JAA staff is continually looking for ways to improve that cooperation and for new areas in which cooperation can be beneficial.

2. Budget effects

As will be discussed in more detail later, the JAA's vision is to be and enhance its role as an economic engine for the City of Jacksonville and the Northeast Florida region (**see Attachment V, Vision Statement**). Towards that end, JAA programs and budget are targeted at accomplishing that vision. As it is structured today, JAA's interests are well-aligned with the City of Jacksonville and thus the expenditure of revenues supports the interests of both organizations. From a practical standpoint, JAA revenue is targeted to support and enhance JAA programs. The fiscal integrity and health of the JAA is priority number one in basically all matters. It is only through a financially healthy JAA that other benefits can accrue to the City and the Region.

The JAA Board of Directors absolutely considers the JAA's mission in making financial decisions. In 2010, the board adopted a local business utilization policy to ensure that local firms are used as much as possible in the acquisition of services, supplies and projects. Prior to this policy approximately 62% of eligible JAA expenditures were made with local firms. A year after the policy, 84% of eligible expenditures were made with local businesses. Efforts continue today to expand the use of small and minority firms in JAA contracting and the JAA works with the City and the other authorities in expanding its efforts in this area.

The board has also placed a high priority on the development of Cecil Airport (Cecil). The beneficiary of this development is both the JAA and the City as employees at Cecil contribute to the local economy and tax base. Extensive JAA resources are allocated to Cecil and this development comes at no cost to the City other than what the City elects to participate in through incentive programs.

Finally, it should be pointed out that the JAA achieves its mission without financial contribution from the City or any general fund revenues. The JAA contributes almost \$3.5 million per year to the City for services, primarily aircraft rescue and firefighting and other areas where the City and the JAA cooperate (**see Attachment VI, Contributions to City Revenues**).

3. Commercial Development

It has been pointed out that lease holders on JAA property do not pay property taxes and therefore this gives the JAA an advantage over neighboring private property owners. First, it should be pointed out that this so-called advantage is not one the JAA created or requested but is a matter of state law that applies to all government jurisdictions. The state law should be either changed or clarified to rectify this. For competitive reasons the JAA would request that any change not affect aviation-related uses as these would be uses that directly support aviation activity and the runway and taxiway systems at the airports within the system. The locations that the JAA competes against, which are located throughout the Southeast U.S. provide such an exemption for aviation use. Users that are not using the airfields could be subject to property tax if the law so allowed. The time is appropriate to enact such a change since there are very few non-aviation uses that currently exist, most of which are located at JIA. This so called advantage is diminished by the fact that it is difficult to lease non-aviation land since the land is only for lease and not for sale. Most businesses want to own property and not enter into long-term leases.

Development of JAA property, particularly for aviation uses, is of direct benefit to the City of Jacksonville and the surrounding regions. Companies such as Flightstar and Boeing have expanded their businesses and hired area residents to staff those new business lines. New companies such as AvMax and KCI Aviation have also established themselves in Jacksonville and hired local residents. The recent agreement with Embraer to assemble aircraft at JIA will add a minimum of 80 jobs with the potential of many more. These companies also have suppliers and in some cases these suppliers want to be located near their major customers. The JAA and the City staff work to recruit such suppliers and it is part of the Cecil Airport Strategic Plan to do so. There are significant benefits to the City of Jacksonville general fund that accrue from the development of property by the JAA (**see Attachment VII, Economic Impact**). While no study has been done to quantify how much the general fund benefits, businesses are required to comply with all local laws and pay all appropriate fees and taxes. The myriad of such charges accrue to the city such as business license fees, utility

taxes, sales taxes etc. Perhaps the biggest benefit to the city is the revenues received from employees of these businesses which now total approximately 10,000 people. These employees buy or rent homes, they shop locally and pay sales taxes, and they pay utility taxes and fees through JEA and cable TV companies and other utilities.

At this point in time, particularly at Cecil, the JAA does not compete with neighboring land owners since the JAA is only marketing land to aviation companies that need the airfield. If a potential tenant approaches the JAA and does not need the airfield, that tenant is handed off to City staff for a potential location right across the street from the airfield. In the future, the JAA will seek to develop all of its property as appropriate and will coordinate that development with the appropriate City departments. The JAA conducts routine meetings with property owners around JIA to discuss items of mutual interest.

4. Consolidated Authorities (*refer to Attachment II*)

Since 1968 the port and airport were one authority. In 2001, that entity was split into two separate authorities. While there are others more knowledgeable about the history or rationale of why the split occurred, it was not uncommon in the last century for communities to have multi-modal authorities. Business experience has shown that in multi-modal authorities, the two or more businesses compete for internal resources usually to the detriment of at least one of the businesses. This was certainly true in the case of Jacksonville. By splitting the authorities, each could focus on their core business and if the last 12 years are any indication, both have thrived under this structure (**see Attachment VIII, JAA Financials**). Each has a board that can focus on the needs of the specific business line. These business lines are very different with different customers, different federal regulations and certainly different business needs. All staff within the two authorities became specialists in their business and thus are better able to support that business. Since the businesses do not intersect, there are really no cons to having separate authorities. Merging the authorities would create all the issues that were present prior to their creation and thus the City and region would lose due to the lack of focus by the combined organization. Any efficiency created by having one staff would be lost by the decreased

productivity of the combined organization. Having separate authorities for aviation and maritime is becoming more of the norm. San Diego has split its authorities and Tampa and Savannah have separate authorities for their airports and seaports.

5. Unity of Purpose

As mentioned previously, JAA's vision is to be and enhance its role as an economic engine for the City of Jacksonville and the surrounding region. Having Googled the City of Jacksonville's Vision Statement the following was found:

"To make Jacksonville's local government the most responsive and effective city Government in America, and Jacksonville the best place in the nation to live, work, and raise a family."

The JAA contributes to this vision statement by providing a quality place to work and do business for its employees and businesses. JAA staff also act as a liaison between tenants and the City staff in ensuring that needed permits and approvals are obtained from the City in a timely manner. Through the provision of quality facilities for air transportation, the JAA acts as the first and last impression of the City of Jacksonville for millions of travelers and thus presents a positive image of Jacksonville as a modern American city.

There are no apparent conflicts in the vision statements of the two organizations. The JAA and the City interact on quite a few levels. Over the last several years, JAA staff has worked diligently to build bridges to many elements of City government. The JAA tries to understand the goals of the administration and the council and to support those goals whenever possible. A major example of this cooperation and intersection takes place at Cecil Airport/Cecil Commerce Center. Whereas in the past there may have been conflicting objectives, today the Authority and City staff are on the same page working in a collaborative manner to provide the maximum in economic impact to the City of Jacksonville. The basic approach is that the JAA is focusing on industries and companies that need an airfield for their operation. If a company does not need an airfield, JAA staff will hand them off to City staff to work on a location near the airport on City property. This relationship provides benefits to both organizations and enables both organizations to support each other. JAA staff work with the City's

auditors staff to prepare the annual budget submittal. When it comes to board appointments, JAA staff will make suggestions to the administration as to the type of experiences that would complement existing board members but the staff does not recommend individuals.

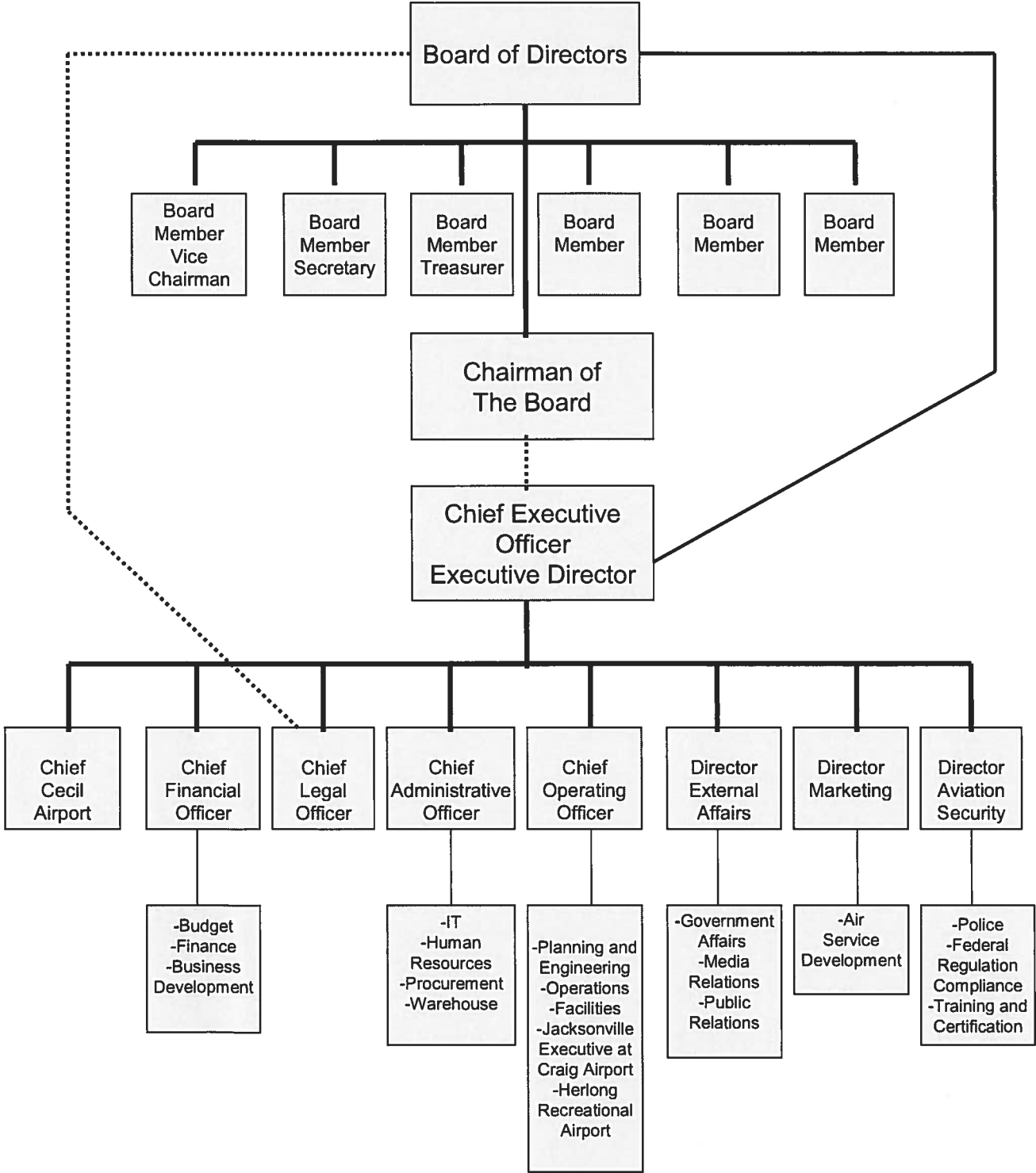
There are numerous other areas of coordination, some of which were mentioned earlier. The City provides all permits necessary for the construction of buildings on Authority property whether they are Authority projects or tenant projects. The Authority and the City work together on risk management issues and other insurance programs. Most recently the JAA, along with other independent authorities, worked with the City on the development of IT infrastructure. The two organizations interact on so many levels that probably a day does not go by wherein an Authority staff member isn't contacting and coordinating with a City department. The Authority is active in many City activities. The primary sponsor of the Jacksonville Jazz Festival is the JAA. The Authority also helped sponsor the One Spark event. The JAA coordinates with City staff on The Players Championship as well as the Gator Bowl. There are no identified areas where the City and the JAA are not aligned and not supportive of each other. This relationship continues to strengthen with each succeeding year.

In conclusion, irrespective of what the environment may have been a number of years ago, the JAA and the City are well-aligned in all important areas. The Board of Directors governance model is the best form of governance for an airport organization and has served the City well. The structure of the provision of services is crucial to the success of the JAA and any cost savings from combining these services with the other Authorities and the City would be illusional due to the negative affect on the productivity of the JAA. To be a bit more straightforward, the current model is not broken and is getting better every day due to the efforts of many staff in both organizations.


Steve Grossman
SG/mm-l

Attachments

JAA ORGANIZATIONAL STRUCTURE



Condensed HISTORY of the JPA/JAA, 1963-2001

The Jacksonville Port Authority (JPA) was created in 1963 by the Florida State Legislature to operate as an agency and political subdivision of the State of Florida to oversee the public marine facilities. The City's aviation assets were transferred to the JPA in 1968 as a part of Consolidation. BRAC '93 announced closure of NAS Cecil and Cecil Airport was transferred to the JPA as part of the transfer of property from the Navy to JPA and the City on October 1, 1999.

From 1968 the JPA owned and operated Jacksonville's airports and seaports. The aviation and marine assets grew over time. The city leaders at the time recognized the tremendous potential of the assets associated with the seaport and airports. Thus, the Mayor at the time commissioned a review of the bi-modal structure to evaluate and recommend a structure that could best support the continued growth and evolution of the assets. The initial review was commissioned by then Mayor Tommy Hazouri. The review resulted in a recommendation to separate the entities by a vote of 6-3. However, the 1988 Commission recommendation was never acted upon. A second attempt to bifurcate the JPA was initiated in 1997, by Councilman Eric Smith via a bill introduced to the Jacksonville City Council. No actions were taken on the 1997 initiative. In April 2000, a Port Review Task Force comprised of appointees of the Mayor of Jacksonville, City Council President and the Chairman of the JPA was commissioned to review and recommend an optimal structure for efficiently managing and securing the long-term sustainability of the assets. On July 24, 2000 the Port Review Task Force issued the following recommendation by a unanimous final vote of 9-0, (two members of the task force did not vote):

- The marine and aviation assets and activities should be managed by separate independent entities with separate governing bodies;
- All appointments to the governing bodies should be made by the Mayor and approved by the City Council; later it was recommended by the Mayor that a seven-member board oversee the policy making for each authority. Four members appointed by the Governor of Florida and three by the Mayor of Jacksonville for the aviation authority. Three members appointed by the Governor of Florida and four by the Mayor of Jacksonville for the marine authority.
- A key note was made to ensure that every effort should be made to secure a permanent solution to the ad valorem tax issue for the marine assets.

On September 26, 2000 the JPA Board of Directors voted 6-1 to recommend a separation of the Authority into two entities. The JPA Board vote supported the Port Review Task Force belief that separating the authorities would provide better focus on the aviation and marine assets, would expedite decision-making and provide greater accountability, and provide a better opportunity for growth and development of both the aviation and marine assets.

On January 9, 2001 Mayor John Delaney introduced a bill to the Jacksonville City Council to separate the JPA assets into two independent authorities, as recommended by the Port Review Task Force and the JPA Board of Directors. After a comprehensive review and analysis, the City Council unanimously voted to separate the marine and aviation assets into two separate independent authorities.

On January 18, 2001, the City Council President Alberta Hipps introduced J-Bill 2000-1104 to the Duval Legislative Delegation for approval to separate the JPA and create two independent authorities. The Duval Legislative Delegation overwhelmingly approved a plan to separate the aviation and marine operations by a vote of 9-1.

In March 2001, the Duval Legislative Delegation proposed to the Florida State Legislature that the Jacksonville Airport Authority (now Jacksonville Aviation Authority) and Jacksonville Seaport Authority (now Jacksonville Port Authority) be created as agencies and political subdivisions of the State of Florida effective October 1, 2001. The Legislature approved the act in May 2001 and it was signed into law by the Governor of Florida on June 6, 2001.

LIST OF DEPARTMENTS

File: JAA Dept Wages Benefits 9-6-13

<u>Department</u>	<u># Employees</u>	<u>Wages</u>	<u>Benefits</u>
Executive/Legal	3	527,372.00	193,691.00
Marketing	3	250,344.00	57,416.00
Information Technology	9	685,956.00	179,130.00
External Affairs	4	351,112.00	81,721.00
Human Resources	8	639,650.00	352,274.00
Procurement	12	765,075.00	233,471.00
Finance Note 1	11	834,137.00	659,228.00
Planning & Engineering	11	691,405.00	221,199.00
Business Development	8	527,076.00	179,535.00
Cecil Airport	13	869,288.00	221,955.00
JAXEX at Craig Airport	4	220,326.00	42,368.00
Herlong Airport	9	448,541.00	115,500.00
Building Maintenance	25	1,339,534.00	404,772.00
Field Maintenance	24	1,264,901.00	406,571.00
Hold Baggage System	9	481,872.00	153,641.00
Custodial	32	1,101,198.00	360,087.00
Police	52	3,217,626.00	1,202,845.00
Airport Operations	26	1,442,216.00	440,521.00
	<u>263</u>	<u>15,657,629.00</u>	<u>5,505,925.00</u>

Note 1: Includes GASB 45 Accrual

Fleet Maintenance Cost

This Board memo addresses questions relative to the Authority's garage function, is it cost effective and would it be more cost effective to contract the function out. While the discussions at our Board meetings were good, I asked staff to collect the data on what we spend on the garage function, how many vehicles are maintained and the results of any study of the cost of contracting out the function. The results are as follows:

The garage maintains 177 vehicles and large pieces of equipment along with many other small pieces of equipment not included in that total. This total includes 81 on road vehicles (automobiles, trucks, shuttle busses and Aircraft Rescue and Firefighting vehicles) along with 96 heavy pieces of equipment such as large mowers, tractors etc. Total budgeted cost for the garage including all labor, parts and supplies in Fy2012 was \$496,943. This averages approximately \$2,800 per piece of equipment which may not mean much if we didn't have anything to compare it to. Fortunately we do have something available for comparison purposes. In 2007 the Authority issued a Request for Proposals for garage services. The Authority received 4 proposals all of which were higher than what the Authority was spending at the time. Taking the second lowest proposal and the information provided as to the total cost of the service, the total would have been \$662,000 in 2007. If one were to inflate those costs by 3% per year, the 2013 costs would be in the range of \$790,000. Clearly that cost is significantly higher than what we spend today. Another reasonable test is the labor cost per hour assuming a 2,000 hour work year. The average hourly labor rate, including benefit cost for Authority staff is \$28/hour. Personal experience in private garage operations is that the hourly labor rate is almost double that amount. A major reason for that overall cost savings is the mark up placed on parts by the private companies. Authority staff buys parts at the same stores that the private garages do but there is no mark up since it is our staff doing the work. Other intangible benefits are that we control the work and the priorities of the staff and thus can target our resources where they need to go and can make adjustments at a moment's notice. In addition, we can more easily control quality of the work using our own staff. The Authority has a staff of mechanics we can trust. I'm not sure we could say that about a private sector garage.

I certainly concur with the decision made in 2007 to keep the service in house for the above reasons and from my discussions with the garage staff and the Director of Facilities, they do a great job in a very cost effective manner. As part of our upcoming RFP for parking and shuttle management services, we do plan on asking for prices to acquire and maintain the parking shuttle fleet. We will re-evaluate the current practice when those proposals come in.



Tuesday, September 10, 2013 85°F Partly Cloudy

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Airport System

OVERVIEW

In May 2001, the Florida State Legislature approved the restructuring of the Jacksonville Port Authority (JPA) into two separate entities (City J-Bill-1104), the Jacksonville Aviation Authority (JAA) and the Jacksonville Seaport Authority effective October 1, 2001.

The Jacksonville Aviation Authority, an independent government agency created by the Florida legislature, operates primarily as a landlord, managing the upkeep, improvement and expansion of its facilities and coordinating their use by private companies. JAA owns the runways, hangars, passenger terminal building, airport grounds and road connections to the public highway system. JAA provides and maintains the terminals and their equipment and manages the overall use of the facilities.

Mission Statement

The mission of the Jacksonville Aviation Authority is to manage, operate, maintain and develop an airport system that exceeds the aviation need of the City of Jacksonville, Northeast Florida and Southeast Georgia.

Vision Statement

The vision of the Jacksonville Aviation Authority is to enhance the JAA's standing as a premiere economic engine for the City of Jacksonville and the Northeast Florida region.



- Fairness**
Without Bias
- Accountability**
Own It
- Integrity**
Beyond Reproach
- Respect**
Appreciate Qualities in All

ATTACHMENT V

CONTRIBUTIONS TO CITY REVENUES

The analysis in the previous section highlights the overall economic impact that each of the Authority's airports has in the region. This section segments those impacts into direct contributions made to the City of Jacksonville, demonstrating the economic value of JAA.

The Authority pays more than \$3.4 million annually to the City of Jacksonville in fees and cost of services. TABLE C below provides a breakdown of monies paid to the city between fiscal years 2011-2012.

TABLE C

Monies Paid to City of Jacksonville in FYE 2010-2012			
	FYE 2010	FYE 2011	FYE 2012
AARF	\$2,818,351	\$2,864,549	\$2,900,000
General Counsel	\$205,620	\$184,170	\$145,416
Stormwater Fees	\$150	\$1,092	\$192
Risk Management	\$307,784	\$264,885	\$180,842
Radios	\$26,001	\$25,035	\$14,466
Public Service Tax (JEA)	\$37,012	\$42,602	\$27,609
Sponsorships (Jax Festival)	\$50,100	\$71,200	\$71,700
One Spark			\$35,000
Total	\$3,445,019	\$3,453,533	\$3,347,616

In addition to these fees for service, JAA also contributes through the cost of its overhead (i.e. utilities) as well as through the taxes paid by both its tenants, consultants and employees.

The Authority continually strives to practice good community stewardship, and as such is expected to contribute more than \$260,000 in local sponsorships for 2013. City of Jacksonville events (approximately \$100,000 budgeted for FY 2013), the Jacksonville Regional Chamber of Commerce, local professional and minor league sports teams and events, and professional associations are several of the anticipated recipients of this year's sponsorship allocations.

ECONOMIC IMPACT

FDOT and FAA grant assurances prevent the Authority from diverting any of its revenues—aviation or non-aviation—to a service or organization that is not relative to the development or operation of the airport system, i.e. the City of Jacksonville. While the city does not receive direct revenue payments, it does benefit tremendously from JAA's status as an economic engine. This outlines the economic impact that each of the four airports have on the region, as well as the Authority's contributions to city revenues through taxes and fees paid.

REGIONAL ECONOMIC IMPACT ANALYSIS BY AIRPORT

In 2010, the FDOT's Aviation Office completed a major economic impact analysis of each of Florida's airports. The study calculated each airport's economic impact by measuring the number of jobs each produced, its annual payroll and the annual economic output. Both direct impacts and indirect impacts were calculated, and an input-output model was used to show how initial direct and indirect economic impacts continue to re-circulate through the local economy. These additional impacts are referred to as the multiplier impact. According to FDOT's data, the total economic activity of JAA in 2010 was almost **\$2.9 billion annually**.

FDOT's study demonstrates that JAA has a significant direct impact on the regional economy. **JAA and its tenants directly support more than \$813 million in economic activity.** This direct impact figure represents all of the aviation-related economic impacts that take place on the four airports, including activities associated with on-airport tenants and businesses, airport construction projects (undertaken by airport or by on-site business) and airport management and operations. Direct impacts do not include indirect spending from visitors and non-airport related jobs. Direct impacts are quantified in terms of employment, payroll and output (or spending), and they represent the total value of aviation activities supported by the airport.

TABLE B provides the outcome of the study for each of the four airports of the Authority, and the subsequent information related to each airport is also provided by the FDOT study.

TABLE B

Jacksonville Aviation Authority Economic Impact						
<i>Data Courtesy FDOT</i>						
Airport	Direct Impacts¹	Indirect Impacts²	Multiplier Impacts³	Total Employment⁴	Total Payroll⁵	Total Economic Activity
Jacksonville International Airport (JAX)	\$457,573,000	\$749,736,000	\$974,390,000	23,040 jobs	\$690,216,500	\$2,181,699,000
Cecil Airport (VQQ)	\$299,331,500	\$1,634,000	\$230,367,700	5,437 jobs	\$217,937,900	\$531,333,200
Jacksonville Executive at Craig Airport (CRG)	\$49,448,900	\$25,243,500	\$56,616,900	1,191 jobs	\$40,295,200	\$131,309,300
Herlong Recreational Airport (HEG)	\$6,683,400	\$5,451,100	\$9,462,100	212 jobs	\$6,517,300	\$21,596,600

¹ Direct Impacts are considered to be all aviation-related activities associated with on-airport tenants and businesses, airport construction and airport management

² Indirect Impacts are considered to be all off-airport activities, such as those related to visitor spending.

³ For this study, the Impact Analysis for Planning (IMPLAN) model was used to measure additional impacts.

⁴ Total Employment are jobs created by the management of the airport, fixed base operator (FBO), airline and cargo activity and various airport concessions.

⁵ Total payroll are those dollars generated as result of the cumulative salaries of airport related activities.

JAA FINANCIALS

File: JAA Historical Nos. Consolidation Task Force 9-6-13

	FY09	FY10	FY11	FY12	FY13
Operating Revenues	\$ 59,909	\$ 59,279	\$ 62,482	\$ 60,417	\$ 66,013
Operating Expenses	39,212	38,925	42,029	43,124	43,691
Depreciation & Amortization	30,284	30,394	30,753	27,666	27,672
Debt (Bonds & Notes Payable)	218,885	209,880	200,480	183,860	160,035
No. Budgeted Employees	251	251	251	253	263
Enplanements	2,842,810	2,771,972	2,783,743	2,644,213	2,568,971
Deplanements	2,848,708	2,772,414	2,782,398	2,641,680	2,569,113
Total Enplaned & Deplaned	5,691,518	5,544,386	5,566,141	5,285,893	5,138,084
Bond Rate Covenant	1.84	1.60	1.83	2.00	1.89
Operating Margin	34.55%	34.34%	32.73%	28.62%	33.81%
Current Ratio (CA/CL)	2.16	2.42	2.73	2.45	2.73
Debt Ratio (TL/TA)	34.97	34.30	33.26	31.86	23.98
Increase in Net Assets	\$ (16,000)	\$ 4,821,000	\$ 2,600,000	\$ 2,299,000	\$ 10,953,000

1. Current Ratio shows ability to satisfy current debt our of current assets. Higher the better.
2. Debt ratio indicates percentage of total funds obtained from creditors. Lower is better.
3. Increase in net assets is increase in net worth.