



Metropolitan Airports Commission

TO: Operations, Finance and Administration Committee
FROM: Kathy Fisher, Manager - Budget (612-726-8158)
SUBJECT: **Budget Variance Report – October 2021**
DATE: December 1, 2021

FOR ACTION

Summary

The Metropolitan Airports Commission (MAC) Commission Bylaws and Rules of Procedure indicate that staff would provide monthly Variance Reports to the Operations, Finance and Administration Committee for review/ratification.

Action Requested

Recommend that the full Commission accept the Budget Variance Report and authorize expenditures in these categories up to the budgeted or forecasted budget amounts.

Report

The October 2021 Operating Budget Variance Report is attached which summarizes year-to-date revenue and expenses and variances from budgeted amounts.

Metropolitan Airports Commission						
Budget Variance Report - October 2021						
Operating Revenue						
	2020	2021				Total 2021 Budget
	Year to Date Actual	Year To Date Actual	Budget	Dollar Variance	% Variance	
OPERATING REVENUE						
Airline Rates & Charges						
Airline Agreement						
Landing Fees	36,955,159	\$ 47,536,101	\$ 58,273,217	\$ (10,737,116)	-18.4%	\$ 72,841,520
Ramp Fees	5,758,772	5,365,225	5,493,488	(128,263)	-2.3%	6,654,847
Airline R & R	4,120,217	4,380,734	4,421,982	(41,248)	-0.9%	5,308,502
Terminal 1 Rentals	34,016,148	27,425,786	33,625,668	(6,199,882)	-18.4%	40,386,342
Terminal 1 Other Rentals	4,720,224	4,764,307	5,121,745	(357,438)	-7.0%	8,949,314
Concessions Rebate		-	-	-		(15,606,069)
Total Airline Agreement	85,570,520	89,472,153	106,936,100	(17,463,947)	-16.3%	118,534,456
Terminal 2 Lobby Fees	8,445,531	8,109,913	8,243,749	(133,836)	-1.6%	9,992,646
Terminal 2 Other/Passenger Fees	2,216,723	2,192,033	2,214,538	(22,505)	-1.0%	2,681,159
Total Airline Rates & Charges	\$ 96,232,774	\$ 99,774,099	\$117,394,387	\$ (17,620,288)	-15.0%	\$ 131,208,261
Concessions						
Terminal/Other						
Food & Beverage	10,406,827	\$ 12,003,947	\$ 12,423,729	\$ (419,782)	-3.4%	\$ 17,201,015
News	1,741,841	3,104,838	2,589,377	515,461	19.9%	3,521,672
Retail	2,126,041	2,004,776	2,362,071	(357,295)	-15.1%	3,749,742
Passenger Services	3,769,089	3,910,208	4,568,393	(658,185)	-14.4%	5,628,112
Total Terminal/Other	18,043,798	21,023,769	21,943,570	(919,801)	-4.2%	30,100,541
Parking/Ground Transportation						
Parking	37,329,297	54,317,589	55,249,514	(931,925)	-1.7%	69,702,000
Ground Transportation Fees	5,031,959	5,947,019	7,413,086	(1,466,067)	-19.8%	9,717,331
Auto Rental-On Airport	11,389,475	13,215,676	16,070,346	(2,854,670)	-17.8%	19,292,132
Total Parking/Ground Transportation	53,750,731	73,480,284	78,732,946	(5,252,662)	-6.7%	98,711,463
Other Concessions	1,800,203	2,028,051	2,059,193	(31,142)	-1.5%	2,498,017
Total Concessions	\$ 73,594,732	\$ 96,532,104	\$102,735,709	\$ (6,203,605)	-6.0%	\$ 131,310,021
Rentals/Fees						
Buildings & Facilities	10,518,891	\$ 12,292,949	\$ 12,271,579	\$ 21,370	0.2%	\$ 14,765,952
Building Auto - CFC's	6,959,664	9,554,307	11,226,972	(1,672,665)	-14.9%	15,485,478
Ground Rentals	9,686,548	9,472,327	9,682,511	(210,184)	-2.2%	11,636,049
Reliever Airports	6,815,134	7,909,567	7,654,511	255,056	3.3%	8,616,329
Total Rentals/Fees	\$ 33,980,237	\$ 39,229,150	\$ 40,835,573	\$ (1,606,423)	-3.9%	\$ 50,503,808
Utilities and Other Revenue						
Utilities	4,928,631	\$ 2,584,114	\$ 2,823,539	\$ (239,425)	-13.0%	\$ 4,996,628
GA/Airside Fees	3,668,444	4,078,904	3,929,522	149,382	3.8%	4,679,938
Maintenance, Cleaning, Distribution Fees	1,339,414	2,012,152	2,154,578	(142,426)	-6.6%	2,772,944
Other Revenues	1,444,577	1,637,530	1,836,902	(199,372)	-10.9%	2,373,060
Reimbursed Expense	2,663,965	2,165,710	2,295,470	(129,760)	-5.7%	3,609,000
Total Utilities and Other Revenue	14,045,031	\$ 12,478,410	\$ 13,040,011	\$ (561,601)	-4.3%	\$ 18,431,570
Total Operating Revenue	\$217,852,774	\$248,013,763	\$274,005,680	\$ (25,991,917)	-9.5%	\$ 331,453,660

Brackets () Represent Revenue Items under Budget and Expense Items over Budget

Budget Variance Report - October 2021						
Operating Expense						
Non-Operating Revenue & Expense						
	2020	2021				Total
	Year to Date	Year To Date		Dollar	%	2021
	Actual	Actual	Budget	Variance	Variance	Budget
<i>Total Operating Revenue</i>	\$ 217,852,774	\$ 248,013,763	\$ 274,005,680	\$ (25,991,917)	-9.5%	\$ 331,453,660
OPERATING EXPENSE						
Personnel	73,626,025	\$ 73,057,911	\$ 74,565,968	\$ 1,508,057	2.0%	\$ 94,206,500
Administrative	878,915	752,479	818,500	66,021	8.1%	1,351,569
Professional Services	4,211,472	3,846,130	4,190,292	344,162	8.2%	6,310,316
Utilities	12,282,520	15,300,024	15,162,401	(137,623)	-0.9%	19,896,708
Operating Services/Expenses	21,531,598	19,845,453	20,207,062	361,609	1.8%	27,643,462
Maintenance	29,208,689	28,063,686	29,287,222	1,223,536	4.2%	41,458,294
Other	3,475,910	3,336,240	3,365,655	29,415	0.9%	3,639,119
Total Operating Expense	\$145,215,129	\$144,201,923	\$147,597,100	\$ 3,395,177	2.3%	\$ 194,505,968
<i>(excludes depreciation and noise amortization)</i>						
Net Operating Revenue	\$ 72,637,645	\$103,811,840	\$126,408,580	\$ (22,596,740)	-17.9%	\$ 136,947,692
NON-OPERATING REVENUE (EXPENSE)						
	2020	2021				Total
	Year to Date	Year To Date		Dollar	%	2021
	Actual	Actual	Budget	Variance	Variance	Budget
Other Non-Operating Revenue						
Interest Income	\$ 5,055,000	\$ 1,896,185	\$ 2,084,166	\$ (187,981)	-9.0%	\$ 4,864,000
Self-Liquidating Income	2,640,000	2,793,062	2,793,062	-	0.0%	3,321,000
	7,695,000	4,689,247	4,877,228	(187,981)	-3.9%	8,185,000
Debt Service						
Short Term Financing	\$ (570,000)	\$ (768,610)	\$ (768,610)	\$ -	0.0%	\$ (6,964,500)
Equip Financing Principal/Interest Payments	(3,483,000)	(3,216,880)	(3,216,880)	-	0.0%	(4,422,630)
Bond Principal/Interest Payments	(25,987,000)	(23,412,270)	(23,412,270)	-	0.0%	(100,943,700)
	\$ (30,040,000)	\$ (27,397,760)	\$ (27,397,760)	\$ -	0.0%	\$(112,330,830)
Equipment						
Capital Expenditures	\$ (1,030,000)	\$ (962,114)	\$ (962,114)	\$ -	0.0%	\$ (1,150,000)
Equipment Purchases	(7,352,000)	(5,625,802)	(5,625,802)	-	0.0%	(8,271,850)
Equipment Financing	3,395,000	-	-	-	0.0%	-
	\$ (4,987,000)	\$ (6,587,916)	\$ (6,587,916)	\$ -	0.0%	\$ (9,421,850)
Other						
Six Month Reserve Transfer	\$ (7,035,000)	\$ -	\$ -	\$ -	0.0%	\$ -
Grant Reimbursements	-	24,709,947	-	24,709,947	-	-
Gain (Loss) on Equipment & Other	162,000	496,160	150,000	346,160	230.8%	180,000
	\$ (6,873,000)	\$ 25,206,107	\$ 150,000	\$ 25,056,107	16704.1%	\$ 180,000
Total Non-Operating Revenue (Expense)	\$ (34,205,000)	\$ (4,090,322)	\$ (28,958,448)	\$ 24,868,126	-85.9%	\$(113,387,680)
Net Revenue Available for Designation	\$ 38,432,645	\$ 99,721,518	\$ 97,450,132	\$ 2,271,386	2.3%	\$ 23,560,012
<i>Brackets () Represent Revenue Items under Budget and Expense Items over Budget</i>						

OPERATING REVENUE

Total operating revenue for October 2021 year-to-date is under budget \$25,991,917 or 9.5%. The revenue sources creating this variance are within the Airline Rates & Charges, Concessions and Rentals/Fees revenue categories.

Airline Rates & Charges

The revenue from Airline Rates & Charges is below budget \$17,620,288 or 15.0% as a result of the following:

Landing Fees

Landing Fees are lower than budget \$10,737,116 or 18.4%. Landing fees are an activity-based fee. Flight activity was lower than projected as the COVID-19 pandemic continues to affect air service.

Terminal 1 Rentals

Terminal 1 Rental Fees are below budget \$6,199,882 or 18.4%. Terminal rental relief was provided to the airlines through the COVID-19 relief program approved by the MAC in 2020. Airlines were given the option to take 90% of the available terminal rent credit in 2020 or 2021 with the remaining 10% rental credit provided in June of 2021. A few airlines chose to use the 90% credit in 2020; however, most airlines used the credit in 2021. Terminal rental relief credits totaling \$5,973,202 have been applied in 2021.

Terminal 1 Other Rentals

Terminal 1 Other Rental Fees are lower than budget \$357,438 or 7.0%. The variance is due to lower International Arrival Facility (IAF) operating costs related to reduced passenger levels from the COVID-19 pandemic.

Concessions

Concessions revenue is \$6,203,605 or 6.0% below budget as a result of the following:

Food & Beverage

Food & Beverage concessions revenue is under budget \$419,782 or 3.4% due to fewer enplanements than the budget projected and slightly lower consumer spending.

News

News concessions revenue is higher than budget \$515,461 or 19.9%. More customers purchased snacks and beverages to bring on flights as food sales were discontinued on many flights as a result of the pandemic.

Retail Stores

Revenue from Retail Stores is under budget \$357,295 or 15.1%. Retail sales were lower than projected in the budget which is the result of lower spending per enplanement.

Passenger Services

After the budget was approved, MAG relief was provided to certain passenger service companies as authorized by the MAC's COVID-19 relief program. As a result, Passenger Services revenue is below budget \$658,185 or 14.4%.

Parking

Parking revenue is under budget \$931,925 or 1.7%. With the decline in passengers as a result of the pandemic, parking sales have decreased as well.

Ground Transportation Fees

Ground Transportation Fees are under budget \$1,466,067 or 19.8%. These fees are activity-based by carrying passengers to and from the airport. This variance is mainly due to less Transportation Network Companies (TNC) activity than projected in the budget and is also affected by fewer taxi and commercial vehicle trips. Offsetting this variance are off-airport auto rental fees that are over budget by \$568,125.

Auto Rental-On Airport

For Auto Rental-On Airport, the budget expected MAG revenue for all of 2021 and a percent rent for any overage. After the budget was approved, MAG relief was provided to the auto rental agencies as authorized by the MAC's COVID-19 relief program. For the months of January through June, auto rental agencies paid 10% rent instead of the MAG. For July through December of 2021, auto rental agencies will pay 60% of guaranteed rent. This results in Auto Rental-On Airport revenue to be below budget \$2,854,670 or 17.8%.

Rentals/Fees

Revenue from Rentals/Fees is \$1,606,423 or 3.9% below budget. The largest variance is in Auto Rental Customer Facility Charges (CFCs) at \$1,672,665 or 14.9% below budget. Actual CFCs collected by auto rental agencies were lower than expected in the budget.

OPERATING EXPENSE

Total operating expense for October 2021 year-to-date is under budget \$3,395,177 or 2.3%. The expenses creating this variance are within the Personnel ,Operating Services/Expenses and Maintenance categories.

Personnel

Personnel is under budget \$1,508,057 or 2.0%. Wages are below budget \$894,094. Only critically necessary positions have been filled in 2021 resulting in personnel savings. Also, the supplemental Other Post Employment Benefits (OPEB) trust expenses are under budget \$578,161 as the MAC's actuarial consultant recommended reducing MAC's contributions due to funding levels.

Operating Services/Expenses

Operating Services/Expenses are under budget \$361,609 or 1.8%. Below are the largest factors creating this variance:

- Security staff was scheduled at pre-pandemic levels. Staffing was later reduced based on lower enplanements causing a below budget variance of \$559,306.
- Parking management expenses were reduced as a cost savings measure during the pandemic recovery and are under budget \$330,033.
- Expenses for the vaccination clinics located at MSP and weekly staff covid testing is causing an over budget variance of \$559,306.

Maintenance

Maintenance expenses are under budget \$1,223,536 or 4.2%. The main contributors to this variance are snow removal costs that are lower than budget \$595,736 due to mild weather and building mechanical areas that are under budget \$558,734 as cost savings measures during the pandemic recovery.

NON-OPERATING REVENUE (EXPENSE)

Total non-operating expense for October 2021 year-to-date is lower than budget \$24,868,126 or 85.9%. The Federal Aviation Administration (FAA) reimbursed Coronavirus Aid, Relief, and Economic Security (CARES) Act funds as economic relief to eligible US airports affected by the prevention of, preparation for, and response to the COVID-19 pandemic. The MAC received \$24,709,947 in federal aid in 2021. The MAC also received a \$1 million insurance claim advance to rebuild the boarding bridges damaged from strong winds in 2021. This amount is offset by extraordinary costs related to the commercial vehicle canopy fire in 2020 which is expected to be reimbursed by insurance.