Minneapolis/St. Paul, Minnesota
Metropolitan Airports Commission

Comprehensive Annual Financial Report

Years Ended December 31, 2018 and 2017

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Minneapolis/St. Paul, Minnesota
Metropolitan Airports Commission

Comprehensive Annual Financial Report

Years Ended December 31, 2018 and 2017

Prepared by

The Finance Department

Bob Schauer
Director of Finance

Stephen L. Busch
Chief Financial Officer

Minneapolis/St. Paul, Minnesota
Metropolitan Airports Commission

Comprehensive Annual Financial Report

Years Ended December 31, 2018 and 2017

Our Vision
Providing your best airport experience

Our Mission
Connecting you to your world

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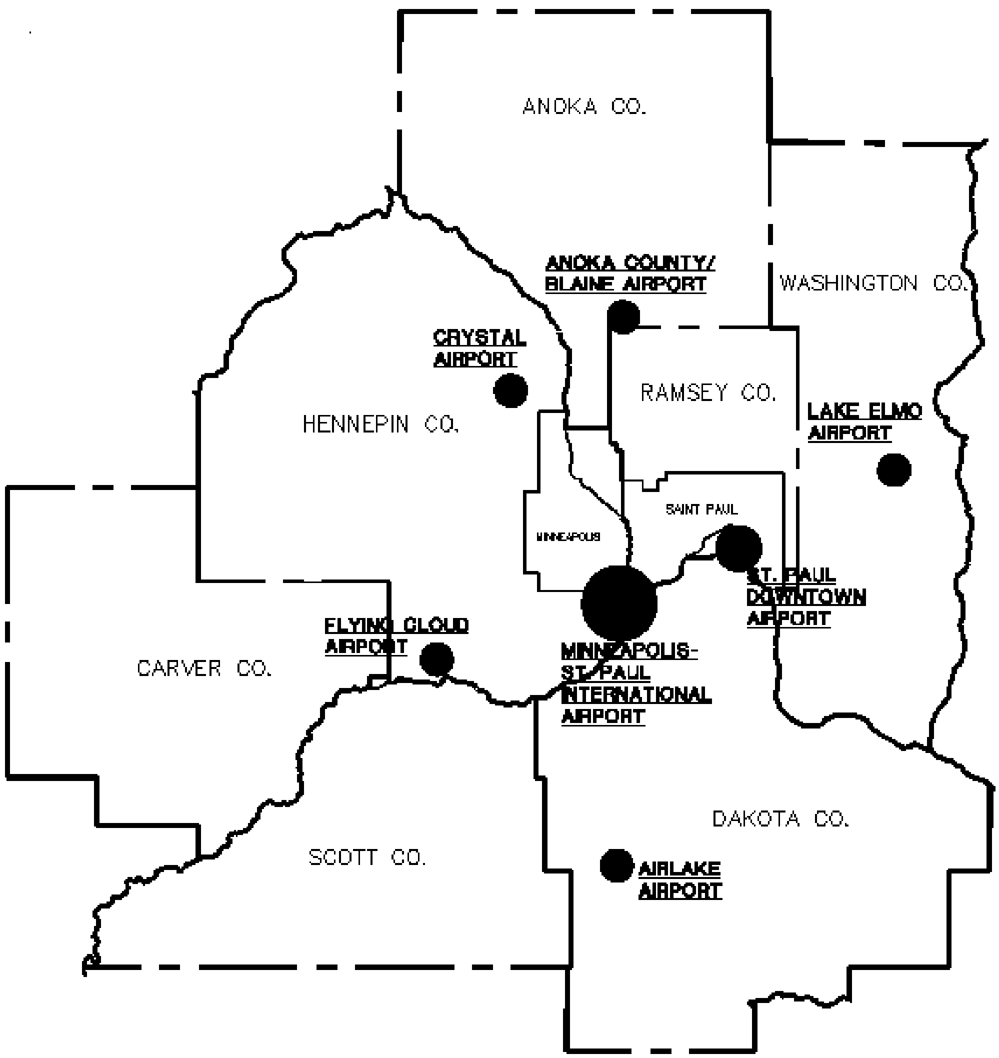
AIRPORT LOCATIONS

Introductory Section



Commission Jurisdiction 35 Mile Radius

METROPOLITAN AIRPORTS COMMISSION

Chair: Daniel Boivin

Commissioners:

District A	Carl Crimmins
District B	Rick King
District C	Katie Clark Sieben
District D	Steve Cramer
District E	James Deal
District F	Michael Madigan
District G	Richard Ginsberg
District H	Ibrahim Mohamed
City of Minneapolis	Leili Fatehi
City of Saint Paul	Ikram Koliso
Representing Greater Minnesota Area	Randy Schubring Patti Gartland Donald Monaco Dixie Hoard

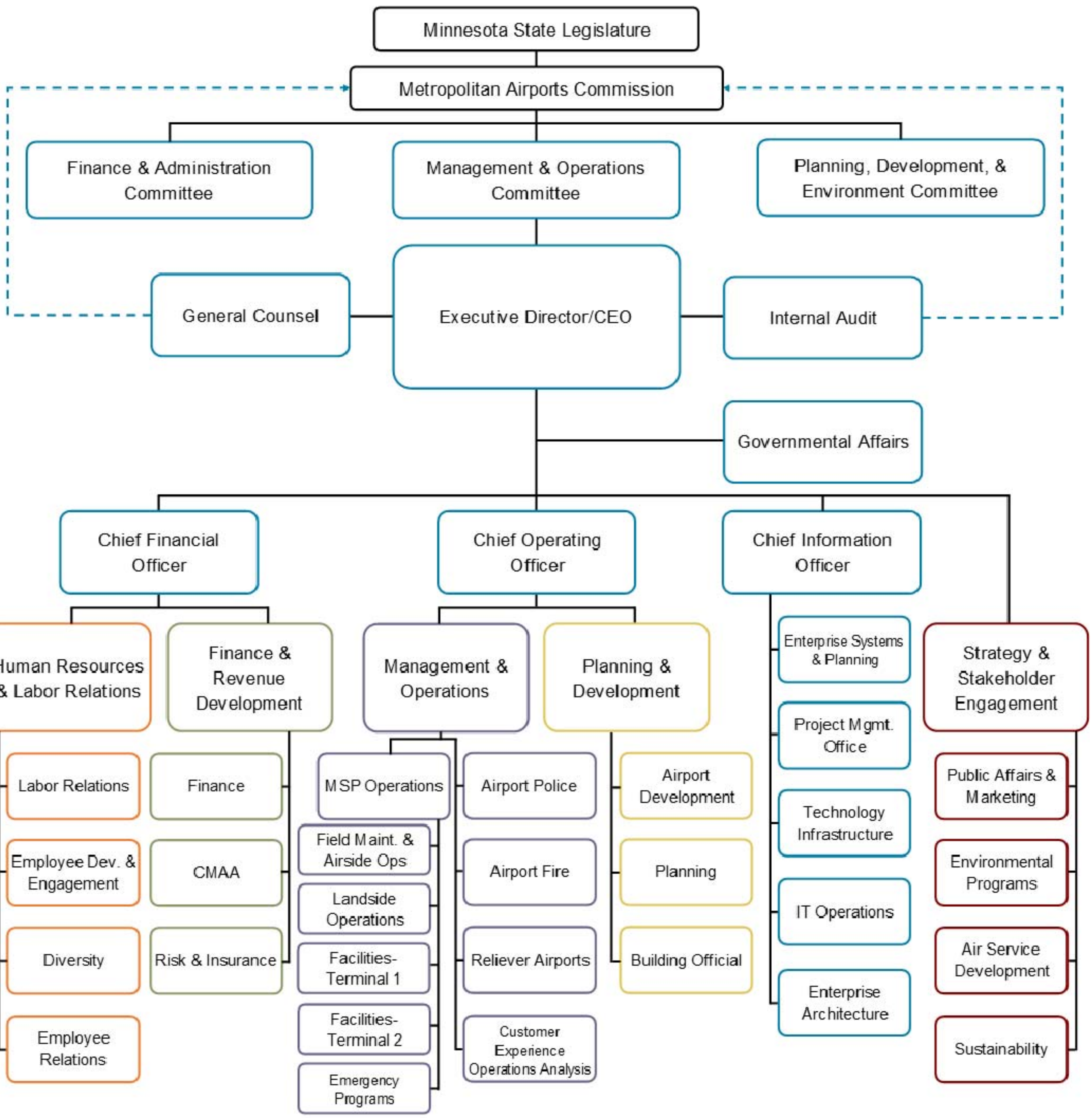
The Chair and Commissioners collectively are an appointed body which governs the Metropolitan Airports Commission. The Commissioners are, in effect, the board of directors for this public corporation.

Executive Director/CEO: Brian Ryks

The Executive Director/CEO is appointed by and responsible to the Commissioners. He is responsible for transforming the Commissioners' policy guidance into practical results that benefit airport users, specifically, and the citizens of Minnesota, generally.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

ORGANIZATION CHART



METROPOLITAN AIRPORTS COMMISSION

Minneapolis–Saint Paul International Airport

6040 - 28th Avenue South • Minneapolis, MN 55450-2799

Phone (612) 726-8100 • Fax (612) 725-6353

OFFICE OF EXECUTIVE DIRECTOR

May 20, 2019

To The Commissioners
of the Metropolitan Airports Commission
and to its Stakeholders:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Metropolitan Airports Commission, Minneapolis-St. Paul, Minnesota, for the fiscal years ended December 31, 2018 and 2017.

Management's Responsibility:

We, the management of the Metropolitan Airports Commission (Commission or MAC), are responsible for the accuracy of the reported data, for its completeness, and for the fairness of its presentation. To the best of our knowledge and belief, the data in the enclosed report are accurate in all material respects. We believe the report presents fairly the financial position, results of operations, and changes in net position and cash flows of the Commission in accordance with accounting principles generally accepted in the United States of America (GAAP). All disclosures necessary to help the reader understand the Commission's financial activities are included in the report.

To provide a reasonable basis to make the representations (above), we have established a comprehensive system of internal controls to ensure:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with all applicable laws, regulations, contracts and grants

Because the cost of internal controls should not exceed their benefits, internal controls can provide only reasonable—not absolute—assurance that the MAC is achieving its objectives.

Independent Audit:

In accordance with Minnesota State Law, the Minnesota Office of the Legislative Auditor may conduct a financial audit of the MAC or allow this service to be contracted. In addition, the Legislative Auditor periodically conducts a separate audit to examine the Commission's compliance with applicable laws, policies and procedures.

For the years ended December 31, 2018 and 2017, the annual financial statements of the MAC have been audited by BKD, LLP, a firm of independent Certified Public Accountants. BKD's opinions on the financial statements are presented in this report.

Also, as part of the annual audit, BKD performs procedures in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Finally, the auditors perform procedures in accordance with the *Passenger Facility Charge Audit Guide for Public Agencies* to audit the MAC's compliance with the FAA regulations in relation to passenger facility charge (PFC) revenues and expenses. The resulting reports are intended for the use of the MAC and the FAA and have not been included in this report.

LETTER OF TRANSMITTAL

Introductory Section

THE COMMISSION:

Purpose:
The Minnesota State Legislature created the MAC in 1943 as an independent public corporation. Its legislative Statute (Minnesota Laws, 1943, Chapter 500) charges the Commission to:

- Promote the public welfare and national security;
- Serve the public interest, convenience and necessity;
- Promote air navigation and transportation, (international, national and local);
- Increase air commerce and promote the efficient, safe and economical handling of such commerce; and,
- Develop the full potentialities of the metropolitan area as an aviation center.

With the growth of air commerce since 1943, the MAC has also assumed responsibilities to:

- Minimize the environmental impact from air navigation and transportation;
- Promote the overall goals of the state's environmental policies; and
- Minimize the public's exposure to noise and safety hazards around airports.

Powers:
As a *corporation,* the MAC has all the normal business rights and powers necessary to fulfill its mission to acquire, build and operate a system of airports. For example, the Commission can:

- Acquire and hold title to real estate;
- Enter into contracts and hire employees;
- Sue and be sued.

As a *public* corporation, the MAC has powers beyond those of a normal business. For example, the Commission can:

- Issue tax-exempt debt;
- Adopt ordinances, enforce them through its police powers, and acquire property through eminent domain;
- Levy taxes on real property in the Metropolitan Area for general obligation debt service or to meet operations and maintenance costs of airport facilities.

Notably, the Commission has <u>not</u> levied a local tax since 1969. Currently, the MAC has no need or intention to levy taxes. Rather, the Commission operates as an entirely self-funded organization similar to a private business.

Governance:
The MAC's governing board (Commission) consists of fifteen Commissioners who are appointed for fixed terms of office. The mayors of St. Paul and Minneapolis have permanent seats on the Commission but can appoint delegates to fill the positions. The Governor appoints the Chairperson and twelve Commissioners: eight from designated districts within the Metropolitan Area and four Commissioners to represent the Greater Minnesota Area (i.e., outside the Metropolitan Area). As the "board of directors" of the public corporation, the Commissioners represent the interests of the "owners" of the Commission, which is to say the Commissioners represent "the public's interest".

The Chairperson may be from anywhere in the State. Only the Chairperson can be removed before his or her term expires. Governor Mark Dayton appointed Mr. Daniel Boivin chair of the Commission in February 2011 and reappointed him in 2015. Prior to this, Boivin served as the mayor of Minneapolis' appointee to the board beginning in May 2002. As a MAC commissioner, Boivin chaired the Human Resources and Affirmative Action Committee.

In addition to serving as Chair of the Commission, he is an executive with Energy Management Collaborative, a national turnkey lighting solutions provider specializing in energy audits, lighting retrofits and maintenance services. Mr. Boivin served from 2008 to 2015 as the Executive Vice-President, Chief Legal Officer and General Counsel for SeeChange Health, a value-based health insurance and technology company. Previously, he served as attorney and partner with the Meshbesher & Spence law firm. Mr. Boivin served as the chair of the Minnesota Bar Association Civil Litigation Section, and has provided pro bono legal representation and acted as a volunteer judge for the Minnesota State High School Mock Trial Tournament. He is a graduate of the University of Wisconsin-Madison and Hamline Law School.

The board appoints the Executive Director/CEO who serves at the pleasure of the Commission and is the "chief executive" of the MAC. The Executive Director/CEO is accountable for meeting all the Commission's expectations for organizational performance.

Brian D. Ryks was appointed Executive Director/Chief Executive Officer of the Commission in May 2016. Prior to this appointment, he was the Executive Director/CEO of the Gerald R. Ford International Airport in Grand Rapids, Michigan. Between 2002 and 2012, Mr. Ryks was the Executive Director at the Duluth Airport Authority overseeing the Duluth International Airport and Sky Harbor Airport, a general aviation airport, both located in Duluth, Minnesota. During his ten years in Duluth, he oversaw the completion of $135 million in airport improvements, culminating with a $77 million new terminal project. Prior to arriving in Duluth, Mr. Ryks was employed for five years as the Airport Manager at St. Cloud Regional Airport (1997-2002) and two years as the Airport Manager in Aberdeen, South Dakota (1996-1997). Mr. Ryks spent six years in Denver as the Manager of Noise Abatement at Stapleton and Denver International Airports (1990-1996). He also was the Project Manager for the development and installation of an Airport Noise and Operations Monitoring System at the Denver International Airport. He began his career as a Noise Technician at the Commission in 1986. Mr. Ryks holds a Bachelor of Arts degree from St. Cloud State University, is a licensed pilot with an instrument rating and is also an Accredited Airport Executive with the American Association of Airport Executives ("AAAE"). He currently serves on the Board of Directors for Airports Council International ("ACI"). He also holds a professional affiliation with the Great Lakes Chapter of AAAE ("GL-AAAE") and is Past President of GL-AAAE.

Jurisdiction and Facilities:
The Commission's geographic jurisdiction extends throughout the Minneapolis-St. Paul Metropolitan Area radiating 35 miles from Minneapolis' and St. Paul's city halls. It encompasses Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties.

The Commission owns and operates seven airports in the Metropolitan Area. Minneapolis-St. Paul International Airport (MSP) serves as the primary air carrier facility. MSP is one of the highest activity airports in the United States: it is the 16^{th} largest among U.S. airports based on the number of operations (takeoffs or landings) and 17^{th} largest based on passenger volume. The following reliever airports complement MSP to serve general aviation needs:

St. Paul Downtown Airport	Airlake Airport	Anoka County/Blaine Airport
Crystal Airport	Flying Cloud Airport	Lake Elmo Airport

- Airlake, Anoka County/Blaine, Crystal, Flying Cloud, and Lake Elmo are classified as minor use airports.
- Control towers are operational at St. Paul, Crystal, Anoka County/Blaine and Flying Cloud Airports.
- The St. Paul Downtown Airport serves as the primary corporate reliever and is classified as an intermediate airport.

The Commission provides a variety of services at each of its airports. At MSP, the Commission is responsible for providing buildings and facilities for air carrier activity as well as police, fire protection, maintenance, administrative and planning services, and other related services and facilities that are deemed to be necessary.

SIGNIFICANT ACCOUNTING AND BUDGETING POLICIES:

The Commission is a stand-alone unit of government and operates as a self-supporting business. Therefore, the net position reported in the Commission's financial statements measure "total economic resources" (as opposed to the "current financial resources" focus employed by general-purpose governments). Consistent with its measurement focus, the MAC accounts for transactions on the full accrual basis in which revenues and expenses are recognized when they are incurred regardless of the timing of related cash receipts or disbursements. The Commission's business-type activities are organized and accounted for within one "enterprise fund", which includes "accounts" for operations, debt service and capital investment. The Commission's fiduciary activities are comprised solely of its OPEB arrangement (OPEB Plan) administered through a trust under the provisions of GASB Statement No. 74 and are reported in its fiduciary fund statements.

As is the case at most governments and businesses, the budget is a critically important management tool for the MAC. The process of identifying and funding priorities begins in April of each year and concludes in December with formal adoption of the budget by the Commissioners. Managers review their budgets continuously and adjust for changing business conditions. The board of Commissioners reviews budget variance reports monthly throughout the year.

Because it is a public entity and has the authority to levy taxes (even though it does not exercise this authority), the MAC is required by State Statute (Ch. 275) to publicly adopt its budget. However, the MAC's budget is not legally appropriated. Because the budget is not legally appropriated, budgetary data are not included in the MAC's basic financial statements.

ACTIVITY HIGHLIGHTS

MSP is classified by the FAA to be one of the large hub airports in the United States. According to Airports Council International (ACI) statistics, in calendar year 2018, MSP was the 17th busiest airport in the United States in terms of passenger volume, 15th in terms of takeoffs and landings and 29th in cargo traffic.

In 2018, approximately 37,000,000 passengers passed through MSP; a 0.06% decrease in total passengers over 2017 levels. The top five carriers serving MSP in 2018 by enplaned passengers are shown in the accompanying table. Enplaned revenue passengers (including those connecting) at MSP in 2018 totaled 18,382,408. (Totals may differ from the passenger statistics reported by the air carriers to the Department of Transportation).

	Carrier	Total Enplaned Revenue Passengers	% of Total Enplaned Revenue Passengers
1	Delta	9,885,227	53.78%
2	Skywest	2,395,179	13.03%
3	Sun County	1,180,832	6.42%
4	Southwest	970,711	5.28%
5	American	865,571	4.71%
		15,297,520	83.22%

Skywest is a codeshare with Delta.

FACTORS AFFECTING THE MAC's FINANCIAL CONDITION:

Demand for Air Transportation

The Aircraft Aerodynamics and Design Group at Stanford Airport note that the role of air transport "… is central to the globalization taking place in many other industries." Air transport is riding the long-term trend of globalization because it facilitates economic growth, world trade, investment and tourism.

The air transportation industry and, specifically, the air travel segment of the industry, are highly sensitive to the general level of economic output. Demand for air travel is highly elastic primarily due to its vulnerability to substitutes like bus, train, automobile travel or, the choice not to travel at all.

However, demand in recent years has resulted in many new destinations and increased service to existing destinations by both existing and new airlines at MSP. As of December 31, 2018, MSP offers service to 166 total destinations of which 58 are competitive routes (routes served by more than one airline).

<u>Demand for Origination and Destination Traffic (O&D) at MSP</u>**:**

A number of regional economic factors create strong demand for travel air traffic to and from the Twin Cities metropolitan area.

- <u>Size:</u> Minnesota is the 22nd most populous State in the U.S. The Twin Cities metropolitan area is the 16th most populous metropolitan area in the nation.

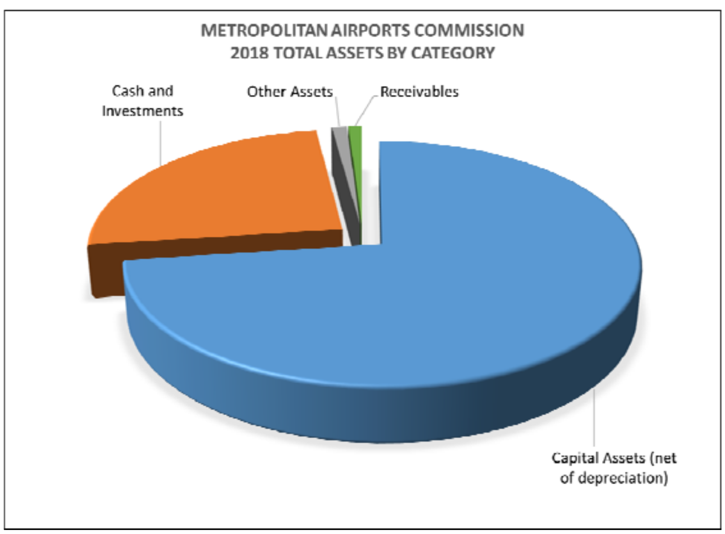
- Economic Strength and Diversity:
  - ✓ Minnesota is headquarters to 18 Fortune 500 companies, which places it tenth among the 50 States in terms of numbers of Fortune 500 firms headquartered within the State on a per-capita basis.
  - ✓ Minnesota is headquarters to 8 of the 223 largest private companies including the largest privately held company in the United States: the Cargill Corporation.
  - ✓ Minneapolis Metropolitan Statistical Area has the seventh largest concentration of Fortune 500 company headquarters among cities in the United States, and is first among the 30 largest metropolitan areas on a per-capita basis.

- High per capita income:
  - ✓ The Bureau of Economic Analysis reports that the Twin Cities average per capita income is approximately 15% higher than the national average.

- Stronger than National Average Growth in Population and Employment:
  - ✓ The Metropolitan Council, a regional planning organization for the eleven-county area including the Twin Cities, projects average annual population growth of 1.0% through 2040 versus the Census Bureau's projected national population growth rate of 0.7%.
  - ✓ The Metropolitan Council foresees a 1.1% annual average growth rate for Twin Cities area employment growth through 2040 versus the Bureau of Labor Statistics' projected growth in national employment of 1.0%.

Demand for Connecting Traffic:

Traffic at MSP is split 60/40 between O&D and connecting traffic. The strong demand for O&D traffic from MSP can be leveraged by tenant airlines to fill their planes by scheduling connecting flights through the airport. Historically, MSP was the "home-town" hub for the former Northwest Airlines, which had its headquarters in Eagan, Minnesota. After the merger of Northwest and Delta, the headquarters of the combined company was located in Atlanta. Although no longer the home-town company, Delta has made significant commitments to MSP. For example, Delta elected to extend its airline lease agreement with the MAC through December 31, 2030. In addition, Delta made a significant commitment to MSP in signing a "hub covenant". In its hub covenant, Delta agreed to maintain an annual average of 400 daily departing flights from MSP, at least 250 of which must be aircraft with greater than 70 seats and that a minimum of 30% of enplaned passengers must be connecting.



Supplying the Demand:

Airports are "landlords"—they build, own, maintain, and rent facilities and related services. Because an airport's main job is to provide runways, terminals, etc., it is a capital-intensive business. The MAC's statement of net position is dominated by capital assets which, at approximately $2,800,000,000 (net of depreciation), represent more than two-thirds of the Commission's total assets. Constructing, maintaining, and improving our capital assets is critical to meeting the demand of our customers.

During 2018, the Commission expended $297,000,000 on its on-going Capital Improvement Program (CIP). Approximately $16,000,000 was associated with various airfield and runway projects. Approximately $148,000,000 was related to Terminal 1 projects. Projects at Terminal 1 include vertical circulation improvements, security exit and façade expansion, mail mall food court expansion, and HVAC/AHU replacements. Approximately $120,000,000 was mainly spent on site preparation, roadway work and buildings for a new parking ramp at Terminal 1, with the remaining spent on other various landside/parking projects. Approximately $6,000,000 was spent on the Commission's reliever airport system. The remaining $7,000,000 was spent primarily for noise mitigation and other building improvements. Average monthly capital spending in 2018 was approximately $24,750,000.

The 2019-20 CIP includes approximately $588,763,000 of planned projects, as set forth in the accompanying table. CIPs are revised from time to time and additional projects could be added to the 2019 -20 CIP.

Projects 2019 - 2020	2019 planned construction	2020 planned construction
Terminal-1 Rehabilitation & Repair	$52,908,000	$39,555,000
Terminal-1 Tenant Projects	3,900,000	45,200,000
Terminal-1 Expansion/Remodeling	108,900,000	108,100,000
Hangers and Other Buildings	600,000	3,300,000
Energy Management Center	1,500,000	6,210,000
Environmental	5,300,000	2,350,000
Terminal Roads	1,400,000	3,540,000
Parking Facilities	19,500,000	3,500,000
Airfield and Runway Rehabilitation Program	19,500,000	22,450,000
Terminal-2 Flooring and Automated Security	3,200,000	
Safety and Security Center		77,500,000
Noise Mitigation Program	13,500,000	7,500,000
Police & Fire	3,500,000	7,200,000
Reliever Airports Program	15,300,000	11,950,000
Other	550,000	850,000
Total	$249,558,000	$339,205,000

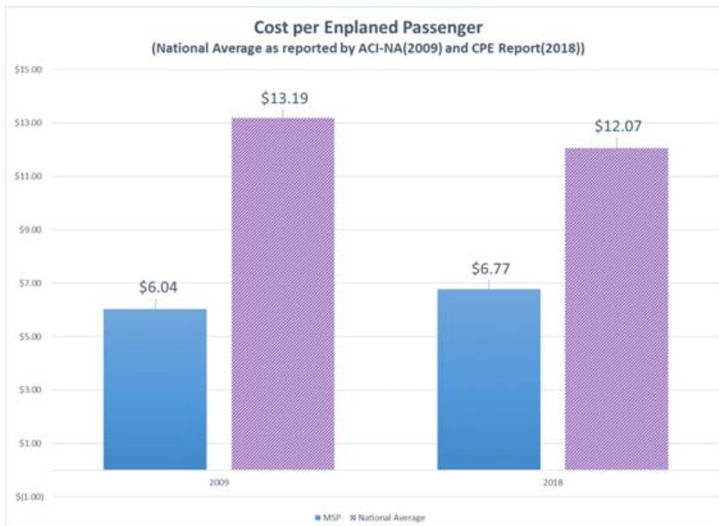
Financing the Supply

Capital grants, PFC's and long-term debt are the principal sources of funding of the Capital Improvement Program. Like a home mortgage, long-term debt bridges the difference between the time when cash is needed (up front) to pay for large capital outlays and the time the Commission collects its revenues. The MAC repays its debts over time through annual revenues. The Commission's principal revenues include use charges to the airlines, concession fees from vendors in the terminal buildings, facility rentals, and the sale of utilities.

Under its Master Indenture, the MAC has promised to maintain a debt service coverage ratio of 1.25 times the following year's scheduled payments. In July 2008, the Board of Commissioners directed that the MAC increase its debt service coverage above the contractual obligation to 1.4 times annual debt service for its Senior General Obligation Revenue Bonds (GORBs) and Senior General Airport Revenue Bonds (GARBs)—(see Note F to the financial statements). The MAC exceeded the July 2008 requirement. As of December 31, 2018, projected debt coverage on Senior Debt obligations is approximately 4.8 times scheduled payments.

At year-end 2018, the MAC had long-term debt (including the currently payable portion) of approximately $1,600,000,000 supporting approximately $2,800,000,000 of capital assets as discussed above (also see notes E and F to the financial statements). Despite its significant debt, the MAC is highly liquid. Also at year-end 2018, the MAC had cash and investments totaling more than $950,000,000 and has continued to maintain strong debt service coverage ratios (currently at 4.8). The MAC's conservative financial practices have been rewarded with AA- debt rating on its senior debt (the second highest rating given to any airport debt) by both the Standard and Poor's and Fitch rating agencies. High bond ratings reduce borrowing costs to the MAC and, therefore, help moderate the cost per enplaned passenger incurred by the airlines operating at MSP. In addition, high bond ratings ensure access to capital markets. Access to capital ensures that customers can depend on finding the high quality runways, terminals and other capital assets at the MAC's airports in good repair.

Because of the Commission's conservative financial practices, the cost to airlines of enplaning passengers at MSP is significantly lower than the national average. Because of inconsistencies in methods of calculating the cost per enplanement, it is difficult to have fully comparable statistics. However, recently reported comparative data from a S&P Global Ratings report shows the cost to airlines of enplaning passengers at MSP to be significantly cheaper than the national average of large hub airports. This makes MSP a profitable venue for client airlines.



The MAC board, management and employees are guided by our Strategic Plan to provide the highest quality facilities at the lowest life-cycle cost for the benefit of our customers. The MAC and its airports are well positioned to meet the demands of airlines and air-travelers for safe, efficient and reliable facilities for years to come.

MANAGEMENT'S DISCUSSION AND ANALYSIS:

Management is required by GAAP to provide a narrative introductory overview and analysis in the form of a "Management's Discussion and Analysis" (MD&A) to accompany the financial statements. The MD&A follows the independent auditor's report. The MD&A has greater scope, more detail, and is a more substantive discussion of issues mentioned in this transmittal. Users of the financial statements should read the MD&A in conjunction with this letter.

AWARDS:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the MAC for its Comprehensive Annual Financial Report for the year ended December 31, 2017. The Commission has received this prestigious GFOA award for 33 consecutive years.

In order to be awarded a Certificate, which is valid for one year, a governmental unit must publish an easily readable and efficiently organized report, the contents of which conform to the program's standards. Such report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Commission also received for the 33rd consecutive year the GFOA Award for Distinguished Budget Presentation for its Annual Operating Budget for 2018. In order to qualify for the Distinguished Budget Presentation, the Commission's budget document was judged to be proficient in several categories, including policy documentation, financial planning and organization.

ACKNOWLEDGEMENTS:

We wish to convey our sincere appreciation to the many MAC employees from all of its departments who participate in the Commission's fiscal management on a daily basis and have contributed to the financial results reported in the following financial statements.

In addition, we would like to express our appreciation for the leadership and support of the Board of Commissioners and for their sincere interest in operating the MAC in a sound financial manner.

Respectfully,

Respectfully,

Brian D. Ryks
Executive Director/CEO

Stephen L. Busch
Chief Financial Officer

Robert C. Schauer
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Minneapolis-St. Paul

Metropolitan Airports Commission

Minnesota

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

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Minneapolis/St. Paul, Minnesota
Metropolitan Airports Commission

Comprehensive Annual Financial Report

Years Ended December 31, 2018 and 2017

Financial Section

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BKD
CPAs & Advisors

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Independent Auditor's Report

To the Members of the Commission
Minneapolis/St. Paul Metropolitan Airports Commission
Minneapolis, Minnesota

We have audited the accompanying financial statements of the business-type activities of the Minneapolis/St. Paul Metropolitan Airports Commission (Commission) as of and for the years ended December 31, 2018 and 2017 and its fiduciary activities as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted ours audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Minneapolis/St. Paul Metropolitan Airports Commission as of December 31, 2018 and 2017, and the changes in financial position and cash flows for the years then ended and its fiduciary financial position of its fiduciary activities as of December 31, 2018, and the changes in its fiduciary financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, in 2018, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Introductory and Statistical Sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Indianapolis, Indiana
May 20, 2019

Financial Section

The following management's discussion and analysis of the financial performance and activity of the Minneapolis/St. Paul Metropolitan Airports Commission (Commission or MAC) is to provide an introduction and understanding of the basic financial statements of the Commission for the years ended December 31, 2018 and 2017 with selected three-year comparative data for the years ended December 31, 2018, 2017 and 2016. This discussion has been prepared by management and should be read in conjunction with the audited financial statements and the notes thereto, which follow this section.

USING THE FINANCIAL STATEMENTS

The MAC's financial report includes three financial statements for its business-type activities: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows and two statements for its fiduciary activities: the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB).

FINANCIAL HIGHLIGHTS

General

The Commission has entered into, and receives payment under, agreements with various air carriers and other parties, including the airline lease agreements relating to landing fees and the leasing of space in terminal buildings, other building leases regarding the leasing of cargo and miscellaneous hangar facilities, concession agreements relating to sale of goods and services at the airport and specific project leases relating to the construction of buildings and facilities for specific tenants. Below is a brief description of each agreement along with the revenue generated in 2018.

In 2018, the Commission adopted Governmental Accounting Standards Board Statement (GASB) No.75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Commission also adopted GASB Statement No. 84, *Fiduciary Activities*, during 2018. Prior year comparative information contained herein has not been updated for adoption of GASB 75 or GASB 84, as such retroactive restatement was deemed impractical.

Airline Lease Agreements

The airline lease agreements relate to the use of the airport for air carrier operations, the leasing of space within the terminal buildings of the airport, ramp fees for parking aircraft at Terminal 1 and the establishment of landing fees. Except for rental amounts based primarily upon the square feet rented, the terms, conditions and provisions of each airline lease agreement are substantially the same.

In the airline lease agreements, the Commission has leased to each particular air carrier a certain specified square footage portion of the terminal area in the airport. Annual rents are computed on the basis of various charges per square foot for various types of space within the existing terminal area and, in certain cases, the costs of certain improvements of the existing terminal area. The airline lease agreements also provide that each air carrier is required to pay a basic landing fee. The landing fee is calculated by dividing the cost of operations, maintenance and debt service at the airfield by total landed weight of aircraft utilizing the airport. The airline lease agreements also require each air carrier leasing gate space at Terminal 1 to pay an aircraft parking ramp fee that is computed on a lineal foot basis. The ramp fee includes the cost of operations, maintenance and debt service to the ramp area surrounding the terminal building gates.

The airline lease agreement also provides that food and beverage, merchandise and auto-rental annual gross concession revenues to the Commission ("Selected Concession Revenues") will be shared with the Passenger Signatory Airlines (allocated among the Passenger Signatory Airlines based upon their proportionate share of enplanements at the Airport for the applicable fiscal year) under the following schedule (the "Shared Concession Revenues"):

Selected Concession Revenues	Percent Shared with Passenger Signatory Airlines
Greater than $48,063,629	25% up to $62,098,208 and 50% for amounts above $62,098,208
$44,380,256 to $48,063,629	20%
$42,689,187 to $44,380,255	15%
$40,998,117 to $42,689,186	10%
$39,307,048 to $40,998,116	5%

The Passenger Signatory Airlines are also entitled to Supplemental Revenue Sharing equal to an additional 25% of Selected Concession Revenues above $34,957,440 but below $62,098,208 if enplaned passengers exceed 18,070,800. Selected Concession Revenues were $54,844,354 and enplaned passengers exceeded 18,070,800 for fiscal year 2018, resulting in total Shared Concession Revenue of $18,682,817, of which $4,971,728 was Supplemental Revenue Sharing. The Selected Concession Revenues thresholds are subject to change annually.

The total amount of Shared Concession Revenues will be structured as a credit against the rates and charges in the current year, payable to the Passenger Signatory Airlines in the subsequent fiscal year. Notwithstanding the above schedule, the amount of Shared Selected Concession Revenues will be reduced to the extent necessary so that Net Revenues, after subtracting the Shared Concession Revenues, will not be less than 1.25 times the total annual debt service on Senior Bonds, Subordinate Obligations, and other debt obligations of the Commission. In the event that the Shared Concession Revenues are reduced in any year, such reduction will be deferred until the next fiscal year and will be credited against the rates and charges payable by the Passenger Signatory Airlines in the next fiscal year to the extent that Net Revenues, after subtracting the applicable Shared Concession Revenues, are not less than 1.25 times the total annual debt service on Senior Bonds, Subordinate Obligations, and other debt obligations of the Commission.

For the years ended December 31, 2018 and 2017, the aggregate rentals earned by the Commission pursuant to the airline lease agreements were approximately $110,563,000 and $101,139,000, respectively. The annual rentals due under each lease may be adjusted each year to reflect actual costs of the airport.

Other Building and Miscellaneous Leases

The other building and miscellaneous leases relate to rentals and other fees associated with the Terminal 2, miscellaneous hangar facilities, and office rentals for non-airline tenants in Terminal 1. For the years ended December 31, 2018 and 2017, the aggregate annual rentals under these leases were approximately $35,277,000 and $33,292,000, respectively.

Specific Project Leases

The Commission has constructed various buildings and facilities for specific tenants. If bonds were issued by the Commission to finance the construction of a facility, the lessee is required to pay annual lease payments equal to the debt service requirements on the bonds issued to construct the facility, due in the following year. The lease remains in effect until the total debt service on the bonds has been paid. If, on the other hand, the construction of a facility is financed from funds the Commission has on hand, the lessee is required to make lease payments equal to the debt service requirements which would have been required if bond funds were used.

For the years ended December 31, 2018 and 2017, the aggregate lease rentals paid to the Commission under specific project leases was approximately $27,360,000 and $8,394,000, respectively. The increase in 2018 was due to Delta prepaying the balance of several leases during the year.

Concession Agreements

The Commission has entered into concession agreements with various firms to operate concessions inside the terminal building at the airport including, among others, food and beverage services, newsstands, advertising, vending, insurance, and personal service shops. For the years ended December 31, 2018 and 2017, the aggregate fees earned by the Commission under the existing concession agreements were approximately $42,932,000 and $40,443,000, respectively. Such fees are computed on the basis of different percentages of gross sales for the various types of concessions, with the larger concessions guaranteeing a minimum payment each year.

Concession agreements for rental car agencies require such concessionaires to pay fees based on a percentage of their gross revenues and special charges such as parking fees, customer facility charge, and a per-square-foot land rental. The Commission also has a management contract with a firm for the operation of the airport parking lot and garage facilities. For the years ended December 31, 2018 and 2017, the aggregate fees earned by the Commission under the existing rental car agreements and parking lot and garage facilities were approximately $142,354,000 and $137,340,000, respectively. Of this amount, parking revenue was approximately $93,887,000 for 2018 and $95,231,000 for 2017. Auto rental revenue for both on and off airport auto rentals for December 31, 2018 and 2017 was approximately $44,115,000 and $42,109,000, respectively.

Reliever Airports

The Commission has entered into various other leases and agreements with tenants at its reliever airport system. These reliever airport tenant leases include fuel flowage fees, hangar rentals, storage lots, commercial fees and other miscellaneous amounts. For the years ended December 31, 2018 and 2017, revenues from these agreements were approximately $8,386,000 and $7,882,000, respectively.

Miscellaneous Off-Airport Concession Leases and Ground Transportation Fees

The Commission has entered into certain leases with off-airport concessionaires that provide off-airport advertising and auto services. Additionally, the Commission charges fees for employee parking (reclassified to parking revenue in 2018), permits and licenses to operate shuttles, vans, buses and taxis at the airport. Such fees are set by Commission ordinances. In 2016, the Commission allowed Transportation Network Companies (TNC) to operate at the airport. For the year ended December 31, 2018 and 2017, the Commission earned $14,487,000 and $16,218,000, respectively.

Utilities

The Commission has entered into certain leases with tenants the provide utilities to the leased spaces throughout the terminal. For the years ended December 31, 2018 and 2017, the revenues from these utility charges were approximately $5,455,000 and $5,343,000, respectively.

Financial Section

Miscellaneous Revenues
In addition to the above agreements, the Commission enters into various other leases and agreements. These include ground space rentals, office rentals for commuter airlines and concessionaires, commuter and general aviation fees, and other miscellaneous amounts. For the years ended December 31, 2018 and 2017, the revenues from these agreements were approximately $13,805,000 and $12,287,000, respectively.

Operating Revenues
Operating revenues for the MAC are derived entirely from user fees that are established for various services and facilities that are provided at Commission airports. While the Commission has the power to levy taxes to support its operations, it has adopted policies to provide adequate revenues for the system to operate since 1969 without general tax support. Revenue sources have been grouped into the following categories in the Statements of Revenues, Expenses and Changes in Net Position:

Airline Rates & Charges	-	Revenue from landing and ramp fees and terminal building rates
Concessions	-	Revenue from food and beverage sales, merchandise sales, auto parking, etc.
Other Revenues:		
Rentals/fees	-	Fees for building rentals
Utilities and other revenues	-	Charges for tenants use of ground power, water and sewer, and other services provided by the MAC

For the fiscal years ended December 31, 2018 and 2017, the top ten operating revenue sources for the MAC were as follows:

Top Ten Operating Revenue Sources:

	Source	2018 Revenue	
1.	Parking	$ 93,886,670	
2.	Landing fees	69,761,979	
3.	General Building	47,543,849	
4.	Other Building Rent	28,011,597	
5.	Food & Beverage	24,241,244	
6.	Auto rental (off- and on-airport)	21,716,921	*
7.	Ground transportation fees	12,620,712	
8.	News and Retail Stores	11,056,131	
9.	Ground Rent	10,877,453	
10.	Ramp Fees	8,069,572	

*Excludes customer facility charges.

	Source	2017 Revenue	
1.	Parking	$ 95,231,435	
2.	Landing fees	62,624,007	
3.	General Building	44,449,261	
4.	Other Building Rent	25,788,486	
5.	Food & Beverage	23,136,949	
6.	Auto rental (off- and on-airport)	20,584,230	*
7.	Ground Rent	10,886,646	
8.	Ground transportation fees	10,322,990	
9.	News and Retail Stores	10,170,400	
10.	Ramp Fees	7,136,821	

*Excludes customer facility charges.

The top ten revenue providers for 2018 for the MAC were as follows:

Top Ten Operating Revenue Providers

1. Delta Airlines
2. Enterprise
3. Hertz
4. HMS Host
5. Sun Country
6. Avis
7. Southwest
8. Delaware North
9. American
10. United

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

During 2018, the MAC's total revenues and capital contributions increased by 8.1% to $470,872,000 from $435,532,000 in 2017. Changes in major categories follow (dollars in thousands):

	2018	% of Total	2017	% of Total	Dollar Change	Percent Change
Operating revenues						
Airline rates and charges	$ 123,631	26.3%	$ 113,056	26.0%	$ 10,575	9.4%
Concessions	177,375	37.6%	172,476	39.6%	4,899	2.8%
Rentals/fees	52,241	11.1%	49,970	11.5%	2,271	4.5%
Utilities and other revenues	20,011	4.2%	18,442	4.2%	1,569	8.5%
Total operating revenues	373,258		353,944		19,314	
Nonoperating revenues						
Investment income	18,739	4.0%	12,306	2.8%	6,433	52.3%
Solar panel financing rebate	940	0.2%	978	0.2%	(38)	-3.9%
Gain (loss) on disposal of assets	(3,841)	-0.8%	(6,513)	-1.5%	2,672	-41.0%
Passenger facility charges	73,734	15.7%	73,390	16.9%	344	0.5%
Total nonoperating revenues	89,572		80,161		9,411	
Capital contributions and grants	8,042	1.7%	1,427	0.3%	6,615	463.6%
Total revenues and capital contributions	$ 470,872	100.0%	$ 435,532	100%	$ 35,340	8.1%

Airline rates and charges increased by 9.4% or $10,575,000. A majority of the revenue derived from the airline rates and charges category is based on the amount of expenses incurred in certain cost centers. The increase related primarily to higher debt service costs and the additional costs related to higher than average amount of snow which resulted in higher snow removal expenses. This was partially offset by an increase in the amount of concessions shared with the airlines

Concessions increased by 2.8% or $4,899,000. The majority of the increase is in the food and beverage and ground transportation categories. Food and Beverage increases (approximately $1.1 million) can be attributed to the increase in passenger traffic and the opening of many new concessions. Ground Transportation primarily increased by approximately $2.0 million due to the growth of Transportation Network Companies (TNC) activity, which started in 2016. The remaining increase was due to an increase in volume with auto rental companies of approximately $1.4 million.

Rental fees increased by $2,271,000 or 4.5%. This is primarily a result of new hangar lease at MSP and an increase in Customer Facility Charges from higher auto rental volume.

Utilities and other revenues increased by 8.5% or $1,569,000 primarily due to the increase in reimbursed expenses for additional security at MSP paid by airlines.

The loss on sale of assets of $3,841,000 in 2018 was primarily due to the sale of several parcels of land near MSP and at Anoka airport.

Capital contributions and grants represent grants received from both federal and state governments for various construction projects at both MSP and the reliever airports. The increase in 2018 comes primarily from a new federal grant for taxiway reconstruction.

During 2017, the MAC's total revenues and capital contributions increased by 1.1% to $435,532,000 from $430,785,000 in 2016. Changes in major categories follow (dollars in thousands):

	2017	% of Total	2016	% of Total	Dollar Change	Percent Change
Operating revenues						
Airline rates and charges	$ 113,056	26.0%	$ 112,653	26.2%	$ 403	0.4%
Concessions	172,476	39.6%	160,691	37.2%	11,785	7.3%
Rentals/fees	49,970	11.5%	48,473	11.3%	1,497	3.1%
Utilities and other revenues	18,442	4.2%	17,115	4.0%	1,327	7.8%
Total operating revenues	353,944		338,932		15,012	
Nonoperating revenues						
Investment income	12,306	2.8%	12,634	2.9%	(328)	-2.6%
Solar panel financing rebate	978	0.2%	914	0.2%	64	7.0%
Gain on disposal of assets	(6,513)	-1.5%	2,029	0.5%	(8,542)	-421.0%
Passenger facility charges	73,390	16.9%	72,273	16.8%	1,117	1.5%
Total operating revenues	80,161		87,850		(7,689)	
Capital contributions and grants	1,427	0.3%	4,003	0.9%	(2,576)	-64.4%
Total revenues and capital contributions	$ 435,532	100%	$ 430,785	100%	$ 4,747	1.1%

Concessions increased by 7.3% or $11,785,000. The majority of the increase is in the public parking and ground transportation categories. Food and Beverage increases (approximately $2.1 million) can be attributed to the increase in passenger traffic and the opening of many new concessions. A rate increase in parking accounted for approximately $4.0 million of the increase in the concessions category. The remaining increase was in the Ground Transportation category. Ground Transportation primarily increased approximately $3.6 million due to the growth of Transportation Network Companies (TNC) activity, which started in 2016.

Rental fees increased by $1,497,000 or 3.1%. This is primarily a result of new ground rental rates for non-airline tenants implemented in 2017.

Utilities and other revenues increased by 7.8% or $1,327,000 primarily due to the increase in consortium fees from an increase in the lease rate and the increase in food and beverage sales.

The loss on sale of assets of $6,513,000 in 2017 was primarily due to the sale of several parcels of land near MSP.
Capital contributions and grants represent grants received from both federal and state governments for various construction projects at both MSP and the reliever airports. The decrease in 2017 comes primarily from a decrease in federal grants for baggage screening projects.

Expenses

In 2018, the MAC's total expenses increased by 1.1% to $379,845,000 from $375,652,000 in 2017. Changes in major categories are summarized below (dollars in thousands):

	2018	% of Total	2017	% of Total	Dollar Change	Percent Change
Operating expenses						
Personnel	$ 86,151	22.7%	$ 87,993	23.4%	$ (1,842)	-2.1%
Administrative	2,058	0.5%	1,993	0.5%	65	3.3%
Professional services	6,210	1.6%	6,151	1.6%	59	1.0%
Utilities	19,930	5.2%	19,619	5.2%	311	1.6%
Operating services	28,280	7.5%	26,073	7.0%	2,207	8.5%
Maintenance	42,576	11.2%	36,293	9.7%	6,283	17.3%
Depreciation and amortization	147,299	38.8%	142,970	38.1%	4,329	3.0%
Other	4,531	1.2%	5,611	1.5%	(1,080)	-19.2%
Operating expenses	337,035		326,703		10,332	
Nonoperating expenses						
Interest expense	42,810	11.3%	48,949	13.0%	(6,139)	-12.5%
Total nonoperating expenses	42,810		48,949		(6,139)	
Total expenses	$ 379,845	100.0%	$ 375,652	100.0%	$ 4,193	1.1%

Personnel decreased by 2.1% or $1,842,000. The majority of the decrease is related to a reduction in pension expense related to an increase in the fair value of plan assets for both pension plans and partially due to a reduction in post-retirement benefits expense related to establishing an irrevocable trust for post-retirement assets to offset the post-employment liability. This was partly offset by an increase in annual wage adjustments, new employees and additional medical claims.

Utilities increased $311,000 or 1.6% primarily due to higher rates and increased usage of electricity, partially offset by lower usage of natural gas, sewer and water services.

Operating services increased $2,207,000 or 8.5% due primarily to the increase in service agreements for renewing and expanding technology related agreements and from additional security staffing at several field gate locations around Terminal 1.

Depreciation increased $4,329,000 or 3.0%. The increase is attributable to new projects placed into service during 2017-2018.

Other expenses decreased $1,080,000 or 19.2% due to the Commission's Air Service Incentive Program. Two airlines met the criteria for new continuous international air service earning waivers for landing and gate fees in 2017 and only one airline met the criteria in 2018.

Interest expense decreased $6,139,000 or 12.5% due higher capitalized interest cost in 2018.

In 2017, the MAC's total expenses decreased by 2.9% to $375,652,000 from $386,764,000 in 2016. Changes in major categories are summarized below (dollars in thousands):

	2017	% of Total	2016	% of Total	Dollar Change	Percent Change
Operating expenses						
Personnel	$ 87,993	23.4%	$ 94,425	24.4%	$ (6,432)	-6.8%
Administrative	1,993	0.5%	1,723	0.4%	270	15.7%
Professional services	6,151	1.6%	6,217	1.6%	(66)	-1.1%
Utilities	19,619	5.2%	18,816	4.9%	803	4.3%
Operating services	26,073	7.0%	23,389	6.1%	2,684	11.5%
Maintenance	36,293	9.7%	36,319	9.4%	(26)	-0.1%
Depreciation and amortization	142,970	38.1%	139,226	36.0%	3,744	2.7%
Other	5,611	1.5%	4,411	1.1%	1,200	27.2%
Operating expenses	326,703		324,526		2,177	
Nonoperating expenses						
Interest expense	48,949	13.0%	62,238	16.1%	(13,289)	-21.4%
Total nonoperating expenses	48,949		62,238		(13,289)	
Total expenses	$ 375,652	100.0%	$ 386,764	100.0%	$ (11,112)	-2.9%

Personnel decreased by 6.8% or $6,432,000. The majority of the decrease is related to a reduction in net pension liabilities in 2017 due to an increase in the fair value of plan assets for both pension plans and an increase in the discount rate of the Public Employees Police and Fire Fund. This was partly offset by an increase in annual wage adjustments, new employees and additional medical claims.

Utilities increased $803,000 or 4.3% primarily due to higher rates and increased usage of natural gas, sewer and water services partially offset by a decrease in electricity cost due to savings in sales tax from changing to sales tax exempt status in 2017.

Operating services increased $2,684,000 or 11.5% due primarily to the increase in service agreements for renewing and expanding technology related agreements and from additional security staffing at several field gate locations around Terminal 1.

Depreciation increased $3,744,000 or 2.7%. The increase is attributable to new projects placed into service during 2016-2017.

Other expenses increased $1,200,000 or 27.2% due to the Commission's Air Service Incentive Program. Two airlines met the criteria for new continuous international air service earning waivers for landing and gate fees.

Interest expense decreased $13,289,000 or 21.4% due to the refunding of several bond issues in the prior year.

Net Revenues

In order to promote and encourage the efficient use of facilities at all of the MAC's airports, as well as minimize the environmental impact of MSP on the surrounding community, the MAC has implemented a policy of subsidizing its reliever airports to encourage the use of these facilities rather than MSP. In order to maintain this subsidy, the MAC sets its rates and charges to assure that total system revenues will be sufficient to pay total system expenses.

Net revenues generated by the Commission are designated for construction and debt service payments. These net revenues provide the Commission with a portion of the money to meet the funding requirements of its capital improvement program. This reduces the need to issue bonds and, therefore, allows the Commission to avoid the interest expense of additional debt.

Following is a summary of the Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2018, 2017 and 2016 (dollars in thousands):

	Fiscal Years Ended December 31,		
	2018	2017	2016
Operating revenues	$ 373,258	$ 353,944	$ 338,932
Operating expenses	(337,035)	(326,703)	(324,526)
Operating income	36,223	27,241	14,406
Nonoperating revenues	89,572	80,161	87,850
Nonoperating expenses	(42,810)	(48,949)	(62,238)
Nonoperating income	46,762	31,212	25,612
Increase in net position before capital contributions and grants	82,985	58,453	40,018
Capital contributions and grants	8,042	1,427	4,003
Increase in net position	91,027	59,880	44,021
Net position, beginning of year, as previously reported	1,820,675	1,760,795	1,716,774
Change in accounting principle	(34,929)	-	-
Net position, beginning of year, as restated	1,785,746	1,760,795	1,716,774
Net position, end of year	$ 1,876,773	$ 1,820,675	$ 1,760,795

The Commission shows an increase in the total change in its net position in 2018 versus 2017. This is primarily a result of an increase in operating income, investment income from higher interest rates and a decrease in interest expense resulting from higher capitalized interest costs. This was partially offset by an increase in maintenance and depreciation expenses.

The Commission shows an increase in the total change in its net position in 2017 versus 2016. This is primarily a result of an increase in operating income and a decrease in interest expense resulting from prior year debt refundings. This was partially offset by the loss on the sale of assets and a decrease in capital contributions and grants.

We believe we are well positioned to increase the long-term financial stability and air service competitiveness of MSP. In addition, our 10-year history of airline rates and charges is very competitive and, as one of the few airports with an AA- rating from both Fitch Investor Services and Standard & Poor's, we feel we are positioned well for growth in the future.

STATEMENTS OF NET POSITION

The Statements of Net Position present the net position of the MAC at the end of the fiscal year. Net position is equal to total assets plus deferred outflows of resources less total liabilities less deferred inflows of resources and is an indicator of the current financial health of the MAC. Summarized statements of net position information at December 31, 2018, 2017 and 2016 follows (dollars in thousands):

	December 31, 2018	2017	2016
Assets			
Current assets - unrestricted	$ 322,188	$ 433,330	$ 366,942
Restricted assets - current	111,935	106,212	111,209
Noncurrent assets:			-
Other noncurrent assets	572,136	650,231	790,421
Capital assets - net	2,781,941	2,625,183	2,521,344
Total assets	3,788,200	3,814,956	3,789,916
Deferred Outflows of Resources	48,161	61,888	94,989
Total assets and deferred outflows of resources	$ 3,836,361	$ 3,876,844	$ 3,884,905
Liabilities			
Current liabilities - unrestricted	$ 93,589	$ 104,186	$ 140,238
Payable from restricted current assets	123,641	105,468	75,760
Noncurrent liabilities:			
Bonds payable	1,480,333	1,569,053	1,644,486
Other noncurrent liabilities	206,451	221,743	241,042
Total liabilities	1,904,014	2,000,450	2,101,526
Deferred Inflows of Resources	55,574	55,719	22,584
Total liabilities and deferred inflows of resources	1,959,588	2,056,169	2,124,110
Net Position			
Net investment in capital assets	1,447,104	1,338,558	1,265,771
Restricted	302,793	278,281	341,266
Unrestricted	126,876	203,836	153,758
Total net position	1,876,773	1,820,675	1,760,795
Total liabilities, deferred inflows of resources and net position	$ 3,836,361	$ 3,876,844	$ 3,884,905

The decrease in total assets and deferred outflows of resources is primarily due to the decrease in deferred outflows of resources related to the Commission's pension and post-retirement plans. Overall, the majority of the increase in net position from 2017 to 2018 is due to an increase in operating income and nonoperating income.

FIDUCIARY ACTIVITIES

As previously discussed, the Commission adopted GASB 84 in 2018. The statement of fiduciary net positon reported $66,152 (in thousands) as assets and net position restricted for OPEB as of December 31, 2018 and the statement of changes in fiduciary net position reported total additions of $69,826 (in thousands), comprised principally of Commission contributions, and total deductions–benefits-payments of $3,674 (in thousands) for the year ended December 31, 2018.

CASH AND INVESTMENT MANAGEMENT

The following summary shows the major sources and uses of cash during the years ended December 31, 2018, 2017 and 2016 (dollars in thousands):

	Fiscal Years Ended December 31, 2018	2017	2016
Cash provided by operating activities	$ 365,171	$ 354,840	$ 338,029
Cash used in operating activities	(157,167)	(168,779)	(150,248)
Net cash provided by operating activities	208,004	186,061	187,781
Net cash provided by (used in) capital and related financing activities	(293,520)	(265,827)	136,530
Net cash provided by (used in) investing activities	88,220	82,885	(325,593)
Net increase (decrease) in cash and cash equivalents	2,704	3,119	(1,282)
Cash and cash equivalents, beginning of year	7,995	4,876	6,158
Cash and cash equivalents, end of year	$ 10,699	$ 7,995	$ 4,876

Cash temporarily idle during the year is invested according to legal requirements established by the Legislature of the State of Minnesota. In accordance with state law, investments are generally restricted to various United States government securities, mutual funds, state and local obligations, commercial paper and repurchase agreements. With the exclusion of postemployment medical investments which must have an average portfolio life of no greater than 12 years maximum, all other securities must mature within four years from the date of purchase. During 2018, the MAC's average portfolio balance was $971,964,000 and total investment earnings were $16,276,000 for an average yield on investments during the year of 1.67%. This compares to an average portfolio balance of $1,091,935,000; investment earnings of $8,565,000 and average yield of 0.78% in fiscal year 2017.

The Commission currently has a policy of keeping a six-month working capital reserve in its operating fund. At the end of 2018, the Commission has in its operating fund approximately $78 million over and above its 2018 six-month working capital requirement. The Commission is currently considering how to apply or use some or all of these excess-operating funds.

CAPITAL CONSTRUCTION

During 2018, the Commission expended $297,000,000 on its on-going Capital Improvement Program (CIP). Approximately $16,000,000 was associated with various airfield and runway projects. Approximately $148,000,000 was related to Terminal 1 projects. Projects at Terminal 1 include vertical circulation improvements, security exit and façade expansion, main mall food court expansion, and HVAC/AHU replacements. Approximately $120,000,000 was mainly spent on site preparation, roadway work and buildings for a new parking ramp at Terminal 1, with the remaining spent on other various landside/parking projects. Approximately $6,000,000 was spent on the Commission's reliever airport system. The remaining $7,000,000 was spent primarily for noise mitigation and other building improvements. Average monthly capital spending in 2018 was approximately $24,750,000.

During 2017, the Commission expended $254,000,000 on its on-going Capital Improvement Program (CIP). Approximately $5,000,000 was associated with various airfield and runway projects. Approximately $119,000,000 was related to Terminal 1 projects. Projects at Terminal 1 include vertical circulation improvements, Concourse A to G connector improvements, and HVAC/AHU replacements. Approximately $116,000,000 was mainly spent on site preparation, roadway work and buildings for a new parking ramp at Terminal 1, with the remaining spent on other various landside/parking projects. Approximately $10,000,000 was spent on the Commission's reliever airport system. The remaining $4,000,000 was spent primarily for noise mitigation and other building improvements. Average monthly capital spending in 2017 was approximately $21,200,000.

Further information can be found in Note F.

CAPITAL FINANCING AND DEBT MANAGEMENT

The MAC has issued three forms of indebtedness: notes payable, general airport revenue bonds and general obligation revenue bonds. General obligation revenue bonds are backed by Commission revenues and the authority to levy any required taxes on the assessed valuation of the seven county Metropolitan Area. General airport revenue bonds are not backed by the MAC's taxing authority but rather are payable from certain pledged revenues.

Statutory authority for issuing general obligation revenue bonds is obtained from the Minnesota State Legislature. Authorization as of December 31, 2018, which permits the issuance by the MAC of up to $55,000,000 of general obligation revenue bonds. Currently, the MAC has no general obligation revenue bonds outstanding.

The MAC is financing its construction program through a combination of the MAC's revenues, entitlement and discretionary grants received from the FAA, state grants, PFCs and revenue bonds. Long-term debt is the principal source of funding of the capital improvement program. The MAC, through its Master Indenture, has covenanted to maintain a debt service coverage ratio of 1.25. Debt service coverage is calculated based on a formula included in the Master Indenture and the airport use agreement.

The Commission has irrevocably committed a portion of PFCs it receives to the payment and funding of debt service on Senior Bonds and/or Subordinate Obligations issued to finance projects authorized to be financed with PFCs (collectively, the "PFC Eligible Bonds") through December 31, 2030.

Pursuant to the PFC Resolution, the Commission has irrevocably committed the following amounts of PFCs in the following Fiscal Years:

Irrevocably Committed PFCs

Fiscal Year	Irrevocably Committed PFCs	Fiscal Year	Irrevocably Committed PFCs
2019	9,337,650	2025	9,337,650
2020	9,339,400	2026	9,334,900
2021	9,337,900	2027	9,334,650
2022	9,332,650	2028	9,465,900
2023	9,333,150	2029	9,467,625
2024	9,333,400	2030	9,462,475

If the Commission does not use the full amount of the irrevocably committed PFCs to pay debt service on PFC Eligible Bonds in a Fiscal Year (i.e., there is more irrevocably committed PFCs than there is debt service due on PFC Eligible Bonds in such Fiscal Year), any unused portion of the irrevocable commitment for such Fiscal Year is not required to be carried over for use in future Fiscal Years.

In addition to the PFCs irrevocably committed pursuant to the PFC Resolution, the Commission can, at its sole discretion, use excess PFCs to pay additional debt service on PFC Eligible Bonds. The Commission currently expects to utilize all of the irrevocably committed PFCs and a portion of the remaining PFCs to pay the debt service on the PFC Eligible Bonds.

For further information on capital financing activity see Notes G and H.

CONTACTING THE MAC'S FINANCIAL MANAGEMENT

This financial report is designed to provide the MAC's Commissioners, management, investors, creditors and customers with a general view of the MAC's finances and to demonstrate the MAC's accountability for the funds it receives and expends. For further information about this report, or if you need additional financial information, please contact Director of Finance, 6040 28th Avenue South, Minneapolis, MN 55450 or access the Commission's website – https://metroairports.org/Airport-Authority/Metropolitan-Airports-Commission/Administration/Financials.aspx.

STATEMENTS OF NET POSITION

(Dollars in Thousands)

	December 31, 2018	December 31, 2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and cash equivalents	$ 10,699	$ 7,995
Investments	278,810	402,769
Accounts receivable, net of allowances for uncollectibles of $88 and $88, respectively	20,232	12,145
Receivable - government grants in aid of construction	8,038	4,995
Leases receivable	1,700	2,520
Other	2,709	2,906
Restricted assets:		
Investments	102,504	95,032
Leases receivable	901	2,382
Passenger facility charge receivable	8,530	8,798
Total current assets	434,123	539,542
Noncurrent Assets:		
Investments, restricted	559,601	613,670
Leases receivable, unrestricted	4,614	15,471
Leases receivable, restricted	2,475	13,849
Derivative instruments - forward delivery agreements	5,446	7,241
Capital assets:		
Land	350,955	355,769
Airport improvements and buildings	4,309,967	4,175,643
Moveable equipment	191,054	172,816
Construction in progress	445,321	290,852
Less accumulated depreciation	(2,515,356)	(2,369,897)
Total capital assets (net of accumulated depreciation)	2,781,941	2,625,183
Total noncurrent assets	3,354,077	3,275,414
Total assets	3,788,200	3,814,956
Deferred Outflows of Resources	48,161	61,888
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 3,836,361**	**$ 3,876,844**

STATEMENTS OF NET POSITION

(Dollars in Thousands)

	December 31, 2018	December 31, 2017
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 59,773	$ 73,021
Accounts payable due to airlines	19,874	18,979
Current portion of notes payable	3,687	3,121
Employee compensation, payroll taxes and other	10,255	9,065
Payable from restricted current assets:		
Current portion of bond payable	69,325	55,390
Construction and other	15,356	12,967
Unearned revenue	5,208	2,079
Interest payable	33,752	35,032
Total current liabilities	217,230	209,654
Noncurrent Liabilities:		
Employee compensation, payroll taxes and other	2,463	2,477
Unearned revenue, restricted	640	769
Notes payable	114,285	81,852
Net OPEB liability/obligation	25,354	63,874
Bonds payable	1,480,333	1,569,053
Net pension liabilities	63,709	72,771
Total noncurrent liabilities	1,686,784	1,790,796
Total liabilities	1,904,014	2,000,450
Deferred Inflows of Resources	55,574	55,719
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**1,959,588**	**2,056,169**
NET POSITION		
Net investment in capital assets	1,447,104	1,338,558
Restricted		
Debt service	111,195	99,774
Construction	190,492	177,591
Police/911 emergency communications	1,106	916
Unrestricted	126,876	203,836
TOTAL NET POSITION	**1,876,773**	**1,820,675**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 3,836,361**	**$ 3,876,844**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(Dollars in Thousands)

	Fiscal Year Ended December 31, 2018	Fiscal Year Ended December 31, 2017
OPERATING REVENUES		
Airline rates and charges	$ 123,631	$ 113,056
Concessions	177,375	172,476
Rentals/fees	52,241	49,970
Utilities and other revenues	20,011	18,442
TOTAL OPERATING REVENUES	**373,258**	**353,944**
OPERATING EXPENSES		
Personnel	86,151	87,993
Administrative	2,058	1,993
Professional services	6,210	6,151
Utilities	19,930	19,619
Operating services	28,280	26,073
Maintenance	42,576	36,293
Depreciation and amortization	147,299	142,970
Other	4,531	5,611
TOTAL OPERATING EXPENSES	**337,035**	**326,703**
OPERATING INCOME	**36,223**	**27,241**
NONOPERATING REVENUES (EXPENSES)		
Investment income	18,739	12,306
Federal interest rate subsidies	940	978
Passenger facility charges	73,734	73,390
Loss on disposal of assets	(3,841)	(6,513)
Interest expense	(42,810)	(48,949)
TOTAL NONOPERATING REVENUES (EXPENSES)	**46,762**	**31,212**
INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	**82,985**	**58,453**
CAPITAL CONTRIBUTIONS AND GRANTS	8,042	1,427
CHANGE IN NET POSITION	**91,027**	**59,880**
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	1,820,675	1,760,795
CHANGE IN ACCOUNTING PRINCIPLE	(34,929)	-
NET POSITION, BEGINNING OF YEAR, AS RESTATED	1,785,746	1,760,795
NET POSITION, END OF YEAR	**$ 1,876,773**	**$ 1,820,675**

STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

	Fiscal Year Ended December 31, 2018	2017
Cash flows from operating activities		
Cash received from customers and users	$ 365,171	$ 354,840
Cash paid to employees and benefit providers	(52,691)	(79,256)
Cash paid to suppliers	(104,476)	(89,523)
NET CASH PROVIDED BY OPERATING ACTIVITIES	208,004	186,061
Cash flows from caital and related financing activities		
Payments for airport improvements and facilities	(317,793)	(257,645)
Proceeds from sale of capital assets	1,019	5,405
Proceeds from bond/note issuance	47,368	41,799
Receipt of lease payments	27,532	4,999
Receipt of solar panel financing rebate	940	978
Receipt of passenger facility charges	74,002	73,199
Principal paid on bonds/notes	(69,761)	(86,750)
Interest paid on bonds/notes	(61,826)	(53,951)
Receipt of government grants	4,999	6,139
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(293,520)	(265,827)
Cash flows from investing activities		
Purchase of investment securities	(656,170)	(684,943)
Proceeds from maturities of investment securities	720,735	748,559
Investment income	23,655	19,269
NET CASH PROVIDED BY INVESTING ACTIVITIES	88,220	82,885
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,704	3,119
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	7,995	4,876
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 10,699	$ 7,995
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$ 36,223	$ 27,241
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	147,299	142,970
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Accounts receivable	(8,087)	896
Other assets	197	317
Deferred outflows - pensions	12,047	31,421
Accounts payable and accrued expenses	(1,088)	5,900
Employee compensation and payroll taxes	1,176	468
Postemployment medical - OPEB	27,626	1,720
Net pension liability	(9,062)	(58,982)
Deferred inflows - pensions	1,673	34,110
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 208,004	$ 186,061
Noncash investing, capital and related financing activities:		
Changes in fair value of investments	$ (4,916)	$ (6,963)
Additions to capital assets included in construction and accounts payable and accrued liabilities	31,301	40,177
Investments transferred to irrevocable trust for postemployment medical plan	66,146	-

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUND – OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

(Dollars in Thousands)

	December 31, 2018
ASSETS	
Cash and deposits	$ 5,259
Receivables	4
Investments	60,889
Total assets	**$ 66,152**
NET POSITION RESTRICTED FOR OPEB	**$ 66,152**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND – OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

(Dollars in Thousands)

	For the Year Ended December 31, 2018
Additions	
Contributions	$ 69,847
Investment Loss	(21)
TOTAL ADDITIONS	**69,826**
Deductions	
Benefit Payments	3,674
TOTAL DEDUCTIONS	**3,674**
NET INCREASE IN NET POSITION	66,152
NET POSITION RESTRICTED FOR OPEB	
BEGINNING OF YEAR	-
END OF YEAR	**$ 66,152**

Fiscal years ended December 31, 2018 and 2017

NOTE A: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Minneapolis/St. Paul Metropolitan Airports Commission (the Commission) was created by an act of the Minnesota State Legislature in 1943 as a public corporation. Its purpose is to promote air navigation and transportation (international, national and local) in and through the State of Minnesota; promote the efficient, safe, and economical handling of air commerce; assure the inclusion of the state in national and international programs of air transportation; and, to those ends, develop the full potential of the metropolitan area as an aviation center. It has the responsibility to assure residents of the metropolitan area the minimum environmental impact from air navigation and transportation, promote the overall goals of the state's environmental policies, and minimize the public's exposure to noise and safety hazards around airports.

The area over which the Commission exercises its jurisdiction is the Minneapolis/St. Paul metropolitan area, which includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. The Commission controls and operates seven airports within the metropolitan area, including the Minneapolis/St. Paul International Airport, which services scheduled air carriers and six reliever airports serving general aviation.

The Commission is governed independently by a 15-member Board of Commissioners. The governor of the State of Minnesota appoints 13 commissioners. The mayors of Minneapolis and St. Paul also have seats on the Commission with the option to appoint a surrogate to serve on their behalf. Certain large capital improvement projects having metropolitan significance must be reviewed by the Metropolitan Council, which is a public agency established by law with powers of regulation over the development of the metropolitan area.

In applying current Governmental Accounting Standards Board (GASB) guidance, the State of Minnesota and the Commission have agreed that the Commission is not financially accountable to any other organization and is considered a stand-alone governmental unit.

The Commission's other postemployment benefit plan is a fiduciary component unit of the Commission because it is a separate legal entity, the Commission appoints the trustees of the plan and the Commission has assumed the obligation to make contributions to the plan. The fiduciary component unit's financial statements are included as the Commission's fiduciary activities' financial statements.

Basis of Accounting

Under GASB Statement No. 34, *Basic Financial Statements–and Management's Discussion and Analysis–for State and Local Governments*, the Commission is considered to be a special-purpose government engaged primarily in business-type activities (BTA). As a BTA, the Commission prepares its financial statements using the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when they are earned or when services are provided, and expenses are recognized when they are incurred. The Commission's fiduciary activities also use the economic resources measurement focus and accrual basis of accounting.

Fiscal years ended December 31, 2018 and 2017

Newly Issued Accounting Pronouncements

GASB Statement No. 75 – During fiscal year 2018, the Commission implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This statement requires governments to recognize their unfunded accrued OPEB obligation on the face of their financial statements along with incorporating more extensive note disclosures and required supplementary information about their OPEB liabilities. The adoption of GASB Statement No. 75 resulted in a $34,929,000 decrease in beginning net position as of January 1, 2018. Refer to Note L for more information regarding the Authority's OPEB. This fiscal year 2017 financial statements were not restated for the adoption of GASB 75 because it was not practical to do so as the actuarial data required to restate fiscal year 2017 was not readily available.

GASB Statement No. 84 – During fiscal year 2018, the Commission also implemented GASB Statement No. 84, *Fiduciary Activities*. This statement requires governments to include fiduciary fund financial statements for fiduciary activities, including other postemployment benefit plans that are administered through a trust meeting the criteria in paragraph 3 of GASB Statement No. 74 The fiscal year 2017 financial statements did not require restatement for adoption of GASB 84 because the trust meeting the requirements of paragraph 3 of GASB 74 was not created until 2018.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Expense Recognition

The Commission considers revenues and expenses carried out in the operation and the maintenance of the Commission's system of airports to be operating in nature. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions and grants.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

Budgeting Process

As required by Minnesota Statutes, the Commission adopts an annual operating and capital expenditures budget for purposes of determining required taxes, if any, to be levied by counties in its jurisdiction. Budgets are established on a departmental basis using the accrual method of accounting.

Fiscal years ended December 31, 2018 and 2017

The process to amend the budget is set forth in the Commission bylaws, Article III, Section 8(a), and presented below:

"8(a) Establishment of the annual budget setting out anticipated expenditures by category and/or upward or downward revision of that budget in the course of the corporation's fiscal year shall constitute prior approval of each type of expenditure. Authorization by vote of the Commission is required for transfer of budgeted amounts between or among categories or to appropriate additional funds for each category. The Executive Director/CEO is directed to provide for the daily operation and management of the Commission within the expenditure guidelines of the annual budget. Commission approval of a contract shall constitute prior approval of disbursements made pursuant to terms of the contract within the constraints of the budget for all contract payments, except final construction contract payments, which shall require Commission approval.

The Executive Director/CEO shall have the responsibility of securing adequate quantities of office, janitorial, maintenance and repair materials and supplies, and the rent of sufficient equipment necessary for the smooth, continuous operation of the Commission's system of airports and all facilities associated with the system of airports. The Executive Director/CEO's authority to secure these items shall be subject to the Commission's purchasing procedures and be subject to the category budget constraints of the annual budget.

During the fiscal year the Commission shall be provided periodic updates of expenditures by category. At any time during the fiscal year, the Executive Director/CEO may recommend to the full Commission that all or any unencumbered appropriation balances of individual categories be transferred to those categories that require additional budgeted funds. In addition, the Executive Director/CEO may recommend to the full Commission the appropriation of additional funds above and beyond those approved at the time of budget adoption. After the fiscal year has concluded, a final accounting of expenditures by category shall be presented to the Commission for approval of the final expenditure amounts by category."

The Commission is not required to demonstrate statutory compliance with its annual operating budget. Accordingly, budgetary data are not included in the basic financial statements. All budgets are prepared in accordance with airport lease and use agreements. Unexpended appropriations lapse at year-end.

Cash and Cash Equivalents

In accordance with Minnesota Statutes, the Commission maintains deposits at those depository banks which are members of the Federal Reserve System, as authorized by the Commission.

For purposes of the statement of cash flows, the Commission considers cash on hand plus overnight investments to be cash and cash equivalents.

Investments

The Commission's investments are reported at fair value as determined by quoted market prices in the statement of net position and changes in the fair value of investments are reported as investment income in the statement of revenues, expenses and changes in net position.

Fiscal years ended December 31, 2018 and 2017

Inventory

Inventories, primarily fuel, are valued at cost on a first-in, first-out basis (FIFO). The cost of the Commission's inventories included in other assets is recorded as an expense when consumed rather than purchased.

Leases

Substantially all airport improvements and buildings are leased or charged to users under various agreements. Certain facilities are leased under self-liquidating lease agreements, which require the lessee to pay annual payments equal to the debt service requirements of the debt issued to construct the facilities or the debt service requirements that would have been required if debt had been issued. Other facilities at Minneapolis/St. Paul International Airport are charged to user airlines under lease agreements, which provide for compensatory rental rates designed to recover agreed-upon portions of costs incurred, including debt service, in the terminal building, ramp, and runway areas. Other facilities, to the extent they are leased, are leased under conventional agreements, primarily percentage leases.

Federal and State Grants

Outlays for airport capital improvements and certain airport operating expenses, primarily those relating to airport security, are subject to reimbursement from federal grant programs. Funds are also received for airport development from the State of Minnesota. The Commission records government grants in aid of construction as capital contributions.

Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

Passenger Facility Charges

In June 1992, the Commission began collecting passenger facility charges (PFCs). PFCs are fees imposed on enplaned passengers by airport authorities for the purpose of generating revenue for airport projects that increase capacity, increase safety, or mitigate noise impacts. The Commission has received permission from the Federal Aviation Administration (FAA) to impose and use a $4.50 PFC, the current maximum rate allowed.

Fiscal years ended December 31, 2018 and 2017

The following table sets forth a summary of the Commission's approved PFC applications (dollars in thousands):

PFC Application	Approval Date	Approved Amount (as Amended)
1	June, 1992	$ 92,714
2	August, 1994	140,717
3	June, 1998	36,377
4	April, 1999	47,801
5	August, 1999	112,533
6	April, 2003	759,734
7	April, 2003	14,479
8	August, 2005	147,986
9	February, 2006	8,659
10	May, 2008	101,472
11	March, 2014	52,827
12	September, 2015	40,796
13	January, 2017	65,212
14	September, 2017	126,557
		$ 1,747,864

PFC applications one through five and PFC application 9 are fully funded and have been closed out. PFC application 15 was approved in January 2019.

PFC's, which are recognized as earned, are included in nonoperating revenues and amounted to approximately $73,734,000 and $73,390,000 for 2018 and 2017, respectively.

Intangible Assets

The Commission has incurred, and continues to incur, substantial costs in relation to its ongoing Part 150 Sound Insulation Program. The Sound Insulation Program pays for a home within the airport's impacted noise area to be sound insulated with respect to doors, window treatments, etc., with no further cash outlay required by the Commission. Because the Commission receives an avigation release from each affected homeowner in return for providing sound insulation improvements, the associated costs are being recorded as an intangible asset and amortized to expense over a ten-year period, which approximates the estimated useful lives of such improvements. Amortization expense for capitalized Part 150 Sound Insulation expenses was $11,348,000 and $11,526,000 for the years ended December 31, 2018 and 2017, respectively. This amortization expense is included as a component of depreciation expense on the statements of revenues, expenses and changes in net position. The unamortized costs included in airport improvements and buildings at December 31, 2018 and 2017 was approximately $35,832,000 and $47,180,000, respectively.

Fiscal years ended December 31, 2018 and 2017

Airports and Facilities

As required under Chapter 500, Laws of Minnesota 1943—the law under which the Commission was created—certain capital assets, classified as land and airport improvements and buildings, were contributed by the cities of Minneapolis and St. Paul. Fee title to the land and improvements remain with the two cities.

Additions to capital assets are recorded at cost, unless contributed, in which case such additions are recorded at acquisition value as of the date of acquisition.

It is the Commission's policy to amortize the carrying amount of its capital assets, including those acquired using government grants in aid of construction and passenger facility charges, over their estimated useful lives on a straight-line basis by annual depreciation charges to expense. Estimated useful lives on depreciable capital assets are as follows:

Airport improvements and buildings	10-40 years
Moveable equipment	3-15 years

Costs incurred for major improvements are carried in construction in progress until disposition or completion of the related projects. Costs relating to projects not pursued are expensed, while costs relating to completed projects are capitalized. The capitalization threshold for capital assets is $10,000.

Capitalized Interest

Interest capitalized on projects funded by internally generated funds is based on the weighted-average borrowing rate of the Commission and actual project expenditures during the period of construction. Interest capitalized on projects funded from bond proceeds is based on the interest cost of the specific borrowing, less interest earned on undisbursed invested funds during the construction period. Interest is not capitalized on project costs that are reimbursed by government grants in aid of construction or PFCs.

Total interest expense was approximately $42,810,000 and $48,949,000 for the years ended December 31, 2018 and 2017, respectively, while interest capitalized as part of the cost of constructed assets was approximately $8,122,000 and $3,735,000, respectively.

Compensated Absences

In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated vacation and personal time is accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

Substantially all employees receive compensation for vacations, holidays, illness and certain other qualifying absences. Liabilities relating to these absences are recognized as incurred and included in employee compensation, payroll taxes and other on the statements of net position.

Fiscal years ended December 31, 2018 and 2017

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the General Employees Retirement Fund and the Public Employees Police and Fire Fund (cost-sharing, multiple-employer defined benefit plans administered by the Public Employees Retirement Association of Minnesota in which the Commission participates) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Defined Benefit Other Postemployment Benefit Plan

The Airport has a single-employer defined benefit other postemployment benefit (OPEB) plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/ deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Unearned Revenue

Unearned revenue represents advance interest payments on direct financing leases received from certain airlines, which will be recognized as investment income over the term of the lease agreement, as well as the unearned portion of annual taxi permits.

Deferred Outflows of Resources

As of December 31, 2018 and 2017, deferred outflows of resources consisted of the following components (dollars in thousands):

	2018	2017
Differences between expected and actual experience - pensions	$ 1,883	$ 2,242
Changes of assumptions - pensions	22,673	32,221
Changes in proportion and differences in contributions - pensions	2,247	5,192
Commission's contributions made subsequent to the measurement date - pensions	4,485	3,741
Net difference between projected and actual earnings on OPEB plan investments	61	-
Deferred loss on refundings of debt	16,812	18,492
Total deferred outflows of resources	$ 48,161	$ 61,888

Fiscal years ended December 31, 2018 and 2017

Deferred Inflows of Resources

As of December 31, 2018 and 2017, deferred inflows of resources consisted of the following components (dollars in thousands):

	2018	2017
Net difference between projected and actual earnings on pension plan investments - pensions	$ 8,509	$ 3,834
Differences between expected and actual experience - pensions	4,867	8,026
Changes of assumptions - pensions	25,580	29,029
Changes in proportion and differences in contributions - pensions	4,768	7,285
Changes of assumptions - OPEB	6,123	-
Accumulated increase in fair value of forward delivery agreements	5,446	7,241
Deferred gains on refundings of debt	281	304
Total deferred inflows of resources	$ 55,574	$ 55,719

Original Issue Discounts/Premiums

Original issue discounts/premiums on bonds are generally being amortized using the effective interest method over the lives of the bonds to which they relate.

Net Position

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- Net investment in capital assets: reflects the Commission's investment in capital assets, net of accumulated depreciation and outstanding balances of debt attributable to the acquisition, construction or improvements of those assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

- Restricted: represent resources for which the Commission is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

- Unrestricted: represent resources that are not subject to externally imposed stipulations that may be used to meet the Commission's ongoing obligations to the public and creditors. Unrestricted resources may be designated for specific purposes by action of the management or the governing board of the Commission.

Rental Income

Rental income is generally recognized as it becomes receivable over the respective lease terms. The Commission may, from time to time, have leases which provide for waived rent during the initial period of the lease term and/or rental escalations throughout the lease term. In accordance with GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, the related rental income for leases in which the rental income stream is not systematic, if

Fiscal years ended December 31, 2018 and 2017

significant, is reported using the straight-line method rather than using the terms of the lease agreements.

Customer Facility Charges

With respect to on-airport rental car companies, the Commission is assessing a customer facility charge (CFC) per transaction day to recover the rental car portion of capital costs associated with the construction of the auto rental/public parking garage located adjacent to Terminal 1, as well as to recover certain maintenance costs relating to the auto rental facilities. During 2016, the Commission increased the fee to $5.90 per rental car transaction per day from $3.25, due to the construction of a new auto rental/public garage adjacent to Terminal 1.

NOTE B: DEPOSITS AND INVESTMENTS

Cash Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. Minnesota Statutes require that all Commission deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% for mortgage notes pledged). Authorized collateral includes allowable investments as discussed below, certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Commission or in a financial institution other than that furnishing the collateral.

The Commission's interest-bearing deposit accounts are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). For 2018 and 2017, cash deposits were entirely insured or collateralized by securities held in the Commission's name by a financial institution (Commission's agent) other than that furnishing the collateral.

Investments

The Commission may invest idle funds as authorized by Minnesota Statute, Section 118A, and the Commission's internal investment policy in the following:

a) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as high risk by Minnesota Statute, Section 118A.04 subd. 6;
b) Mutual funds through shares of registered investment companies, provided the mutual fund receives certain ratings depending on its investments;
c) General obligations of municipalities and certain state agency and local obligations of other states, provided such obligations have certain specified bond ratings by a national bond rating service;
d) Bankers' acceptances of United States banks;
e) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two national rating agencies and matures in 270 days or less; and
f) With certain restrictions, in repurchase agreements, security lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Fiscal years ended December 31, 2018 and 2017

The Commission addresses certain investment-related risks to which it is currently exposed as follows:

Interest rate risk - the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Commission has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates. The Commission may not invest in securities maturing more than four years from the date of purchase unless the security is for postemployment health care funding, which may have an average portfolio life of no more than 12 years. The Commission manages interest rate risk by maintaining sufficient liquidity to enable the Commission to meet anticipated cash requirements. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

The maturity ranges and credit ratings for the Commission's investment securities at December 31, 2018 and 2017 follow (dollars in thousands):

		December 31, 2018				
	Ratings	Maturing in Years				
Security Type	S&P / Moody's	Less than 1	1 - 5	6 - 10	More than 10	Total
U.S. Treasury Security Notes	AA+/Aa1	$ 126,746	$ 34,736	$ -	$ -	$ 161,482
U.S. Treasury Security Bills	A-1/P-1	2,222	-	-	-	2,222
Government-Sponsored Enterprises						
Federal Farm Credit Bank	AA+ / Aaa	27,944	19,022	-	-	46,966
Federal Home Loan Mortgage Corporation	AA+ / Aaa	29,338	9,284	-	-	38,622
Federal National Mortgage Association	AA+ / Aaa	28,830	59,642	-	-	88,472
Federal Home Loan Bank	AA+ / Aaa	118,399	151,061	-	-	269,460
Municipal Bonds:	AAA / Aaa	-	986	-	-	986
	AAA / N/R	-	1,045	-	-	1,045
	AA+ / Aa1	1,532	1,280	-	-	2,812
	AA+ / N/R	-	2,470	-	-	2,470
	AA / Aa2	-	4,062	-	-	4,062
	AA / Aa1	2,411	-	-	-	2,411
	AA- / Aa2	2,610	972	-	-	3,582
	A+ / Aa3	-	1,686	-	-	1,686
	N/R / Aa3	-	1,370	-	-	1,370
	N/R / Aa2	-	2,520	-	-	2,520
	N/R / Aa1	1,002	-	-	-	1,002
Money Market Mutual Funds	AAAm / N/R	304,845	-	-	-	304,845
	AAAm / Aaa-mf	641	-	-	-	641
	N/R / N/R	2,149	-	-	-	2,149
Accrued Income		2,110	-	-	-	2,110
	Totals	$ 650,779	$ 290,136	$ -	$ -	$ 940,915

Fiscal years ended December 31, 2018 and 2017

Security Type	Ratings S&P / Moody's	December 31, 2017 Maturing in Years Less than 1	1 - 5	6 - 10	More than 10	Total
U.S. Treasury Security Notes	AA+/Aa1	$ 283,182	$ 27,786	$ 2,735	$ -	$ 313,703
U.S. Treasury Security Bills	A-1/P-1	105,881	-	-	-	105,881
Government-Sponsored Enterprises						
Federal Farm Credit Bank	AA+ / Aaa	8,256	28,890	-	-	37,146
Federal Home Loan Mortgage Corporation	AA+ / Aaa	10,498	32,506	198	-	43,202
Federal Home Loan Mortgage Corporation	Not Rated	-	1,396	520	5,015	6,931
Federal National Mortgage Association	AA+ / Aaa	15,737	68,577	1,930	-	86,244
Federal National Mortgage Association	Not Rated	-	-	991	8,422	9,413
Federal Home Loan Bank	AA+ / Aaa	142,678	196,354	1,343	-	340,375
Municipal Bonds:	AAA / Aaa	2,017	1,070	538	-	3,625
	AAA / Aa1	-	352	658	-	1,010
	AAA / N/R	-	1,075	-	-	1,075
	AA+ / Aa2	-	-	250	-	250
	AA+ / Aa1	-	2,882	167	-	3,049
	AA+ / N/R	-	2,510	-	-	2,510
	AA / Aa2	-	4,111	132	-	4,243
	AA / Aa1	219	-	-	-	219
	AA / N/R	-	624	-	-	624
	AA- / Aa3	-	502	-	-	502
	AA- / Aa2	-	4,995	-	-	4,995
	AA- / Aa1	-	1,512	-	-	1,512
	A+ / Aa3	-	1,733	120	-	1,853
	A+ / Aa1	-	101	-	-	101
	N/R / Aa3	-	1,373	-	-	1,373
	N/R / Aa2	-	2,534	-	-	2,534
	N/R / Aa1	-	1,540	-	-	1,540
Money Market Mutual Funds	AAAm / N/R	137,561	-	-	-	137,561
	Totals	$ 706,029	$ 382,423	$ 9,582	$ 13,437	$ 1,111,471

The maturity ranges and credit ratings for the postemployment medical (OPEB) trust fund at December 31, 2018 follow (dollars in thousands):

Fiscal years ended December 31, 2018 and 2017

Security Type	Ratings S&P / Moody's	December 31, 2018 Maturing in Years Less than 1	1 - 5	6 - 10	More than 10	Total
U.S. Treasury Security Notes	N/A / AAA	$ 3,753	$ 9,282	$ 6,351	$ 493	$ 19,879
Government-Sponsored Enterprises						
Federal Farm Credit Bank	AA+ / Aaa	248	1,523	253	-	2,024
Federal Home Loan Mortgage Corporation	AA+ / Aaa	1,493	993	-	-	2,486
Federal Home Loan Mortgage Corporation	Not Rated	237	1,156	1,378	5,445	8,216
Federal Home Loan Mortgage Corporation	AAA / N/A	-	-	294	-	294
Federal National Mortgage Association	AA+ / AAA	-	251	329	-	580
Federal National Mortgage Association	Not Rated	-	144	1,670	16,169	17,983
Federal Home Loan Bank	AA+ / Aaa	-	1,487	2,019	-	3,506
SBA	Not Rated	-	76	430	-	506
Municipal Bonds:	AAA / Aaa	-	73	465	-	538
	AAA / Aa1	-	347	134	516	997
	AA+ / AAA	-	174	-	-	174
	AA+ / Aa2	-	-	247	-	247
	AA+ / Aa1	-	-	319	-	319
	AA / Aa1	-	-	617	-	617
	AA / N/R	-	613	-	-	613
	AA- / Aa3	499	-	296	-	795
	AA- / A1	-	97	-	-	97
	AA- / N/A	-	350	-	-	350
	A+ / Aa3	-	-	117	-	117
	N/R / Aa1	-	498	-	-	498
	Not Rated	-	150	-	-	150
Money Market Mutual Funds	AAAm / Aaa-mf	4,905	-	-	-	4,905
Accrued Income		257	-	-	-	257
	Totals	$ 11,135	$ 17,214	$ 14,919	$ 22,623	$ 66,148

Credit risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission's investment policy addresses credit risk through adherence to Minnesota Statute 118A, which limits the types of investment instruments that may be purchased by the Commission. This statute generally provides that public funds may only be invested in United States' securities, any security that is a general obligation of a state or local government rated "A" or better by a nationally recognized rating agency, any security that is a revenue obligation of a state or local government rated "AA" or better, a general obligation of the Minnesota Housing Finance Agency that is rated "A" or better, commercial paper issued by United States' corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less, and time deposits fully insured by the FDIC. The ratings of the Commission's debt investments are shown in the tables above.

Concentration of credit risk - the Commission requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer, or class of securities.

In respect to U.S. government agency obligations and government-sponsored enterprises, the Commission places no limit on the amount that may be invested in any one issuer. The Commission cannot hold more than 30% of its portfolio in commercial paper, 25% in any state or local government obligation, or 4% in any one corporation. The U.S. government-sponsored enterprise securities held by the Commission are not explicitly guaranteed by the U.S. Government and are subject to concentration of credit risk.

Fiscal years ended December 31, 2018 and 2017

At December 31, 2018 and 2017, the following investments represent more than 5% of total investments:

	12/31/18	12/31/17
Government-Sponsored Enterprises:		
Federal Home Loan Bank	29%	31%
Federal National Mortgage Association	9%	9%

Custodial credit risk - the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. At December 31, 2018 and 2017, none of the Commission's investments were exposed to custodial credit risk.

Foreign currency risk - the risk of adverse effects on the fair value of an investment from changes in exchange rates. The Commission's investment policy does not allow investments in foreign investments, thus the Commission has no foreign currency risk with respect to its deposits or investments.

Fiscal years ended December 31, 2018 and 2017

The Commission's cash, cash equivalents and investments are reported as follows in the statements of net position at December 31 (dollars in thousands):

	2018	2017
Cash and cash equivalents - unrestricted	$ 10,699	$ 7,995
Investments - unrestricted	278,810	402,769
Investments, current - restricted	102,504	95,032
Investments, noncurrent - restricted	559,601	613,670
Total cash, cash equivalents and investments	$ 951,614	$ 1,119,466

Investment income for the Commission for the years ended December 31 consisted of the following (dollars in thousands):

	2018	2017
Investment income from leases	$ 2,828	$ 3,742
Investment income from investments	20,827	15,527
Net decrease in fair value of investments	(4,916)	(6,963)
	$ 18,739	$ 12,306

NOTE C: DISCLOSURE ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Fiscal years ended December 31, 2018 and 2017

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities (if any) recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 **and 2017** (dollars in thousands):

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Investments by fair value level				
U.S. Treasury Security Notes	$ 161,482	$ 161,482	$ -	$ -
U.S. Treasury Security Bills	2,222	2,222	-	-
U.S. Government-Sponsored Enterprise securities	443,520	-	443,520	-
Municipal securities	23,946	-	23,946	-
Money market mutual funds	309,745	309,745	-	-
Total investments by fair value level	$ 940,915	$ 473,449	$ 467,466	$ -
Derivative instruments				
Forward delivery agreements	$ 5,446	$ -	$ -	$ 5,446

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017				
Investments by fair value level				
U.S. Treasury Security Notes	$ 313,703	$ 313,703	$ -	$ -
U.S. Treasury Security Bills	105,881	105,881	-	-
U.S. Government-Sponsored Enterprise securities	523,311	-	523,311	-
Municipal securities	31,015	-	31,015	-
Money market mutual funds	137,561	137,561	-	-
Total investments by fair value level	$ 1,111,471	$ 557,145	$ 554,326	$ -
Derivative instruments				
Forward delivery agreements	$ 7,241	$ -	$ -	$ 7,241

Fiscal years ended December 31, 2018 and 2017

The following table presents the fair value measurements of assets and liabilities (if any) recognized in the accompanying postemployment medical (OPEB) trust fund financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018(dollars in thousands):

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Investments by fair value level				
U.S. Treasury Security Notes	$ 19,879	$ 19,879	$ -	$ -
U.S. Government-Sponsored Enterprise securities	35,595	-	35,595	-
Municipal securities	5,512	-	5,512	-
Money market mutual funds	5,162	5,162	-	-
Total investments by fair value level	$ 66,148	$ 25,041	$ 41,107	$ -

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Derivative Investments

The fair values of the forward delivery agreements are estimated by the counterparty using a proprietary model and, therefore, are classified within Level 3 of the valuation hierarchy.

Fiscal years ended December 31, 2018 and 2017

NOTE D: RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at December 31 are restricted as follows (dollars in thousands):

	2018	2017
Coverage Account	$ 17,513	$ 17,013
Police Federal Forfeiture Fund	889	788
Police State Forfeiture Fund	108	83
Passenger Facility Charges Funds	181,962	168,793
911 Emergency Communications Fund	109	45
Solar Panel Construction Funds	-	2
Revenue Bond Interest and Principal Funds	102,504	95,032
Revenue Bond Reserve Funds	107,996	107,732
Revenue Bonds Construction Funds	223,622	309,836
Revolving Loan Construction Funds	27,402	9,378
	$ 662,105	$ 708,702

NOTE E: GRANTS RECEIVABLE

Grants receivable from government agencies represent reimbursements due from the federal government and/or the State of Minnesota for allowable costs incurred on federal and state award programs. Grants receivable at December 31 consists of (dollars in thousands):

	2018	2017
Federal Aviation Administration	$ 7,921	$ 2,038
Transportation Security Administration	-	2,551
State of Minnesota	117	406
	$ 8,038	$ 4,995

Fiscal years ended December 31, 2018 and 2017

NOTE F: CAPITAL ASSETS

Changes in capital assets by major classification are as follows (dollars in thousands):

	Balance January 1, 2018	Additions	Transfers In (Out)	Retirements or Disposals	Balance December 31, 2018
Capital assets - not depreciated:					
Land	$ 355,769	$ -	$ -	$ (4,814)	$ 350,955
Construction in progress	290,852	297,479	(143,010)	-	445,321
Total capital assets - not depreciated	646,621	297,479	(143,010)	(4,814)	796,276
Capital assets - depreciated:					
Airport improvements and buildings	4,175,643	393	133,931	-	4,309,967
Less: accumulated depreciation	(2,251,283)	(136,698)	-	-	(2,387,981)
Net airport improvements and buildings	1,924,360	(136,305)	133,931	-	1,921,986
Movable equipment	172,816	11,335	8,950	(2,047)	191,054
Less: accumulated depreciation	(118,614)	(10,601)	-	1,840	(127,375)
Net movable equipment	54,202	734	8,950	(207)	63,679
Total capital assets - depreciated	1,978,562	(135,571)	142,881	(207)	1,985,665
Net capital assets	$ 2,625,183	$ 161,908	$ (129)	$ (5,021)	$ 2,781,941

	Balance January 1, 2017	Additions	Transfers In (Out)	Retirements or Disposals	Balance December 31, 2017
Capital assets - not depreciated:					
Land	$ 367,973	$ -	$ -	$ (12,204)	$ 355,769
Construction in progress	118,681	254,423	(82,252)	-	290,852
Total capital assets - not depreciated	486,654	254,423	(82,252)	(12,204)	646,621
Capital assets - depreciated:					
Airport improvements and buildings	4,097,955	154	77,534	-	4,175,643
Less: accumulated depreciation	(2,117,962)	(133,321)	-	-	(2,251,283)
Net airport improvements and buildings	1,979,993	(133,167)	77,534	-	1,924,360
Movable equipment	166,641	4,544	4,718	(3,087)	172,816
Less: accumulated depreciation	(111,944)	(9,649)	-	2,979	(118,614)
Net movable equipment	54,697	(5,105)	4,718	(108)	54,202
Total capital assets - depreciated	2,034,690	(138,272)	82,252	(108)	1,978,562
Net capital assets	$ 2,521,344	$ 116,151	$ -	$ (12,312)	$ 2,625,183

Fiscal years ended December 31, 2018 and 2017

NOTE G: LONG-TERM DEBT

The Commission's long-term debt at December 31, 2018 and 2017 consisted of the following (dollars in thousands):

Type of Issue	Issue Date	Interest Rates	Maturing on January 1	Maturity Amounts	2018	2017
Series 2009A *	11/10/2009	4.000%	2019	2,315		
Original amount - $23,075		5.000%	2020 - 2021	4,920		
		4.125%	2022	205	$ 7,440	$ 9,660
Series 2009B *	11/10/2009					
Original amount - $128,835		4.700%	2019	2,000		
		5.000%	2019	11,075		
		4.800%	2020	2,000		
		5.000%	2020 - 2022	29,955	45,030	57,495
Series 2010A *	7/28/2010					
Original amount - $62,210		5.000%	2028	1,460		
		4.000%	2028	3,090		
		5.000%	2029	2,000		
		4.000%	2029	5,155		
		5.000%	2030	2,325		
		4.125%	2030	5,135		
		5.000%	2031 - 2035	43,045	62,210	62,210
Series 2010B *	7/28/2010					
Original amount - $73,475		5.000%	2019 - 2026	42,670		
		4.000%	2027 - 2028	8,915	51,585	55,840
Series 2010C **	10/01/2010					
Original amount - $21,600		5.000%	2019 - 2021	2,145		
		3.250%	2022 - 2023	1,595		
		3.500%	2024	55	3,795	4,450
Series 2010D (AMT) **	10/01/2010					
Original amount - $68,790		5.000%	2019 - 2022	20,190		
		4.000%	2023	5,690		
		4.125%	2024	1,010	26,890	31,350
Series 2011A **	10/04/2011					
Original amount - $52,015		5.000%	2019 - 2023	26,505		
		3.500%	2024	6,115		
		5.000%	2025	6,330	38,950	43,520
Series 2012A (Taxable) **	11/20/2012					
Original amount - $39,770		2.438%	2019	5,880		
		2.755%	2020	6,025	11,905	17,660
Series 2012B **	11/20/2012					
Original amount - $42,015		5.000%	2026 - 2031	42,015	42,015	42,015
Series 2014A **	10/08/2014					
Original amount - $217,790		5.000%	2019 - 2035	205,095	205,095	209,900
Series 2014B ** (AMT)	10/08/2014					
Original amount - $46,590		5.000%	2019 - 2035	35,135	35,135	38,840

Fiscal years ended December 31, 2018 and 2017

Type of Issue	Issue Date	Interest Rates	Maturing on January 1	Maturity Amounts	2018	2017
Series 2016A *	10/04/2016	3.000%	2025	$ 1,150		
Original amount - $330,690		5.000%	2025	40,110		
		4.000%	2026	10,000		
		5.000%	2026 - 2032	279,430	$ 330,690	$ 330,690
Series 2016B **	10/04/2016	5.000%	2019 - 2020	31,570		
Original amount - $152,190		3.000%	2021	3,050		
		5.000%	2021 - 2022	38,225		
		4.000%	2023	5,125		
		5.000%	2023	24,970		
		3.000%	2024	5,075		
		5.000%	2024	32,175	140,190	152,190
Series 2016C *	12/10/2016	4.000%	2019 - 2021	11,390		
Original amount - $207,250		5.000%	2022 - 2046	195,860	207,250	207,250
Series 2016D (AMT) **	12/10/2016	5.000%	2019 - 2037	16,890		
Original amount - $23,410		5.000%	2041	6,020	22,910	23,410
Series 2016E (Taxable) **	12/10/2016	1.720%	2019	8,595		
Original amount - $171,690		2.050%	2020	8,740		
		2.392%	2021	8,920		
		2.542%	2022	9,135		
		2.893%	2023	9,365		
		3.093%	2024	9,640		
		3.296%	2025	9,935		
		3.396%	2026	10,265		
		3.546%	2027	10,610		
		3.746%	2028	10,990		
		3.796%	2029	11,400		
		3.896%	2030	11,835		
		3.996%	2031	12,295		
		4.096%	2032	12,785		
		4.196%	2033	13,310		
		4.246%	2034	13,870	171,690	171,690
Total General Airport Revenue Bonds					1,402,780	1,458,170
Notes Payable					117,972	84,973
					1,520,752	1,543,143
Unamortized premium, net					146,878	166,273
Current portion of long-term debt					(73,012)	(58,511)
Total Long-Term Bonds and Notes Payable					$ 1,594,618	$ 1,650,905

* Senior General Airport Revenue Bonds
** Subordinate General Airport Revenue Bonds

Fiscal years ended December 31, 2018 and 2017

Future debt service requirements as of December 31, 2018 are as follows (dollars in thousands):

	Notes Payable	General Airport Revenue Bonds	Total Debt Outstanding	Interest	Total Principal and Interest
2019	$ 3,687	$ 69,325	$ 73,012	$ 67,120	$ 140,132
2020	74,555	72,275	146,830	63,809	210,639
2021	3,380	69,260	72,640	59,886	132,526
2022	3,367	72,420	75,787	56,539	132,326
2023	2,961	76,140	79,101	53,011	132,112
2024 - 2028	12,129	440,050	452,179	205,651	657,830
2029 - 2033	11,327	406,300	417,627	92,544	510,171
2034 - 2038	6,566	102,570	109,136	32,515	141,651
2039 - 2043	-	56,595	56,595	16,565	73,160
2044 - 2047	-	37,845	37,845	2,900	40,745
	$ 117,972	$ 1,402,780	$ 1,520,752	$ 650,540	$ 2,171,292

The Commission's General Airport Revenue Bonds are not general obligations, but are limited obligations of the Commission payable solely from and secured by a pledge of net revenues. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State, or any political subdivision or public agency of the State, other than the Commission, to the extent of net revenues, is pledged to the payment of the General Airport Revenue Bonds. The proceeds of these issues have been used to finance a portion of the Commission's long-term capital improvement program, which details the expansion of the airport system.

On October 26, 2017, the Commission entered into a new $150,000,000 revolving line of credit agreement. The line of credit is to be used to fund certain capital improvement program projects and is secured by a subordinate pledge of the Commission's net revenues. Each advance under the revolving line of credit is evidenced by a separate promissory note. Interest is payable monthly and varies with the sum of the Taxable London Interbank Offered Rate (LIBOR) and an applicable spread based on the Commission's long-term credit ratings or the sum of 70% of the Tax-Exempt LIBOR plus an applicable spread based on the Commission's long-term credit ratings and a margin rate factor, and expires on October 26, 2020. The interest rate on the Commission's revolving line of credit was 2.29% and 1.28% on December 31, 2018 and 2017, respectively, and there was $71,030,00 and $38,020,000 in outstanding notes at December 31, 2018 and 2017, respectively. These amounts are included in notes payable in the statements of net position.

The Commission has entered into Taxable Equipment Lease/Purchase Agreements to finance the solar panels on top of parking ramps at Terminal 1 and 2. The principal amount of these agreements qualifies as a new clean renewable energy bond (NCREB) or a qualified energy conservation bond (QECB), both of which are eligible for a direct interest rate subsidy from the federal government. The effective net interest rates range from 0.75% to 1.09%, with scheduled payments through 2035 and 2036. At December 31, 2018 and 2017, there was $31,673,000 and $32,614,000, respectively, in outstanding notes payable.

Fiscal years ended December 31, 2018 and 2017

The Commission enters into Tax-Exempt Lease/Purchase Agreements each year to finance the acquisition of equipment, primarily heavy equipment and vehicles. Scheduled payments under these lease/purchase agreements extend through September 2027 with various maturity dates beginning in 2019. The interest rates ranged from 1.12% to 4.78%, and there was $15,268,202 and $14,338,100 in outstanding notes payable at December 31, 2018 and 2017, respectively.

NOTE H: CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the years ended December 31, 2018 and 2017 was as follows (dollars in thousands):

	Balance January 1, 2018 (as restated)	Additions	Retirements and Other	Balance December 31, 2018	Current Portion
Unearned revenue	$ 2,848	$ 5,079	$ (2,079)	$ 5,848	$ 5,208
Employee compensation and other	11,542	86,521	(85,345)	12,718	10,255
Net OPEB liability	98,803	4,491	(77,740)	25,554	-
Notes payable	84,973	47,371	(14,372)	117,972	3,687
Bonds payable, including premiums	1,624,443	-	(74,785)	1,549,658	69,325
Net pension liabilities	72,771	13,981	(23,043)	63,709	-
	$ 1,895,380	$ 157,443	$ (277,364)	$ 1,775,459	$ 88,475

	Balance January 1, 2017	Additions	Retirements and Other	Balance December 31, 2017	Current Portion
Unearned revenue	$ 2,503	$ 1,782	$ (1,437)	$ 2,848	$ 2,079
Employee compensation and other	11,074	80,123	(79,655)	11,542	9,065
Net OPEB obligation	62,154	5,661	(3,941)	63,874	-
Notes payable	88,454	41,799	(45,280)	84,973	3,121
Bonds payable, including premiums	1,685,956	-	(61,513)	1,624,443	55,390
Net pension liabilities	131,753	17,266	(76,248)	72,771	-
	$ 1,981,894	$ 146,631	$ (268,074)	$ 1,860,451	$ 69,655

Fiscal years ended December 31, 2018 and 2017

NOTE I: DIRECT FINANCING LEASES

The Commission leases certain facilities to tenants under self-liquidating lease agreements. Self-liquidating lease agreements require the lessee to pay annual rentals equal to the debt service requirements of the bonds issued to construct the facilities, or the debt service requirements that would have been required if bond financing was used. These leases are classified as direct financing leases and expire in various years through 2022. The Commission records the interest portion of the lease payments as investment income. The following lists the components of the Commission’s direct financing leases as of December 31 (dollars in thousands):

	2018	2017
Total minimum lease payments to be received	$ 17,250	$ 50,232
Less: Unearned income	(7,560)	(16,010)
Leases receivable - current and noncurrent	$ 9,690	$ 34,222

As of December 31, 2018, future minimum lease payments are as follows (dollars in thousands):

2019	$ 4,694
2020	4,760
2021	4,827
2022	2,969
	$ 17,250

NOTE J: DERIVATIVE FINANCIAL INSTRUMENTS

The Commission is a party to two debt service reserve forward delivery agreements (the Forward Delivery Agreements). The Forward Delivery Agreements require the counterparty financial institutions to deposit securities in certain of the Commission’s debt service reserve trust accounts and provide the Commission with a guaranteed rate of return for these accounts. The securities that are deposited into these accounts are timed to meet scheduled debt service reserve funding requirements.

Eligible securities under the Forward Delivery Agreements are generally limited to: (a) non-callable obligations of the United States of America, including obligations issued or held in book-entry form on the books of the Department of Treasury and (b) bonds, notes, debentures, obligations or other evidence of indebtedness issued or guaranteed by the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation.

Objective of the Forward Delivery Agreements

The Forward Delivery Agreements allow the Commission to earn a guaranteed fixed rate of return over the life of the investments. These agreements are utilized by the Commission to earn a rate of return in excess of a rate that would otherwise be feasible by investing in securities with a shorter term.

Fiscal years ended December 31, 2018 and 2017

Terms

The general terms of each agreement are set forth in the table below (dollars in thousands):

	Effective Date of Agreement	Termination Date	Scheduled Amount	Guaranteed Rate	Fair Value at December 31, 2018	Fair Value at December 31, 2017
Series 2009 Debt Service Reserve Funds	5/18/2000	1/1/2021	$ 2,228	6.1600%	$ 149	$ 255
Series 2014 Debt Service Reserve Funds	11/1/2005	1/1/2035	23,182	4.6775%	5,297	6,986
					$ 5,446	$ 7,241

Fair Value

The fair value of each Forward Delivery Agreement is based on the value of the future discounted cash flows expected to be received over the life of the agreement relative to an estimate of discounted cash flows that could be received over the same term based on current market conditions. The fair values of the Forward Delivery Agreements are classified as a noncurrent asset. As the Forward Delivery Agreements are effective hedging instruments, the offsetting balances are reflected as deferred inflows of resources.

Credit Risk

Credit risk is the risk that the counterparty will not fulfill its obligations. Under the terms of the Forward Delivery Agreements, the Commission is either holding cash or an approved security within certain debt service reserve funds. None of the principal amount of an investment under the Forward Delivery Agreements is at risk to the credit of the counterparty. Should the counterparty default, the Commission's maximum exposure is the positive termination value, if any, related to these agreements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Commission's financial instruments or cash flows. The fair values of the Forward Delivery Agreements are expected to fluctuate over the life of the agreements in response to changes in interest rates. The Commission does not have a formally adopted policy related for interest rate risk on the Forward Delivery Agreements.

Termination Risk

The Commission or the counterparties may terminate the Forward Delivery Agreements if the other party fails to perform under the terms of the contract. If the Forward Delivery Agreements have a negative fair value at the time of termination, the Commission would be liable to the counterparty for a payment equivalent to the fair value of the instrument at the time of termination.

Subsequent to year end, the Series 2009 Debt Service Reserve Funds Forward Delivery Agreements were terminated at no cost to the Commission.

Fiscal years ended December 31, 2018 and 2017

NOTE K: PENSION AND RETIREMENT PLANS

The Commission participates in the following cost-sharing multiple-employer defined benefit pension plans: the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF). Both of these plans are administered by the Public Employees Retirement Association of Minnesota (PERA) in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

Plan Descriptions

GERF

All full-time and certain part-time employees of the Commission are covered by the GERF Coordinated Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new GERF members must participate in the Coordinated Plan.

PEPFF

Originally established for police officers and firefighters not covered by a local relief association, PEPFF now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

Benefit Provisions

PERA provides retirement and disability benefits to members, and benefits to survivors upon the death of eligible members. Benefits are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

Fiscal years ended December 31, 2018 and 2017

GERF

GERF benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. A reduced retirement annuity is also available to eligible members seeking early retirement. Two methods are used to compute benefits for GERF Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, only Method 2 is used and normal retirement age is the age for unreduced Social Security benefits capped at 66.

Disability benefits are available for vested members and are based upon years of service and average monthly salary over a GERF Coordinated Plan member's highest-paid 60 consecutive months of public service (high-five salary) or all months of service is less than 60.

A lifetime survivor benefit is available to the surviving spouse of a GERF Coordinated Plan member and is based upon a formula using the member's total years of service, high-five salary age at death and age of the spouse.

PEPFF

Benefits for PEPFF members hired prior to July 1, 2010, vest after three years of credited service. Benefits for PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

PEPFF members qualify for disability with one or more years of service if disabled outside the line of duty. If disabled in the line of duty, there is no minimum service requirement. There is a minimum benefit of 60% of salary if a PEPFF member is disabled while engaged in hazardous activities related to the occupation. Disability under any circumstances results in a minimum benefit of 45% of salary. A duty disability benefit will only be awarded if the disabling event occurred while the member was engaged in hazardous activities inherent to the occupation.

A lifetime survivor benefit is available to the surviving spouse of a PEPFF member and is based on either 50% of the average of the full-time monthly base salary rate in effect during the last six months of allowable service or a formula using the member's total years of service, high-five salary age at death and age of the spouse. Automatic lifetime survivor benefits are also available to the spouse of a PEPFF member who suffers total and permanent disability.

Contributions

Minnesota Statutes set the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The Commission makes annual contributions to the pension plans equal to the amount required by state statutes.

Fiscal years ended December 31, 2018 and 2017

GERF

GERF Coordinated Plan members were required to contribute 6.50% of their annual covered salary to the plan in calendar years 2018 and 2017, while the Commission was required to contribute 7.50%. The Commission's contributions to GERF for the years ended December 31, 2018 and 2017 were approximately $5,096,000 and $4,198,000, respectively, and were equal to the required contributions as set by state statute. This amount includes an Employer Supplemental Contribution of approximately $1,786,000 and $1,210,000 for the years ended December 2018 and 2017, respectively, relating to the former Minneapolis Employees Retirement Fund (MERF), which was fully merged into GERF in January 2015.

As a result of legislation passed in the 2015 legislative session, the State of Minnesota was required to contribute $6,000,000 to GERF during the measurement periods ended June 30, 2016 and June 30, 2017, $16,000,000 for the period ending June 30, 2018 and $6,000,000 each measurement period thereafter until 2031.

PEPFF

PEPFF members were required to contribute 10.80% of their annual covered salary to the plan in calendar years 2018 and 2017, while the Commission was required to contribute 16.20%. The Commission's required contributions to PEPFF for the years ended December 31, 2018, and 2017 were approximately $2,307,000 and $2,040,000, respectively, and were equal to the required contributions as set by state statute. Additionally, the State of Minnesota is required to contribute an aggregate amount for all employers of $9,000,000 to PEPFF each year, beginning in fiscal year 2014. State aid will continue until the plan is 90 percent funded, or the State Patrol Plan, administered by the Minnesota State Retirement System, is 90 percent funded, whichever occurs later. Such nonemployer contributions to PEPFF by the State of Minnesota do not meet the special funding criteria set forth in GASB 68.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GERF

At December 31, 2018 and 2017, the Commission reported a liability of approximately $49,790,000 and $56,300,000, respectively, for its proportionate share of GERF's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of $6,000,000 to the fund in both 2018 and 2017. The State of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Commission totaled $1,633,119. The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those respective dates. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the Commission's proportion was 0.8975%, which was an increase of 0.0156% from its proportion of 0.8819% measured as of June 30, 2017.

Fiscal years ended December 31, 2018 and 2017

For the years ended December 31, 2018 and 2017, the Commission recognized pension expense of $5,737,917 and $9,821,032, respectively, for its proportionate share of GERF's pension expense. In addition, the Commission recognized an additional $380,840 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6,000,000 to GERF.

At December 31, 2018 and 2017, the Commission reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollars in thousands):

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,318	$ 1,452
Net difference between projected and actual earnings on pension plan investments	-	5,594
Changes of assumptions	4,756	5,088
Changes in proportion	754	4,316
Contributions subsequent to the measurement date	3,325	-
Total	$ 10,153	$ 16,450

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,855	$ 3,622
Net difference between projected and actual earnings on pension plan investments	-	2,435
Changes of assumptions	9,347	5,644
Changes in proportion	4,924	6,705
Contributions subsequent to the measurement date	2,659	-
Total	$ 18,785	$ 18,406

At December 31, 2018, the Commission reported approximately $3,325,000 as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability at December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

2019	$ (426)
2020	(4,368)
2021	(3,789)
2022	(1,039)
	$ (9,622)

Fiscal years ended December 31, 2018 and 2017

PEPFF

At December 31, 2018 and 2017, the Commission reported a liability of approximately $13,920,000 and $16,471,000, respectively, for its proportionate share of PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the Commission's proportion was 1.3059%, which was an increase of 0.0859% from its proportion of 1.220% measured as of June 30, 2017.

For the years ended December 31, 2018 and 2017, the Commission recognized pension expense of $760,390 and $3,075,107, respectively, for its proportionate share of PEPFF's pension expense. The Commission also recognized $117,531 and $109,800 for the years ended December 31, 2018 and 2017, respectively, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to PEPFF

At December 31, 2018 and 2017, the Commission reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflow of resources related to pensions from the following sources (dollars in thousands):

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 565	$ 3,415
Net difference between projected and actual earnings on pension plan investments	-	2,915
Changes of assumptions	17,917	20,492
Changes in proportion	1,493	452
Contributions subsequent to the measurement date	1,160	
Total	$ 21,135	$ 27,274

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 387	$ 4,404
Net difference between projected and actual earnings on pension plan investments	-	1,399
Changes of assumptions	22,874	23,385
Changes in proportion	268	580
Contributions subsequent to the measurement date	1,082	-
Total	$ 24,611	$ 29,768

Fiscal years ended December 31, 2018 and 2017

At December 31, 2018, the Commission reported approximately $1,160,000 as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability at December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

2019	$ 500
2020	(760)
2021	(1,882)
2022	(5,374)
2023	217
	$ (7,299)

Actuarial Assumptions (Both Plans)

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Long-term expected rate of return	8.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for both plans for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1.25% for both plans.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for GERF was completed in 2015. The most recent five-year experience study for PEPFF was completed in 2016.

The following changes in actuarial assumptions occurred in 2018:

GERF

- The mortality projection scale was changed from MP-2015 to MP-2017
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.PEPFF

PEPFF

- The mortality projection scale was changed from MP-2016 to MP-2017.

Fiscal years ended December 31, 2018 and 2017

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	33%	5.1%
International stocks	16%	5.3%
Fixed income	24%	0.8%
Alternative assets	25%	5.9%
Cash	2%	0.0%
	100%	

Discount Rates

The discount rate used to measure the total pension liability for GERF was 7.5% in 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

For the 2018 and 2017 PEPFF actuarial valuation, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.5% was used as the discount rate to measure the total pension liability for PEPFF in 2018 and 2017.

Fiscal years ended December 31, 2018 and 2017

Pension Liability Sensitivity

The following presents the Commission's proportionate share of the net pension liability for both plans it participates in, calculated using the discount rate disclosed in the preceding paragraphs, as well as what the Commission's proportionate share of the net pension liabilities would be if they were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate (dollars in thousands):

	1% Decrease	Current Discount Rate	1% Increase
Commission's proportionate share of the GERF net pension liability	$ 80,915	$ 49,789	$ 24,097
Commission's proportionate share of the PEPFF net pension liability	29,844	13,920	750

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE L: Single-Employer Defined Benefit Other Postemployment Benefit Plan

The Commission adopted GASB Statement No. 75 for the December 31, 2018 year end and all applicable disclosures are included below. For the year ended December 31, 2017, the Commission is presenting their other postemployment benefit plan under GASB Statement No. 45.

Plan Description

The Commission contributes to a single-employer defined benefit other postemployment benefit (OPEB) plan covering substantially all employees. The OPEB Plan is administered by the Commission and the OPEB trust is administered by a board of trustees appointed by the Commission. Benefit provisions are contained in the plan document and were established and can be amended by action of the Airport's Commission. The OPEB Plan does not issue a separate report that includes financial statements and required supplementary information for the OPEB Plan.

Fiscal years ended December 31, 2018 and 2017

Benefits Provided

The OPEB Plan provides medical benefits to eligible retirees and their dependents. Benefits are provided under a single employer, self-insured plan. The benefit provided to retirees and their dependents is determined by the employees hire date with the Commission, see Contributions below. All non-union employees who retire at age 55 or later, have three years of service or who are receiving benefits from the PERA and who do not participate in any other health benefits program providing coverage similar to that herein described are eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the Commission's health benefits program. Union employees require ten years of service to be eligible for benefits.

The OPEB plan does not include any terms for automatic or ad hoc postemployment benefit changes, including COLAs or the sharing of benefit-related costs with inactive employees.

The employees covered by benefit terms at December 31, 2018 are:

	2018
Inactive employees or beneficiaries currently receiving benefit payments	266
Active employees	576
	842

Contributions

The contribution requirements of employees and retirees are established and may be amended by the Commission. The required contribution is based upon projected pay-as-you-go financing requirements and funding for future benefits. For employees hired prior to January 1, 1991, the Commission makes contributions (as specified in union agreements or the Commission's personnel policy) toward required premiums at the same percentages applicable to active employees and their eligible dependent(s) until becoming eligible for Medicare Part A or B, or both. The Commission pays 100% of the premium for the retired employee, a spouse over age 65, and any legal dependents, provided that the retired employee is receiving benefits from the PERA and is enrolled in Medicare Part A and B as his/her primary health insurance. As of January 1, 1991, all employees hired by the Commission are only able to participate in the Commission medical plan up to age 65. During 2004, the Commission approved that non-organized employees hired after October 1, 2004 will be able to participate in the Commission medical plan provided that the retiree pay 100% of the total premium cost plus a 2% administrative fee. During 2006 and 2007, the Commission was successful in getting language in all eligible labor agreements that provides that organized employees hired after the date of the signed contract will be able to participate in the Commission's health plan provided that the retiree pays 100% of the total premium cost plus a 2% administrative fee.

The Commission contributed approximately $69,847,000 and $3,941,000 to the plan in fiscal year 2018 and 2017, respectively. The 2018 contributions include $66,146,000 of funds previously designated by the Commission that were transferred into this plan by during 2018 and $3,674 of benefit payments paid from the Commission's other assets. Retirees contributed approximately $245,000 and $232,000 for fiscal year 2018 and 2017, respectively.

Fiscal years ended December 31, 2018 and 2017

Monthly contributions for retirees under 65 for 2018 are shown below:

2018 Plan	Single	Family
Blue Plan	$ 33.00	$ 202.00
HSA	17.00	127.00

2017 Plan	Single	Family
Blue Plan	$ 31.00	$ 191.00
HSA	16.00	120.00

Net OPEB Liability

The Commission's net OPEB liability of $25,354,000 was measured as of December 31, 2018, for the year ended December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The total OPEB liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.5 to 11.5%, including inflation
Health care cost trend rates	6.4% for 2019, decreasing to an ultimate rate of 4% for 2076 and later years
Investment rate of return	4%
Retirees' share of benefit-related costs	4.1% and 14.2% of projected health insurance premiums for retirees

Mortality rates for general employees were based on the RP-2014 mortality tables, as appropriate with adjustments for mortality improvements based on MP-2015, and other adjustments. Mortality rates for police & fire employees were based on the RP-2014 mortality tables, as appropriate with adjustments for mortality improvements based on MP-2016, and other adjustments.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2017.

Fiscal years ended December 31, 2018 and 2017

The long-term expected rate of return on the OPEB Plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	0.00%	4.95%
International stocks	0.00%	5.24%
Fixed income	92.35%	1.99%
Alternative assets	0.00%	4.19%
Cash	7.65%	0.58%
	100%	

For the year ended December 31, 2018, the annual money-weighted rate of return on investments, net of investment expense, was (1.56)%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amount actually invested.

Discount Rate

The discount rate used to measure the total OPEB liability was 4%, for the year ended December 31, 2018. The projection of cash flows used to determine the discount rate assumed that Commission contributions will be made at rates equal to the expected benefit payments. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total plan liability.

Fiscal years ended December 31, 2018 and 2017

Changes in the Net OPEB Liability

Changes in the total OPEB liability, OPEB Plan fiduciary net position and the net OPEB liability are:

	2018		
	Total OPEB Liability (a)	OPEB Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance, beginning of year	$ 98,803	$ -	$ 98,803
Changes for the year:			
Service Cost	1,026		1,026
Interest	3,244		3,244
Changes of assumptions	(7,893)		(7,893)
Contributions - employer		69,847	(69,847)
Net investment loss		(21)	21
Benefit payments	(3,674)	(3,674)	-
Net changes	(7,297)	66,152	(73,449)
Balance, end of year	$ 91,506	$ 66,152	$ 25,354

Changes in assumptions reflect a change in the discount rate from 3.31% in 2017 to 4.00% in 2018.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The net OPEB liability of the Commission has been calculated using a discount rate of 4%. The following presents the net OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	$ 37,147	$ 25,354	$ 15,564

Fiscal years ended December 31, 2018 and 2017

The net OPEB liability of the Commission has been calculated using health care cost trend rates of 6.4% decreasing to 4.0%. The following presents the net OPEB liability using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Net OPEB liability	$ 14,591	$ 25,354	$ 38,249

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Commission recognized OPEB expense of $2,459,921. At December 31, 2018, the Commission reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 6,123
Net difference between projected and actual earnings on OPEB plan investments	61	-
Total	$ 61	$ 6,123

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2018, related to OPEB will be recognized in OPEB expense as follows:

2019	$ (1,755)
2020	(1,755)
2021	(1,755)
2022	(797)
	$ (6,062)

Fiscal years ended December 31, 2018 and 2017

GASB 45

Annual OPEB Cost and Net OPEB Obligation

The Commission's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined as of January 1, 2017, in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not-to-exceed 30 years. The following table shows the components of the Commission's annual OPEB cost for 2017 and 2016, the amount actually contributed to the plan, and changes in the Commission's net OPEB obligation (dollars in thousands):

	2017	2016
Annual required contribution (ARC)	$ 6,865	$ 6,376
Interest on net OPEB obligation	2,175	2,122
Adjustment to ARC	(3,379)	(3,296)
Annual OPEB cost	5,661	5,202
Contributions during the year	(3,941)	(3,671)
Increase in net OPEB obligation	1,720	1,531
Net OPEB - beginning of year	62,154	60,623
Net OPEB - end of year	$ 63,874	$ 62,154

The percentage of the Commission's annual OPEB cost contributed to the plan was: 69.62% for 2017 and 70.57% for 2016.

Funding Status and Funding Progress

At December 31, 2017, the Commission had set aside cash and investments to pay for future health benefits of approximately $64,219,000. As previously discussed, the Commission transferred these funds to the OPEB Trust during 2018

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the accompanying notes to the financial statements, presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits over time.

Fiscal years ended December 31, 2018 and 2017

The funded status and funding progress of the plan based on the most recent annual actuarial valuation for the plan, dated as of January 1, 2017, was as follows (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Projected Unit Credit	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentag of Covered Payroll
01/01/2017	$ -	$ 106,199	$ 106,199	0.0%	$ 50,175	211.7%

Actuarial Methods and Assumptions

In the January 1, 2017 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions used include an initial annual health care cost trend rate of 6.8%, which decreases to 5.5% over 5 years. Additional assumptions used include a discount rate of 3.50% and an inflation rate of 2.75%. The unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount over the maximum allowable period of 30 years on an open basis.

NOTE M: RISK MANAGEMENT

Risk management is the responsibility of the Commission. The Commission is self-insured for workers' compensation and health/dental claims. Claims paid for workers compensation for 2018 and 2017 were approximately $282,000 and $391,000, respectively. Claims paid for health and dental coverage for 2018 and 2017 were approximately $7,651,000 and $6,690,000, respectively. The unpaid claims for workers compensation at December 31, 2018 and 2017 were approximately $905,000 and $965,000, respectively. The health and dental unpaid claims at December 31, 2018 and 2017 were approximately $893,000 and $953,000, respectively. The liability recorded under employee compensation and payroll taxes by the Commission includes estimated settlements for claims reported but not settled as of December 31, 2018 and 2017, as well as an estimate of claims incurred but not reported. The entire liability is included in the current liabilities section of the statements of net position, since any amounts considered to be noncurrent are believed to not be material. Changes in the balances of claim liabilities during 2018 and 2017 was as follows (dollars in thousands):

	2018	2017
Unpaid claims - beginning of year	$ 1,918	$ 1,940
Incurred claims and changes in estimates	7,813	7,058
Claims paid	(7,933)	(7,080)
Unpaid claims - end of year	$ 1,798	$ 1,918

Fiscal years ended December 31, 2018 and 2017

Operationally, the Commission is exposed to various risks of loss relating to theft, damage and destruction of assets, as well as natural disasters and certain tort liabilities for which commercial insurance is carried. The commercial insurance policies carry a deductible of $50,000. Settled claims have not exceeded this commercial coverage in any of the past three years. Insurance policies procured, including commercial general liability and commercial property damage, are inclusive of coverage for certain war casualty and acts of terrorism. Coverage terms, limits, and deductibles have each been benchmarked in comparison with those maintained at other large-size airports and found to be within the range of our peers. Although coverage limits are significant, no assurance can be given that such coverage will continue to be available at such amounts and/or at a reasonable cost.

Casualty loss involving damage to or destruction of physical property in the course of construction is covered under the Commission's property insurance policy. This policy does not apply to the Commission contractors. This policy contains a deductible of $250,000 per occurrence applicable to all covered causes of loss, including flood and earth movement.

The Commission requires entities providing professional services to the Commission to obtain an owner's protective professional indemnity policy. Contracted professional service firms participating in this project are required to provide evidence of at least $1,000,000 of coverage and names the Commission as an additional insured on the general liability policy, leaving the Commission minimally exposed.

NOTE N: CONTINGENT LIABILITIES AND COMMITMENTS

The nature of the business of the airport generates certain litigation against the Commission arising in the ordinary course of business. The Commission believes that existing and pending lawsuits and claims are either billable to airport users or would not materially affect the financial statements of the Commission.

Contractual obligations for construction were approximately $235,983,000 at December 31, 2018.

Noise Abatement

On October 19, 2007, the Minnesota State District Court, Fourth Judicial District (the District Court) approved a Consent Decree negotiated by the City of Minneapolis, the Minneapolis Public Housing Authority in and for the City of Minneapolis, the City of Eagan and the City of Richfield (collectively, the "Noise Plaintiffs") and the Commission to settle noise abatement lawsuits.

Under the Consent Decree, the Commission must provide noise mitigation to homes and apartments in the 60 to 64 DNL contours. Noise mitigation activities vary based on noise contours, with homes in the most noise-impacted contours eligible for more extensive mitigation than those in less impacted areas. Multi-family dwellings (those with more than three living units) receive less extensive mitigation than single-family homes. The total cost to the Commission under this program was $102,000,000 as of December 31, 2018. All the original program terms under the Consent Decree were completed by the Commission in 2014.

Fiscal years ended December 31, 2018 and 2017

The Consent Decree was amended in 2013 by establishing criteria to provide noise mitigation to homes and apartments through December 31, 2024. It is expected that some additional homes will become eligible for noise mitigation based upon changes in the DNL contours. Also, some homes will move into a higher DNL contour. A home will become eligible for consent decree noise mitigation if it is located or changes DNL contour levels for three consecutive years. The noise mitigation provided to the home or apartment will be consistent with the terms and levels of the original consent decree. The total cost to the Commission under the amended program was $8,300,000 as of December 31, 2018.

The costs related to the noise abatement settlements will be funded from internally generated funds of the Commission.

NOTE O: MAJOR CUSTOMER

Delta Airlines, Inc. (Delta) is in the business of transporting air passengers, mail and property. Delta operates both domestic and international air route systems. Minneapolis/St. Paul International Airport (MSP) is one of Delta's major hubs. Airport revenues from Delta account for approximately 25% of operating revenues and 70% of total revenues from major airlines. Approximately 54% of total 2018 enplanements are attributable to Delta's operation. In the event that Delta discontinues its operations, there are no assurances that another airline would replace its hub activities. It is therefore reasonable to assume that any financial or operational difficulties incurred by Delta, the predominant airline servicing MSP, could have a material adverse effect on the Commission.

NOTE P: RENTAL INCOME FROM OPERATING LEASES

The Commission leases space at the airport terminal buildings as well as other land and building leases on a fixed fee as well as a contingent rental basis. Many of the leases provide for a periodic review and adjustment of the rental amounts. Substantially all capital assets are held by the Commission for the purpose of rental or related use. At December 31, 2018, minimum future rentals scheduled to be received on operating leases that have initial or remaining non-cancelable terms in excess of one year are (dollars in thousands):

2019	$ 111,919
2020	116,386
2021	115,302
2022	113,341
2023	49,646
Thereafter	125,869
	$ 632,463

Contingent rentals and fees aggregated approximately $114,800,000 and $104,900,000 in 2018 and 2017, respectively.

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Required Supplementary Information

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION
Schedule of Commission's Proportionate Share of the Net Pension Liability
Required Supplementary Information (Last Ten Years*)
(Unaudited)

Fiscal year ended December 31, 2018
(Dollars in Thousands)

General Employees Retirement Fund

	2018	2017	2016	2015	2014
Commission's proportion of the net pension liability	0.8975%	0.8819%	1.0083%	1.0417%	0.6777%
Commission's proportionate share of the net pension liability	$ 49,790	$ 56,300	$ 81,869	$ 53,986	$ 31,835
State's proportionate share of the net pension liability associated with the Commission	1,633	708	1,069	-	-
Total	$ 51,423	$ 57,008	$ 82,938	$ 53,986	$ 31,835
Commission's covered payroll	$ 44,773	$ 41,259	$ 39,103	$ 37,175	$ 36,047
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	111%	136%	209%	145%	88%
Plan fiduciary net position as a percentage of the total pension liability	80%	76%	69%	78%	79%

Public Employees Police and Fire Fund

	2018	2017	2016	2015	2014
Commission's proportion of the net pension liability	1.3059%	1.2200%	1.2430%	1.2710%	1.2310%
Commission's proportionate share of the net pension liability	$ 13,920	$ 16,471	$ 49,884	$ 14,442	$ 13,295
Commission's covered payroll	$ 13,992	$ 12,777	$ 12,217	$ 11,807	$ 11,221
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	99%	129%	408%	122%	118%
Plan fiduciary net position as a percentage of the total pension liability	89%	85%	64%	87%	87%

*The amounts presented for each fiscal year were determined as of June 30 (measurement date).

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

NOTES TO SCHEDULE:

Benefit changes: none

Fiscal year ended December 31, 2018
(Dollars in Thousands)

Changes of assumptions: The following changes in assumptions were made from the June 30, 2017 valuations.

GERF

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

PEPFF

- The mortality projection was changed from MP-2016 to MP-2017

Schedule of Commission's Pension Contributions
Required Supplementary Information (Last Ten Years*)
(Unaudited)

Fiscal year ended December 31, 2018
(Dollars in Thousands)

General Employees Retirement Fund

	2018	2017	2016	2015	2014
Statutorily required contribution	$ 5,096	$ 4,198	$ 4,085	$ 4,747	$ 4,556
Contributions in relation to the statutorily required contribution	$ 5,096	$ 4,198	$ 4,085	$ 4,747	$ 4,556
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Commission's covered-employee payroll	$ 46,016	$ 41,912	$ 40,274	$ 38,019	$ 37,151
Contributions as a percentage of covered payroll	11.07%	10.02%	10.14%	12.49%	12.26%

Public Employees Police and Fire Fund

	2018	2017	2016	2015	2014
Statutorily required contribution	$ 2,307	$ 2,040	$ 2,055	$ 1,920	$ 1,763
Contributions in relation to the statutorily required contribution	$ 2,307	$ 2,040	$ 2,055	$ 1,920	$ 1,763
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Commission's covered-employee payroll	$ 14,241	$ 12,593	$ 12,685	$ 11,852	$ 11,523
Contributions as a percentage of covered payroll	16.20%	16.20%	16.20%	16.20%	15.30%

*The amounts presented for each fiscal year were determined as of December 31.

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

NOTES TO SCHEDULE:

Benefit changes: none

Changes in assumptions:

GERF

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

Fiscal year ended December 31, 2018
(Dollars in Thousands)

PEPFF - no changes

Schedule of Changes in the Commission's Net OPEB Liability and Related Ratios
(Unaudited)

Fiscal year ended December 31, 2018

	2018
TOTAL OPEB LIABILITY	
Service cost	$ 1,026
Interest	3,244
Changes of assumptions	(7,893)
Benefit payments	(3,674)
Net change in total OPEB liability	(7,297)
Total OPEB liability - beginning	98,803
Total OPEB liability - ending	$ 91,506
PLAN FIDUCIARY NET POSITION	
Contributions - employer	$ 69,847
Net investment income	(21)
Benefit payments	(3,674)
Net change in fiduciary net position	66,152
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	$ 66,152
Commission's Net OPEB liability - ending	$ 25,354
Plan fiduciary net position as a percentage of the total OPEB liability	72%
Covered-employee payroll	$ 57,346
Commission's Net OPEB liability as a percentage of covered-employee payroll	160%

NOTES TO SCHEDULE:

Changes of assumptions: The discount rate used changed from 3.31% in 2017 to 4.00% in 2018.

Schedule of Commission's OPEB Contributions
(Unaudited)

Fiscal year ended December 31, 2018

	2018
Contractually determinted contribution	$ 69,847
Contributions in relation to the contractually determinted contribution	69,847
Contribution deficiency (excess)	$ -
Covered-employee payroll	57,346
Contributions as a percentage of covered-employee payroll	122%

Schedule of OPEB Investment Return
(Unaudited)

Fiscal year ended December 31, 2018

	2018
Annual money-weighted rate of return, net of investment expense	-1.56%

Schedule of OPEB Funding Progress
(Unaudited)

Fiscal year ended December 31, 2018

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Projected Unit Credit (in thousands)	Unfunded Actuarial Accrued Liability (UAAL) (in thousands)	Funded Ratio	Covered Payroll (in thousands)	UAAL as a Percentage of Covered Payroll
01/01/2018	$ 66,152	$ 91,506	$ 25,354	72.3%	$ 57,346	44.2%
01/01/2017	-	106,199	106,199	0.0%	50,175	211.7%
01/01/2016	-	95,236	95,236	0.0%	49,086	194.0%

Valuation Date	Active Employees	Retirees and Beneficiaries	Total
01/01/2018	576	266	842
01/01/2017	562	264	826
01/01/2016	574	246	820

Minneapolis/St. Paul, Minnesota
Metropolitan Airports Commission

Comprehensive Annual Financial Report

Years Ended December 31, 2018 and 2017

Statistical Section

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Statistical Section (Unaudited)

This part of the Commission's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures say about the Commission's overall financial health.

Contents

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Historical Operating Statements
For the Years Ending December 31
(Dollars in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
OPERATING REVENUES										
Airline rates and charges	$ 89,867	$ 90,376	$ 96,422	$ 98,437	$ 106,015	$ 111,005	$ 107,805	$ 112,653	$ 113,056	$ 123,631
Concessions	109,636	112,503	118,792	126,399	131,321	136,445	146,893	160,691	172,476	177,375
Rentals/fees	28,435	29,609	27,575	27,999	33,327	34,117	36,086	48,473	49,970	52,241
Utilities and other revenues	12,937	12,555	13,758	13,581	15,382	16,768	16,637	17,115	18,442	20,011
TOTAL OPERATING REVENUES	240,875	245,043	256,547	266,416	286,045	298,335	307,421	338,932	353,944	373,258
OPERATING EXPENSES										
Personnel	59,304	63,412	66,297	68,145	71,107	72,358	81,728	94,425	87,993	86,151
Administrative	1,301	1,271	1,532	1,561	1,407	1,610	1,521	1,723	1,993	2,058
Professional services	4,004	3,519	4,167	4,536	4,514	4,972	5,574	6,217	6,151	6,210
Utilities	16,553	16,238	16,568	16,288	18,633	20,873	18,304	18,816	19,619	19,930
Operating services	16,043	17,278	17,151	17,379	18,940	19,583	21,230	23,389	26,073	28,280
Maintenance	23,718	27,088	27,057	26,052	29,305	31,377	32,089	36,319	36,293	42,576
Depreciation and amortization	123,060	121,555	118,985	120,201	128,032	131,069	134,419	139,226	142,970	147,299
Other	2,510	2,583	3,531	2,632	2,950	3,323	3,454	4,411	5,611	4,531
TOTAL OPERATING EXPENSES	246,493	252,944	255,288	256,794	274,888	285,165	298,319	324,526	326,703	337,035
OPERATING INCOME (LOSS)	(5,618)	(7,901)	1,259	9,622	11,157	13,170	9,102	14,406	27,241	36,223
NONOPERATING REVENUES (EXPENSES)										
Investment income	30,625	33,933	21,440	8,184	7,066	8,746	9,241	12,634	12,306	19,104
Federal interest rate subsidies	-	-	-	-	-	-	599	914	978	940
Passenger facility charges	67,481	59,453	62,244	62,231	65,291	67,106	70,471	72,273	73,390	73,734
Gain (loss) on disposal of assets	205	119	14	(1,172)	(561)	(16,387)	60	2,029	(6,513)	(3,841)
Hotel facility charges	-	-	-	-	-	-	-	-	-	-
Interest expense	(84,198)	(85,141)	(78,186)	(64,613)	(64,792)	(67,734)	(57,614)	(62,238)	(48,949)	(42,810)
Flood expense net of insurance recovery	-	-	58	-	-	-	-	-	-	(365)
TOTAL NONOPERATING REVENUES (EXPENSES)	14,113	8,364	5,570	4,630	7,004	(8,269)	22,757	25,612	31,212	46,762
INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	8,495	463	6,829	14,252	18,161	4,901	31,859	40,018	58,453	82,985
CAPITAL CONTRIBUTIONS AND GRANTS	26,918	24,723	22,635	19,940	33,472	20,498	14,686	4,003	1,427	8,042
CHANGE IN NET POSITION	35,413	25,186	29,464	34,192	51,633	25,399	46,545	44,021	59,880	91,027
NET POSTION, BEGINNING OF YEAR, AS RESTATED	1,523,530	1,558,943	1,584,129	1,613,593	1,642,316	1,693,949	1,719,348	1,716,774	1,760,795	1,820,675
CHANGES IN ACCOUNTING PRINCIPLE/PRIOR PERIOD ADJUSTMENTS [1, 2, 3]	-	-	-	(5,469)	-	-	(49,119)	-	-	(34,929)
NET POSITION - BEGINNING OF YEAR, AS RESTATED	1,523,530	1,558,943	1,584,129	1,608,124	1,642,316	1,693,949	1,670,229	1,716,774	1,760,795	1,785,746
NET POSITION, END OF YEAR	$ 1,558,943	$ 1,584,129	$ 1,613,593	$ 1,642,316	$ 1,693,949	$ 1,719,348	$ 1,716,774	$ 1,760,795	$ 1,820,675	$ 1,876,773

[1] For the years ended December 31, 2009-2011, the amounts shown do not reflect the adoption of GASB Statement No. 65.

[2] For the years ended December 31, 2009-2014, the amounts shown do not reflect the adoption of GASB Statement No. 68.

Historical Revenues 2009 - 2018
Pursuant to the Commission's Master Trust Indenture
(Dollars in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Airline Rates & Charges										
Landing fees	$ 48,736	$ 48,223	$ 50,957	$ 51,964	$ 55,543	$ 57,049	$ 57,408	$ 60,099	$ 62,083	$ 69,000
Ramp fees	6,531	5,901	6,328	6,092	6,803	7,213	7,132	7,408	7,137	8,070
Lindbergh Terminal building rents	33,003	34,296	36,244	37,423	39,626	41,739	41,427	45,170	43,286	45,755
Other Lindbergh Terminal charges	3,410	3,714	3,841	3,351	3,506	3,862	4,872	4,684	5,248	5,822
Concessions rebate	(8,739)	(8,817)	(9,324)	(9,597)	(9,889)	(10,294)	(13,777)	(15,827)	(17,195)	(18,683)
Humphrey Building Rentals	6,729	6,815	8,148	8,991	10,160	11,165	10,480	10,813	12,300	13,399
Apron Fees - Non-Signatory	197	244	228	213	266	271	264	307	197	268
Total Airline Rates & Charges	89,867	90,376	96,422	98,437	106,015	111,005	107,806	112,654	113,056	123,631
Concessions										
Auto parking	61,546	63,682	66,612	72,621	76,569	80,659	87,579	91,235	95,231	93,887
Rental car	15,357	15,364	17,112	17,324	17,732	17,939	18,708	19,876	19,410	20,824
Food and beverage	13,052	12,957	13,398	13,808	14,743	16,128	16,836	21,044	23,137	24,241
Merchandise	8,082	8,027	8,373	8,607	8,489	8,245	8,191	8,701	10,170	11,056
Employee parking	2,254	2,473	2,578	2,929	2,414	2,917	3,328	3,653	4,101	4,352
Other	9,345	10,000	10,719	11,110	11,374	10,557	12,251	16,182	20,426	23,015
Total Concessions Revenue	109,636	112,503	118,792	126,399	131,321	136,445	146,893	160,691	172,475	177,375
Other Revenues										
Utilities	2,315	2,591	3,006	2,784	3,181	3,265	3,039	2,105	2,233	2,400
Other building and land rent	23,547	24,544	25,299	26,199	31,095	31,885	34,079	46,480	49,063	50,695
Other	10,605	9,940	7,567	6,937	7,731	8,648	8,666	9,243	9,235	10,771
Total Other Revenues	36,467	37,075	35,872	35,920	42,007	43,798	45,784	57,828	60,531	63,866
Total MSP Revenue	235,970	239,954	251,086	260,756	279,343	291,248	300,483	331,173	346,062	364,872
Total Reliever Airports	4,905	5,089	5,461	5,661	6,702	7,087	6,938	7,759	7,882	8,386
Total Operating Revenues	240,875	245,043	256,547	266,417	286,045	298,335	307,421	338,932	353,944	373,258
Investment income										
Capital lease interest	20,017	19,720	16,133	4,140	3,835	3,792	4,167	3,913	3,741	2,828
Other [2]	10,620	13,402	3,948	2,926	2,648	4,144	4,438	5,413	4,559	8,774
Total Investment Income	30,637	33,122	20,081	7,066	6,483	7,936	8,605	9,326	8,300	11,602
Capital lease principal payments	18,413	17,956	19,294	7,805	8,107	8,292	6,075	4,576	4,654	24,532
Total Revenues [1]	$ 289,925	$ 296,121	$ 295,922	$ 281,288	$ 300,635	$ 314,563	$ 322,101	$ 352,834	$ 366,898	$ 409,392

[1] Total Revenues do not include any PFC's as defined by the master trust indenture.

[2] Interest income on PFC's, Bond Series Construction Funds and Short-Term Funding Advances are not included as defined by the master trust indenture.

Source: Audited financial statements for the last ten years

Percentage Distribution of Operating Revenues 2009 - 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Airline Rates & Charges										
Landing fees	20.2%	19.5%	19.7%	19.6%	19.4%	19.1%	18.7%	17.7%	17.5%	18.4%
Ramp fees	2.7%	2.4%	2.5%	2.3%	2.4%	2.4%	2.3%	2.2%	2.0%	2.2%
Lindbergh Terminal building rents	13.7%	14.0%	14.1%	14.0%	13.9%	14.2%	13.4%	13.3%	12.2%	12.3%
Other Lindbergh Terminal charges	1.4%	1.5%	1.5%	1.3%	1.2%	1.3%	1.6%	1.4%	1.5%	1.6%
Concessions rebate	-3.6%	-3.6%	-3.6%	-3.6%	-3.5%	-3.5%	-4.5%	-4.7%	-4.9%	-5.0%
Humphrey Building Rentals	2.8%	2.9%	3.3%	3.4%	3.6%	3.7%	3.4%	3.2%	3.5%	3.6%
Total Airline Rates & Charges	37.2%	36.7%	37.5%	37.0%	37.0%	37.2%	34.9%	33.1%	31.8%	33.1%
Concessions										
Auto parking	25.6%	26.0%	26.0%	27.3%	26.8%	27.0%	28.5%	26.9%	26.9%	25.2%
Rental car	6.4%	6.3%	6.7%	6.5%	6.2%	6.0%	6.1%	5.9%	5.5%	5.6%
Food and beverage	5.4%	5.3%	5.2%	5.2%	5.2%	5.4%	5.5%	6.2%	6.5%	6.5%
Merchandise	3.4%	3.3%	3.3%	3.2%	3.0%	2.8%	2.7%	2.6%	2.9%	3.0%
Employee parking	0.9%	1.0%	1.0%	1.1%	0.8%	1.0%	1.1%	1.1%	1.2%	1.2%
Other	3.9%	4.1%	4.2%	4.2%	4.0%	3.5%	4.0%	4.9%	5.9%	6.3%
Total Concessions Revenue	45.6%	46.0%	46.4%	47.5%	46.0%	45.7%	47.9%	47.6%	48.9%	47.8%
Other Revenues										
Utilities	1.0%	1.1%	1.2%	1.0%	1.1%	1.1%	1.0%	0.6%	0.6%	0.6%
Other building and land rent	9.8%	10.0%	9.9%	9.8%	10.9%	10.7%	11.1%	13.7%	13.9%	13.4%
Other	4.4%	4.1%	2.9%	2.6%	2.7%	2.9%	2.8%	2.7%	2.6%	2.9%
Total Other Revenues	15.2%	15.2%	14.0%	13.4%	14.7%	14.7%	14.9%	17.0%	17.1%	16.9%
Total MSP Revenue	98.0%	97.9%	97.9%	97.9%	97.7%	97.6%	97.7%	97.7%	97.8%	97.8%
Total Reliever Airports	2.0%	2.1%	2.1%	2.1%	2.3%	2.4%	2.3%	2.3%	2.2%	2.2%
Total Operating Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Minneapolis/St. Paul Metropolitan Airports Commission

Net Position by Business-Type Activities 2009 - 2018
(Dollars in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business Type Activities										
Net investment in capital assets	$ 1,145,797	$ 1,140,449	$ 1,144,522	$ 1,123,522	$ 1,168,529	$ 1,152,189	$ 1,163,545	$ 1,265,771	$ 1,338,558	$ 1,447,104
Restricted	253,811	273,540	306,528	373,736	362,468	287,279	299,192	341,266	278,281	302,793
Unrestricted	159,335	170,140	162,543	145,058	162,952	279,880	254,037	153,758	203,836	126,876
Total business type activities	$ 1,558,943	$ 1,584,129	$ 1,613,593	$ 1,642,316	$ 1,693,949	$ 1,719,348	$ 1,716,774	$ 1,760,795	$ 1,820,675	$ 1,876,773

Source: Audited financial statements for the last ten years

Delta Airlines Revenue Summary

2009 - 2018

(Dollars in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Delta Revenue as a Percentage of Total Adjusted MAC Operating Revenues										
Total MAC Operating Revenues	$ 240,875	$ 245,043	$ 256,547	$ 266,418	$ 286,045	$ 298,335	$ 307,421	$ 338,932	$ 353,944	$ 373,258
Lease Principal/Interest Payments	38,430	37,676	37,973	11,945	11,939	12,084	10,227	8,488	8,394	27,360
Interest Income-MAC Funds [1]	5,193	11,183	3,467	2,862	3,215	3,461	3,838	4,915	6,282	12,362
Total Adjusted MAC Operating Revenues	284,498	293,902	297,987	281,225	301,199	313,880	321,486	352,335	368,620	412,980
Delta Portion of Operating Revenues	66,503	66,711	70,910	71,144	75,391	78,301	74,078	78,793	74,856	81,856
Delta Portion of Lease Payments	32,127	33,336	33,736	7,655	7,599	7,687	5,780	3,789	3,635	22,234
Total Delta Revenue	98,630	100,047	104,646	78,799	82,990	85,988	79,858	82,582	78,491	104,090
Delta % of Total Adjusted MAC Operating Revenues	**34.67%**	**34.04%**	**35.12%**	**28.02%**	**27.55%**	**27.40%**	**24.84%**	**23.44%**	**21.29%**	**25.20%**
Total Adjusted MAC Operating Revenues	$ 284,498	$ 293,902	$ 297,987	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less: Delta GO 9/15 Lease Payments [2]	(25,721)	(26,037)	(26,376)	-	-	-	-	-	-	-
Total Adjusted MAC Operating Revenues, Net of GO 9/15 Financing	258,777	267,865	271,611	-	-	-	-	-	-	-
					-					
Total Delta Revenue	98,630	100,047	104,646	-	-	-	-	-	-	-
Less: Delta GO 9/15 Lease Payments [2]	(25,721)	(26,037)	(26,376)	-	-	-	-	-	-	-
Total Delta Revenue, Net of GO 9/15 Financing	72,909	74,010	78,270	-	-	-	-	-	-	-
Delta % of Total Adjusted MAC Operating Revenues, Net of GO 9/15 Financing	**28.17%**	**27.63%**	**28.82%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Delta Revenue as a Percentage of Total Airline Rates & Charges										
Total Airline Rates & Charges Revenue	$ 89,867	$ 90,376	$ 96,422	$ 98,536	$ 106,015	$ 111,005	$ 107,805	$ 112,653	$ 113,056	$ 123,631
Air Carrier Lease Payments	36,188	35,658	35,960	9,933	9,932	10,077	8,227	6,519	6,425	25,391
Total Air Carrier Revenue	126,055	126,034	132,382	108,469	115,947	121,082	116,032	119,172	119,481	149,022
Total Delta Revenue	98,630	100,047	104,646	78,799	82,990	85,988	79,858	82,582	78,491	104,090
Delta % of Total Air Carrier Revenue	**78.24%**	**79.38%**	**79.05%**	**72.65%**	**71.58%**	**71.02%**	**68.82%**	**69.30%**	**65.69%**	**69.85%**
Total Air Carrier Revenue	$ 126,055	$ 126,034	$ 132,382	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less: Delta GO 9/15 Lease Payments [2]	(25,721)	(26,037)	(26,376)	-	-	-	-	-	-	-
Total Air Carrier Revenue, Net of GO 9/15 Financing	100,334	99,997	106,006	-	-	-	-	-	-	-
Total Delta Revenue	98,630	100,047	104,646	-	-	-	-	-	-	-
Less: Delta GO 9/15 Lease Payments [2]	(25,721)	(26,037)	(26,376)	-	-	-	-	-	-	-
Total Delta Revenue, Net of GO 9/15 Financing	72,909	74,010	78,270	-	-	-	-	-	-	-
Delta % of Total Air Carrier Revenue, Net of GO 9/15 Financing	**72.67%**	**74.01%**	**73.84%**	**#DIV/0!**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**

[1] Does not include interest income earned on PFC's, which are not available to pay debt service on Delta obligations.

[2] In 2011, Delta paid off the remaining debt associated with GO 9/15.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

Top Ten Revenue Providers 2018 and 2009
(Dollars in Thousands)

	2018		2009	
	Rank	Revenue	Rank	Revenue
Company				
Northwest/Delta Airlines	1	$ 81,856	1	$ 66,503
Enterprise Rent A Car[1]	2	20,188	8	3,051
Hertz	3	13,732	4	6,335
HMS Host	4	11,195	2	10,641
Sun Country Airlines	5	11,012	7	4,990
Avis	6	10,776	6	5,145
Southwest Airlines	7	6,295	-----	-
Delaware North	8	6,263	-----	-
American Airlines	9	6,244	10	2,776
United Airlines	10	5,741	9	3,060
National/Alamo Car Rental[1]	-----	-	5	6,191
Minnesota Retail Partners	-----	-	3	6,600

[1] Enterprise Rent a Car owns National Car Rental and Alamo.

Source: Comprehensive Annual Financial Report 2009 and 2018

Air Carrier Market Share - Total Enplaned Passengers[1]
For the Years Ended December 31
Ranked on Year 2018 Results

2018 Ranking	Air Carrier	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018 % of Total[2]
1	NWA/Delta	8,967,602	8,453,914	8,041,859	7,953,185	8,076,972	8,594,887	9,139,346	9,321,182	9,787,444	9,885,227	53.8%
2	Skywest[3]	26,549	529,568	836,730	1,181,445	1,134,982	867,993	1,247,022	1,653,123	1,853,025	2,395,179	13.0%
3	Sun Country	496,622	470,474	554,434	616,320	757,552	815,386	1,029,007	1,111,020	1,213,114	1,180,832	6.4%
4	Southwest	283,986	500,493	609,692	623,913	742,664	841,201	940,592	1,053,554	1,028,051	970,711	5.3%
5	American[10]	508,470	445,125	374,080	376,370	377,739	341,957	586,682	1,063,249	1,027,450	865,571	4.7%
6	Endeavor Air[3]	722,510	707,641	727,037	1,453,778	1,634,337	2,011,953	1,608,015	1,243,837	920,896	730,261	4.0%
7	Spirit Airlines	-	-	-	108,866	307,298	495,316	517,770	606,511	621,926	579,370	3.2%
8	United	470,403	396,060	340,920	227,392	190,994	167,638	425,390	489,262	499,943	455,512	2.5%
9	Republic[5]	-	-	63,092	63,947	72,328	37,913	6,925	184,872	233,073	295,947	1.6%
10	Frontier	183,393	188,438	260,492	191,650	177,613	228,771	227,378	163,525	174,796	246,034	1.3%
11	Go Jet[3,4]	-	-	-	3,717	42,534	97,992	10,750	50,644	152,931	189,770	1.0%
12	Mesa[4,5]	-	-	-	-	-	42,011	66,311	105,124	103,591	111,332	0.6%
13	Alaska Airlines	91,064	94,491	95,269	84,588	93,635	92,491	96,084	117,617	111,963	109,104	0.6%
14	JetBlue	-	-	-	-	-	-	-	-	-	77,195	0.4%
15	Sky Regional - Air Canada									31,948	58,227	0.3%
16	Other	301,850	329,354	287,738	76,137	96,937	65,816	86,095	89,444	69,220	47,913	0.3%
17	Icelandair	16,535	20,955	22,314	21,169	20,513	20,323	28,926	39,500	50,398	45,826	0.2%
18	Horizon Air	-	-	-	-	-	-	-	-	-	39,776	0.2%
19	KLM Royal Dutch[a]									25,020	37,159	0.2%
20	ExpressJet[8]	1,799	6,314	89,688	132,885	263,821	323,786	362,785	235,633	143,540	34,924	0.2%
21	Air France									30,571	26,538	0.1%
	Compass[3]	905,487	1,078,771	1,270,728	1,418,939	1,184,213	838,901	514,171	514,828	293,020	-	0.0%
	Shuttle America[4]	-	-	191,296	308,820	209,015	201,233	137,799	74,587	8,881	-	0.0%
	Envoy[6]	-	-	-	128,382	115,022	144,150	55,935	4,790	4,353	-	0.0%
	United Express	130,794	159,781	94,753	96,550	116,724	101,926	178,132	38,450	-	-	0.0%
	US Airways[10]	455,163	430,890	465,967	532,384	592,391	561,351	465,291	-	-	-	0.0%
	Air Tran Airways[9]	247,834	261,709	295,675	269,552	159,983	107,077	-	-	-	-	0.0%
	Comair[3]	-	298,339	124,125	94,350	-	-	-	-	-	-	0.0%
	Continental[7]	83,999	32,278	25,689	48,800	-	-	-	-	-	-	0.0%
	Mesaba Aviation[3]	1,577,271	1,249,049	1,200,611	6,899	-	-	-	-	-	-	0.0%
	Midwest	79,803	61,165	-	-	-	-	-	-	-	-	0.0%
	Champion	-	-	-	-	-	-	-	-	-	-	0.0%
		15,551,134	15,714,809	15,972,189	16,020,038	16,367,267	17,000,072	17,730,406	18,160,752	18,385,154	18,382,408	100.0%

[1] The figures may differ from the passenger statistics reported by the Air Carriers to the Airport.

[2] Percentages may not sum to totals due to rounding.

[3] Codeshare with Northwest/Delta. Its decrease was picked up by Northwest Airlines (NWA) and NWA-affiliated carrier, Endeavor Air (formerly Pinnacle Airlines), which commenced its operations at MSP International Airport in July 2001. Comair ceased operations in September 2012.

[4] Codeshare with United.

[5] Codeshare with US Airways/American.

[6] Codeshare with American/formerly American Eagle.

[7] Continental and United began operating under a single carrier code in 2012.

[8] Atlantic Southeast Airlines and ExpressJet Airlines began operating under a single carrier code in 2011.

[9] AirTran Airways merged with Southwest Airlines in 2012 with full integration in 2014.

[10] US Airways and American began operating under a single carrier code in 2015.

Enplaned Passenger Trends
For the Years Ended December 31

	Originating Enplaned Passengers [1]	Originating % of Total	Connecting Enplaned Passengers [1]	Connecting % of Total	Total	% Change From Previous Year
2009	8,318,949	53.5%	7,232,185	46.5%	15,551,134	-8.36%
2010	9,147,140	58.2%	6,567,669	41.8%	15,714,809	1.05%
2011	8,676,764	54.3%	7,295,425	45.7%	15,972,189	1.64%
2012	8,667,889	54.1%	7,352,149	45.9%	16,020,038	0.30%
2013	8,927,053	54.5%	7,440,214	45.5%	16,367,267	2.17%
2014	9,290,977	54.7%	7,709,095	45.3%	17,000,072	3.87%
2015	9,791,389	55.2%	7,939,017	44.8%	17,730,406	4.30%
2016	10,500,930	57.8%	7,659,822	42.2%	18,160,752	2.43%
2017	11,032,337	60.0%	7,352,817	40.0%	18,385,154	1.24%
2018	11,523,760	62.7%	6,858,648	37.3%	18,382,408	-0.01%

Average Annual Compound Growth

	Originating	Connecting	Total
2009 - 2018	3.31%	-0.53%	1.69%

[1] Includes passengers who connected to domestic flights at MSP but were bound for international destinations via other U.S. gateway airports. Includes domestic-to-domestic, domestic-to-international, and international-to-domestic connections.

The above figures may differ from the passenger statistics reported by the airlines to the MSP.

Sources: DOT, Schedules T-100 and T-3, DOT, Air Passenger Origin - Destination Survey, reconciled to Schedules T-100 and 298C T-1; Minneapolis/St. Paul Metropolitan Airports Commission

Air Carrier Market Share - Total Cargo Handled (in tons)
For the Years Ended December 31
Ranked on Year 2018 Results

2018 Ranking	Air Carrier	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018 % of Total [1]
1	Federal Express	105,897.7	102,494.0	98,712.2	99,297.3	94,006.3	87,898.2	85,248.4	99,699.1	101,868.2	101,899.4	38.6%
2	UPS	53,794.7	58,349.9	61,101.1	57,174.2	57,826.2	61,142.2	58,699.1	58,062.6	63,859.9	69,805.2	26.5%
3	Northwest/Delta	31,094.2	43,115.5	45,152.0	48,664.7	51,792.3	53,483.7	55,634.0	45,697.3	60,281.5	60,950.3	23.1%
4	DHL	87.5	-	2,810.8	4,498.3	5,220.0	6,201.1	6,775.5	6,900.0	7,651.0	7,757.1	2.9%
5	Amazon										7,501.3	2.8%
6	Sun Country	1,370.2	619.8	967.2	1,686.1	2,359.7	2,944.1	4,971.8	7,340.4	7,940.2	5,196.3	2.0%
7	KLM Royal Dutch									1,958.7	3,126.5	1.2%
8	Southwest	758.5	1,343.2	1,471.2	1,643.5	1,522.0	1,842.3	2,055.9	2,760.7	1,771.8	1,703.5	0.6%
9	Air France	-	-	-	-	268.1	336.9	339.1	400.7	1,062.6	1,311.0	0.5%
10	Mountain Air Cargo	-	-	902.3	844.0	1,049.7	1,084.5	930.3	1,103.2	1,095.3	1,052.3	0.4%
11	United	2,497.9	2,368.2	1,777.6	1,686.6	1,096.2	1,783.3	2,813.3	2,530.3	1,857.6	997.0	0.4%
12	American [3]	875.2	319.6	199.4	41.3	66.5	201.0	282.0	1,203.7	1,086.5	878.0	0.3%
13	Other	35.1	1,073.1	263.1	338.4	239.5	318.9	494.6	507.2	545.4	676.1	0.3%
14	Condor	-	-	-	-	-	-	-	-	153.2	399.2	0.2%
15	Icelandair	-	-	-	-	-	-	159.3	298.2	516.2	191.7	0.1%
16	Alaska Airlines	-	-	120.7	157.2	239.5	219.5	130.9	162.3	394.1	166.7	0.1%
17	IFL Group	-	-	-	-	-	-	-	517.5	291.4	123.2	0.0%
18	CSA Air	-	-	-	-	-	-	231.8	389.2	167.3	18.0	0.0%
	Suburban Air Freight	-	-	-	-	289.5	452.2	513.8	542.3	389.7	-	0.0%
	US Airways [3]	1,970.6	2,284.7	2,055.8	1,448.4	1,299.9	981.7	454.8	-	-	-	0.0%
	Airborne	1,021.0	4,300.8	1,780.3	872.7	114.7	-	-	-	-	-	0.0%
	Frontier	232.0	282.2	242.6	179.8	188.5	-	-	-	-	-	0.0%
	ATI/BAX Global	8,146.0	17,521.6	12,197.8	-	-	-	-	-	-	-	0.0%
	Continental [2]	583.8	231.7	228.2	479.1	-	-	-	-	-	-	0.0%
	Mesaba	721.4	-	-	-	-	-	-	-	-	-	0.0%
	Midwest	11.3	0.7	-	-	-	-	-	-	-	-	0.0%
		209,097.1	234,305.0	229,982.3	219,011.6	217,578.6	218,889.6	219,734.6	228,114.7	252,890.6	263,752.8	100.0%

[1] Percentages may not sum to totals due to rounding.

[2] Continental and United began operating under a single carrier code in 2012.

[3] US Airways and American began operating under a single carrier code in 2015.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

Enplaned Cargo Trends
For the Years Ended December 31

(Freight and mail in thousands of tons)

Air Carrier	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Average Annual Growth Compound
Passenger	19.0	21.9	24.6	26.9	27.9	28.4	30.7	25.2	31.7	30.7	4.9%
All Cargo	83.7	90.0	87.9	80.4	81.8	86.4	82.7	83.5	87.3	89.3	0.6%
Total	102.7	111.9	112.5	107.3	109.7	114.8	113.4	108.6	119.0	120.1	1.6%

AAG - Average annual compound growth

Source: Minneapolis/St. Paul Metropolitan Airports Commission

Trends in Enplaned Cargo by Type of Carrier
For the Years Ended December 31

	Passenger Carriers		All Cargo Carriers		
	Tons	% of Total	Tons	% of Total	Total Cargo
2009	19,004	18.5%	83,742	81.5%	102,746
2010	21,942	19.6%	89,990	80.4%	111,932
2011	24,595	21.9%	87,932	78.1%	112,527
2012	26,876	25.0%	80,442	75.0%	107,318
2013	27,945	25.5%	81,766	74.5%	109,711
2014	28,377	24.7%	86,414	75.3%	114,791
2015	30,691	27.1%	82,678	72.9%	113,369
2016	25,165	23.2%	83,460	76.8%	108,625
2017	31,652	26.6%	87,259	73.4%	118,911
2018	30,701	25.6%	89,333	74.4%	120,034
Average Annual Compound Growth					
2009 - 2018	4.91%		0.65%		1.57%

Source: Minneapolis/St. Paul Metropolitan Airports Commission

Trends in Enplaned Cargo by Freight & Mail
For the Years Ended December 31

	Freight/Express		Mail		
	Tons	% of Total	Tons	% of Total	Total Cargo
2009	98,493	95.9%	4,253	4.1%	102,746
2010	105,919	94.6%	6,013	5.4%	111,932
2011	104,455	92.8%	8,072	7.2%	112,527
2012	97,220	90.6%	10,098	9.4%	107,318
2013	101,337	92.4%	8,374	7.6%	109,711
2014	107,500	93.6%	7,291	6.4%	114,791
2015	104,517	92.2%	8,852	7.8%	113,369
2016	98,140	90.3%	10,484	9.7%	108,624
2017	103,087	86.7%	15,824	13.3%	118,911
2018	103,521	86.2%	16,513	13.8%	120,034

Average Annual Compound Growth

	Freight/Express	Mail	Total Cargo
2009 - 2018	0.50%	14.53%	1.57%

Source: Minneapolis/St. Paul Metropolitan Airports Commission

Revenue Bond Debt Service Coverage - Rate Covenant for Senior Debt
For the Years Ended December 31
(Dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues per Master Trust Indenture	$ 289,925	$ 296,121	$ 295,922	$ 281,288	$ 300,635	$ 314,563	$ 322,101	$ 352,834	$ 366,898	$ 409,392
Expenses										
Operating expenses	246,493	252,944	255,287	256,793	274,888	285,165	292,589	308,033	320,022	340,215
Less: Depreciation expense	(123,060)	(121,555)	(118,985)	(120,201)	(128,010)	(131,069)	(134,419)	(139,226)	(142,970)	(147,299)
Total operating expenses, excluding depreciation expense	123,433	131,389	136,302	136,592	146,878	154,096	158,170	168,807	177,052	192,916
Net Revenues	166,492	164,732	159,620	144,696	153,757	160,467	163,931	184,027	189,846	216,476
Annual debt service - Senior Airport Revenue Bonds	(45,887)	(44,540)	(41,525)	(43,436)	(48,274)	(50,413)	(48,084)	(48,909)	(39,461)	(31,240)
Annual debt service - General Obligation Revenue Bonds	(32,797)	(29,532)	(29,843)	(3,414)	(2,954)	-	-	-	-	-
Principal and interest on other indebtedness [1]	(32,356)	(31,118)	(42,285)	(40,970)	(47,809)	(48,383)	(45,216)	(46,546)	(48,952)	(66,522)
Must not be less than zero	55,452	59,542	45,967	56,876	54,720	61,671	70,631	88,572	101,433	118,714
Requirement Section										
Net revenues	166,492	164,732	159,620	144,696	153,757	160,467	163,931	184,027	189,846	216,476
Transfer - Coverage Fund [2]	11,580	11,472	11,579	10,381	12,069	12,603	12,021	12,227	9,865	7,810
Total available	178,072	176,204	171,199	155,077	165,826	173,070	175,952	196,254	199,711	224,286
Senior Debt Service times 125% [3]	(57,359)	(55,675)	(51,906)	(54,295)	(60,343)	(57,896)	(60,105)	(61,136)	(49,326)	(39,050)
Must not be less than zero	120,713	120,529	119,293	100,782	105,483	115,174	115,847	135,118	150,385	185,236
Pro Forma Coverage on Senior Lien Debt										
Net revenues	166,492	164,732	159,620	144,696	153,757	160,467	163,931	184,027	189,846	216,476
Transfer - Coverage Fund [2]	11,579	10,381	10,381	10,859	12,069	12,603	12,021	12,227	9,865	7,810
Total available	178,071	175,113	170,001	155,555	165,826	173,070	175,952	196,254	199,711	224,286
Annual debt service - Senior Airport Revenue Bonds	(45,887)	(44,540)	(41,525)	(43,436)	(48,274)	(50,413)	(48,084)	(48,909)	(39,461)	(31,240)
Annual debt service - General Obligation Revenue Bonds	(32,797)	(29,532)	(29,843)	(3,414)	(2,954)	-	-	-	-	-
Total Debt Service - Senior Lien Debt	(78,684)	(74,072)	(71,368)	(46,850)	(51,228)	(50,413)	(48,084)	(48,909)	(39,461)	(31,240)
Coverage with Transfer	226%	236%	238%	332%	324%	343%	366%	401%	506%	718%
Coverage without Transfer	212%	222%	224%	309%	300%	318%	341%	376%	481%	693%

[1] Excludes General Obligation Revenue Bonds and Senior Airport Revenue Bonds.

[2] Transfer is limited to no more than 25% of Aggregate Annual Debt Service on Outstanding Senior Airport Revenue Bonds.

[3] Using Annual Debt Service on Senior Airport Revenue Bonds.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

Revenue Bond Debt Service Coverage - Rate Covenant for Subordinate Lien Debt
For the Years Ended December 31
(Dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues per Master Trust Indenture	$ 289,925	$ 296,121	$ 295,922	$ 281,288	$ 300,635	$ 314,563	$ 322,101	$ 352,834	$ 366,898	$ 409,392
Expenses										
Operating expenses	246,493	252,944	255,287	256,793	274,888	285,165	292,589	308,033	320,022	340,215
Less: Depreciation expense	(123,060)	(121,555)	(118,985)	(120,201)	(128,010)	(131,069)	(134,419)	(139,226)	(142,970)	(147,299)
Total operating expenses, excluding depreciation expense	123,433	131,389	136,302	136,592	146,878	154,096	158,170	168,807	177,052	192,916
Annual debt service - Senior Airport Revenue Bonds	45,887	44,540	41,525	43,436	48,274	50,413	48,084	48,909	39,461	31,240
Annual debt service - General Obligation Revenue Bonds	32,797	29,532	29,843	3,414	2,954	-	-	-	-	-
Subordinate revenues	87,808	90,660	88,252	97,846	102,529	110,054	115,847	135,118	150,385	185,236
Principal and interest on Subordinate Bonds	(32,356)	(31,118)	(35,393)	(40,970)	(47,807)	(48,383)	(45,216)	(46,546)	(52,413)	(58,326)
Must not be less than zero	$ 55,452	$ 59,542	$ 52,859	$ 56,876	$ 54,722	$ 61,671	$ 70,631	$ 88,572	$ 97,972	$ 126,910
Requirement Section										
Subordinate revenues	$ 87,808	$ 90,660	$ 88,252	$ 97,846	$ 102,529	$ 110,054	$ 115,847	$ 135,118	$ 150,385	$ 185,236
Transfers [1]	3,034	3,236	3,112	4,229	4,097	4,781	4,522	4,655	5,241	5,833
Total available	90,842	93,896	91,364	102,075	106,626	114,835	120,369	139,773	155,626	191,069
Outstanding Subordinate Debt Service Times 110% [2]	(33,354)	(32,358)	(35,393)	(45,583)	(44,686)	(52,229)	(55,659)	(49,343)	(57,654)	(64,159)
Must not be less than zero	$ 57,488	$ 61,538	$ 55,971	$ 56,492	$ 61,940	$ 62,606	$ 64,710	$ 90,430	$ 97,972	$ 126,910
Pro Forma Coverage on Subordinate Lien Debt										
Subordinate revenues	$ 87,808	$ 90,660	$ 88,252	$ 97,846	$ 102,529	$ 110,054	$ 115,847	$ 135,118	$ 150,385	$ 185,236
Principal and interest in Subordinate Bonds [2]	29,416	30,887	32,175	41,439	40,624	47,480	50,599	44,857	52,413	58,326
Coverage without Transfer	299%	294%	274%	236%	252%	232%	229%	301%	287%	318%
Pro Forma Coverage on Senior and Subordinate Lien Debt										
Net Revenues	$ 166,492	$ 164,732	$ 159,620	$ 144,696	$ 153,757	$ 160,467	$ 163,931	$ 184,027	$ 189,846	$ 216,476
Total Debt Service - Senior and Subordinate Debt	108,100	104,959	103,543	88,289	91,852	97,893	98,682	93,766	91,590	89,566
Coverage without Transfer	154%	157%	154%	164%	167%	164%	166%	196%	207%	242%

[1] Transfer is limited to no more than 10% of Aggregate Annual Debt Service on Outstanding Subordinate Airport Revenue Bonds.

[2] Using Annual Debt Service on Subordinate Airport Revenue Bonds.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

Operating Ratio[1]
For the Years Ended December 31
(Dollars in Thousands)

	Operating Expenses [2]	Operating Revenues	Operating Ratio
2009	$ 123,433	$ 240,875	51%
2010	131,389	245,043	54%
2011	136,302	256,548	53%
2012	136,592	266,417	51%
2013	146,855	286,044	51%
2014	154,096	298,335	52%
2015	158,170	307,422	51%
2016	168,923	338,933	50%
2017	177,052	353,944	50%
2018	192,916	373,258	52%

[1] Operating ratio is operating expenses, net of depreciation and GASB 68 pension adjustment, divided by total operating revenues.

[2] Operating expenses exclude depreciation and GASB 68 pension adjustment.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

Debt per Enplaned Passenger
For the Years Ended December 31
(Dollars in Thousands)

	General Airport Revenue Bonds Outstanding	General Obligation Revenue Bonds Outstanding	Notes Payable Outstanding	Other Debt	Subtotal	Enplaned Passengers	Debt per Enplaned Passenger
2009	1,483,445	261,193	6,337	30,587	$ 1,781,562	15,551,134	$ 114.56
2010	1,587,837	241,727	6,885	-	1,836,449	15,714,809	116.86
2011	1,560,345	12,530	6,792	-	1,579,667	15,972,189	98.90
2012	1,551,546	9,400	6,680	11,300	1,578,926	16,020,038	98.56
2013	1,500,811	6,126	10,165	15,950	1,533,052	16,367,267	93.67
2014	1,413,318	2,840	35,050	15,460	1,466,668	17,000,072	86.27
2015	1,362,033	-	48,397	42,460	1,452,890	17,730,406	81.94
2016	1,685,956	-	47,805	40,649	1,774,410	18,160,752	97.71
2017	1,624,443	-	46,953	38,020	1,709,416	18,385,154	92.98
2018	1,549,658	-	46,941	71,031	1,667,630	18,382,408	90.72

Source: Minneapolis/St. Paul Metropolitan Airports Commission

Population
For the Years Ended December 31
(In thousands)

	Minnesota	MSA [1]	% of Total
2009	5,266	3,270	62%
2010	5,303	3,349	63%
2011	5,347	3,389	63%
2012	5,379	3,422	64%
2013	5,420	3,459	64%
2014	5,457	3,428	63%
2015	5,490	3,462	63%
2016	5,520	3,528	64%
2017	5,577	3,594	64%
2018	5,611	3,629	65%

[1] MSA is defined as the Metropolitan Statistical Area of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti Ramsey, Scott, Sherburne, Washington and Wright counties in Minnesota and Pierce and St. Croix counties in Wisconsin.

Civilian Unemployment Rate
For the Years Ended December 31

	United States	Minnesota	MSA
2009	9.3%	8.0%	7.8%
2010	9.1%	6.8%	6.6%
2011	8.3%	5.7%	5.5%
2012	7.8%	5.5%	5.1%
2013	6.7%	4.6%	4.3%
2014	5.6%	3.7%	3.3%
2015	5.0%	3.7%	3.1%
2016	4.5%	4.1%	3.6%
2017	4.1%	3.3%	2.9%
2018	3.7%	2.9%	2.8%

Sources:
U.S. Department of Commerce, Bureau of Economic Analysis
Minnesota Department of Unemployment and Economic Development

Personal Income
For the Years Ended December 31
(Dollars in Millions)

	Minnesota	MSA [1]	% of Total
2009	220,438	149,594	68%
2010	227,288	152,789	67%
2011	238,768	161,468	68%
2012	248,047	172,004	69%
2013	259,397	177,051	68%
2014	265,824	185,825	70%
2015	277,483	194,372	70%
2016	292,682	201,427	69%
2017	295,798	215,087	73%
2018	Not available	Not available	

[1] MSA is defined as the Metropolitan Statistical Area of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti Ramsey, Scott, Sherburne, Washington and Wright counties in Minnesota and Pierce and St. Croix counties in Wisconsin.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Per Capita Personal Income
For the Years Ended December 31

	Minnesota	MSA [1]
2009	41,859	45,750
2010	42,798	46,498
2011	44,560	48,657
2012	46,227	50,260
2013	47,856	51,183
2014	48,711	53,166
2015	50,541	55,148
2016	52,876	56,723
2017	53,043	59,736
2018	Not available	Not available

[1] MSA is defined as the Metropolitan Statistical Area of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti Ramsey, Scott, Sherburne, Washington and Wright counties in Minnesota and Pierce and St. Croix counties in Wisconsin.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Minnesota's Largest 10 Employers Ranked by In-State Employees
For the Years Ended December 31

Company	2018 Employees	Rank	% of Total Employment	2009 Employees	Rank	% of Total Employment
Mayo Clinic	41,691	1	1.41%	37,000	2	1.38%
State of Minnesota	40,293	2	1.36%	53,729	1	2.00%
United States Federal Government	34,427	3	1.16%	33,000	3	1.23%
Fairview Health Services	33,350	4	1.13%	21,507	6	0.80%
Allina Health System	28,465	5	0.96%	23,818	5	0.89%
Target Corporation	27,000	6	0.91%	29,000	4	1.08%
University of Minnesota	26,900	7	0.91%	19,718	9	0.73%
HealthPartners, Inc.	24,310	8	0.82%	-	-	0.00%
Wells Fargo & Co.	19,000	9	0.64%	20,613	7	0.77%
UnitedHealth Group Inc.	18,000	10	0.61%	-	-	0.00%
Minnesota State Colleges/Universities	16,184	11	0.55%	-	-	0.00%
3M Co.	15,000	12	0.51%	15,000	10	0.56%
Wal-Mart Stores, Inc.	-	-	-	20,230	8	0.75%
Total	324,620			273,615		
Total Nonfarm Employment	2,956,831			2,687,740		

Sources:
Minnesota Business Journal Book of Lists

Minnesota Department of Employment and Economic Development

Employment Share by Industry
For the Year Ended December 31

	2018 Minnesota	2009 Minnesota
Trade, Transportation and Utilities	18.5%	19.1%
Education and Health Services	18.4%	17.4%
Public Administration	14.6%	15.9%
Professional and Business Services	12.8%	11.5%
Manufacturing	10.8%	11.0%
Leisure and Hospitality	8.9%	8.6%
Financial Activities	6.2%	6.6%
Other Services	3.8%	4.3%
Construction	4.1%	3.3%
Information	1.7%	2.1%
Natural Resources and Mining	0.2%	0.2%
	100.0%	100.0%

Source: Minnesota Department of Employment and Economic Development

Activity Statistics
For the Years Ended December 31

	Total Revenue Passengers [1]	Aircraft Operations [2]	Mail and Cargo Volume (Metric Tons)
2009	31,273,224	432,395	209,097
2010	31,734,714	436,625	211,778
2011	31,977,163	436,506	208,637
2012	32,070,628	425,332	198,684
2013	32,763,027	431,328	197,384
2014	34,073,543	412,586	198,573
2015	35,494,425	404,612	199,340
2016	36,346,859	413,279	206,942
2017	36,799,978	416,213	229,440
2018	36,778,496	407,476	239,273

[1] Passengers include on-line connecting. (On-line connecting passengers are passengers that change to another flight on the same carrier.)

[2] An aircraft operation represents the total number of takeoffs and landings at the airport.

Source: Metropolitan Airports Commission Operations Report

Historical Aircraft Operations [2]
For the Years Ended December 31

	Air Carrier Operations [2]	Commuter Operations	Cargo Operations	Total Commercial Operations [1]	Percent Commercial Operations	General Aviation Operations	Military Operations	Total Operations
2009	211,085	183,911	11,146	406,142	93.93%	24,361	1,892	432,395
2010	191,341	203,169	12,049	406,559	93.11%	27,921	2,145	436,625
2011	178,896	217,267	12,203	408,366	93.55%	26,157	1,983	436,506
2012	184,134	203,684	11,231	399,049	93.82%	24,903	1,380	425,332
2013	193,470	203,106	11,701	408,277	94.66%	21,866	1,185	431,328
2014	189,489	185,664	12,199	387,352	93.88%	24,155	1,079	412,586
2015	205,635	162,779	12,789	381,203	94.23%	22,077	1,252	404,532
2016	213,682	161,427	14,400	389,509	94.25%	22,455	1,315	413,279
2017	228,393	149,924	14,911	393,228	94.48%	22,226	759	416,213
2018	221,520	149,108	15,455	386,083	94.76%	20,229	1,126	407,438

[1] Commercial Operations equal Air Carrier, Commuter and Cargo Operations.

[2] Aircraft operations represent the total number of takeoffs and landings at the airport.

Source: Metropolitan Airports Commission Operations Report

Trends in Aircraft Landed Weight of Signatory Airlines
For the Years Ended December 31

	Passenger Carriers	Cargo Carriers	Total Landed Weight
2009	20,352,347	918,453	21,270,800
2010	19,856,212	986,029	20,842,241
2011	19,945,169	897,211	20,842,380
2012	19,625,108	885,442	20,510,550
2013	20,225,040	926,429	21,151,469
2014	20,224,580	965,912	21,190,492
2015	20,577,785	984,305	21,562,090
2016	21,178,343	996,424	22,174,767
2017 [1]	21,571,010	985,077	22,556,087
2018	21,499,942	1,025,400	22,525,342

[1] In 2017, Delta's activity represented approximately 68% of the total landed weight at the Airport.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

Employee Counts [1]
For the Years Ended December 31

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total	568	582	589	586	585	600	604	618	644	651

[1] Represents employees who were paid on the last payday of the fiscal year and were contributing to a pension plan.

Airline Cost per Enplaned Passenger
For the Years Ended December 31

(Dollars and Passengers in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total cost [1]	$ 94,003	$ 94,768	$ 100,961	$ 102,789	$ 110,378	$ 115,708	$ 114,253	$ 114,811	$ 115,214	$ 124,370
Enplaned passengers	15,551	15,715	15,972	16,020	16,367	17,000	17,730	18,161	18,385	18,382
Airline Cost per Enplaned Passenger	$ 6.04	$ 6.03	$ 6.32	$ 6.42	$ 6.74	$ 6.81	$ 6.44	$ 6.32	$ 6.27	$ 6.77

[1] Cost is defined as airline payments made to the Commission for expenses incurred in the airfield, T1 Lindbergh and T2 HHH Terminals, which includes self-liquidating payments made by Delta on the G Concourse.

Schedule of Airline Rates and Charges
For the Years Ended December 31

	Landing Fee Per 1,000 Lbs	Ramp Fees Per Linear Foot	Common Use Per Square Foot	Finished Per Square Foot	Finished Janitored Per Square Foot	Unfinished Per Square Foot
2009	2.27	581.93	50.67	50.67	57.43	50.67
2010	2.31	522.40	52.64	52.64	59.77	52.64
2011	2.46	562.05	56.37	56.37	63.11	56.37
2012	2.53	536.38	58.60	58.60	65.16	58.60
2013	2.62	594.50	62.86	62.86	69.80	62.86
2014	2.68	642.90	66.20	66.20	73.67	66.20
2015	2.64	624.14	64.56	64.56	72.54	64.56
2016	2.68	667.80	60.42	60.42	69.00	60.42
2017	2.73	661.92	59.10	59.10	67.25	59.10
2018	3.05	748.39	62.59	62.59	72.10	62.59

Source: Minneapolis/St. Paul Metropolitan Airports Commission

Operations at the Reliever Airports and General Aviation Operations at MSP
For the Years Ended December 31

	Downtown Airport	Cloud Airport	Crystal Airport	Blaine Airport	Lake Elmo Airport	Airlake Airport	MSP
2009	91,507	117,180	42,311	68,534	34,509	35,802	24,361
2010	88,995	94,244	44,229	79,589	34,374	35,662	27,921
2011	87,229	114,574	43,986	73,292	33,032	34,270	26,157
2012	79,238	88,663	48,220	79,190	33,319	34,560	24,903
2013	69,277	79,511	42,308	76,721	33,220	31,346	21,866
2014	64,539	73,634	41,117	68,157	25,727	33,178	24,155
2015	56,676	87,493	39,641	89,708	32,842	42,341	22,077
2016	54,548	84,038	36,967	80,845	27,275	38,618	22,455
2017	40,489	90,835	34,223	74,943	28,337	36,670	22,226
2018	40,116	88,762	38,109	75,465	31,693	32,986	20,229

Source: Minneapolis/St. Paul Metropolitan Airports Commission

Air Carriers Serving MSP [A]
As of December 31, 2018

U.S. – FLAG CARRIERS

SCHEDULED SERVICES

Air Choice One *	Air Wisconsin *[1]	Alaska Airlines *
American *	Boutique Aire *	Compass *
Delta *	Endeavor * [2]	Envoy * [5]
ExpressJet * [1]	Frontier *	GoJet * [1, 2]
Horizon Air * [6]	JetBlue *	Mesa* [1]
MN Airlines dba Sun Country *	PSA * [5]	Republic Airlines * [1, 2, 5]
SkyWest * [1, 2, 5, 6]	Southwest *	Spirit *
United *		

NON-SCHEDULED (CHARTER) SERVICES

Omni Air International *

ALL-CARGO SERVICES

ABX Air * [3]	Atlas Air Cargo * [3, 7]	Bemidji *
FedEx *	Kalitta * [3]	Mountain Air Cargo
UPS *		

FOREIGN-FLAG CARRIERS

Air France *	Air Georgian * [4]	Icelandair *
KLM*	Condor *	Sky Regional * [4]

* Denotes those Air Carriers that are Signatory Airlines to the Airline Lease Agreements.
A Excludes carriers reporting fewer than 1,000 enplaned passengers.
1. Flies for United Airlines.
2. Flies for Delta Air Lines.
3. ABX Air and Atlas Air Cargo and Kalitta provide air service to DHL.
4. Flies for Air Canada
5. Flies for American Airlines
6. Flies for Alaska Airlines
7. Flies for Amazon

Minneapolis/St. Paul Metropolitan Airports Commission
Insurance Coverage
As of December 31, 2018

Insurer	Expiration	Coverage	Policy Limits (Thousands of Dollars)
ACE/Lloyd's of London/Global	1/1/19	General aviation liability including personal injury	$ 1,000,000
Alliant	7/1/19	Blanket fire and extended coverage on building and contents. Boiler and machinery	$ 1,050,000
Self-Insured [1]	Continuous	Statutory workers' compensation	
	1/1/19	Workers' Compensation Reinsurance Association	$ 500
Great American/Zurich	7/1/19	Comprehensive Crime Employee/Police Policies	$ 5,000
Minnesota Risk Management Fund	7/1/19	Auto Liability (licensed vehicles), physical damage (all vehicles) hired automobiles, valet parking, inland marine and garage keepers	MN Tort Cap Limits/value
Alliant	7/1/19	Cyber Liability with enhanced notification endorsement 1M individuals	$1,000 Individuals

[1] Funded from current operating revenues of the Commission.

Airport Information
As of December 31, 2018

	Square Feet		
	Terminal 1 (Lindbergh)	Terminal 2 (Humphrey)	Quick Ride Ramp
Terminal Buildings			
Airline	630,909	178,984	
Concession	216,684	24,922	
Garage	155,104	-	
Non-Airline	181,649	4,275	
Unoccupied	8,091	6,883	
Circulation	952,488	146,519	
Restrooms	59,910	10,814	
MAC/Mechanical	454,377	126,788	
International Arrivals	115,226	40,035	
Trans Security Agency	68,416	39,300	
	2,842,854	578,520	
Parking Facilities	13,045	8,670	1,302

	Terminal 1 (Lindbergh)	Terminal 2 (Humphrey)
Gates (Aircraft loading positions)	103	14

Airport Information
As of December 31, 2018

Airport Code: MSP

Runways [1]

Minneapolis-St. Paul:	
Runway 4-22	11,000 Ft
Runway 12R-30L	10,000 Ft
Runway 12L-30R	8,200 Ft
Runway 17-35	8,000 Ft
Airlake	
Runway 12-30	4,100 Ft
Anoka County/Blaine	
Runway 9-27	5,000 Ft
Runway 18-36	4,900 Ft
Crystal	
Runway 14L-32R	3,300 Ft
Runway 14R-32L	3,300 Ft
Runway 6L-24R	2,500 Ft
Runway 6R-24L	2,100 Ft
Flying Cloud	
Runway 10R-28L	5,000 Ft
Runway 10L-28R	3,900 Ft
Runway 18-36	2,700 Ft
Lake Elmo	
Runway 14-32	2,900 Ft
Runway 4-22	2,500 Ft
St. Paul Downtown	
Runway 14-32	6,500 Ft
Runway 13-31	4,000 Ft
Runway 9-27	3,600 Ft

[1] Amounts rounded to the nearest hundred.

USER NOTES

Minneapolis-St. Paul
METROPOLITAN AIRPORTS COMMISSION
6040 28th Avenue South
Minneapolis, Minnesota 55450

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