



## Metropolitan Airports Commission

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TO: Operations, Finance and Administration Committee

FROM: Kathy Fisher, Manager - Budget (612-726-8158)

SUBJECT: **Budget Variance Report – 2nd Quarter 2022**

DATE: July 27, 2022

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### FOR ACTION

#### **Summary**

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

#### **Action Requested**

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

#### **Report**

The 2<sup>nd</sup> Quarter 2022 Budget Variance Report is attached which summarizes year-to-date operating and non-operating revenue and expenses and variances from budgeted amounts.

**Metropolitan Airports Commission**  
**Budget Variance Report - 2nd Quarter 2022**  
**Operating Revenue**

	2021	2022				Total
	Year to Date Actual	Year To Date Actual	Budget	Dollar Variance	% Variance	2022 Budget
<b>OPERATING REVENUE</b>						
<b>Airline Rates &amp; Charges</b>						
Airline Agreement						
Landing Fees	\$ 26,499,568	\$ 33,628,941	\$ 34,344,777	\$ (715,836)	-2.1%	\$ 72,841,520
Ramp Fees	3,219,135	3,219,135	3,327,424	(108,289)	-3.3%	6,654,847
Airline R & R	2,633,739	2,695,778	2,733,879	(38,101)	-1.4%	5,467,757
Terminal 1 Rentals	14,106,779	15,208,304	21,279,503	(6,071,199)	-28.5%	40,386,342
Terminal 1 Other Rentals	2,753,634	4,491,236	3,988,962	502,274	12.6%	9,040,732
Concessions Rebate	-	-	-	-		(16,255,417)
<b>Total Airline Agreement</b>	<b>49,212,855</b>	<b>59,243,394</b>	<b>65,674,545</b>	<b>(6,431,151)</b>	<b>-9.8%</b>	<b>118,135,781</b>
Terminal 2 Lobby Fees	4,929,436	6,881,759	6,625,000	256,759	3.9%	10,601,014
Terminal 2 Other/Passenger Fees	1,534,669	2,517,408	2,082,400	435,008	20.9%	3,323,285
<b>Total Airline Rates &amp; Charges</b>	<b>\$ 55,676,960</b>	<b>\$ 68,642,561</b>	<b>\$ 74,381,945</b>	<b>\$ (5,739,384)</b>	<b>-7.7%</b>	<b>\$ 132,060,080</b>
<b>Concessions</b>						
Terminal/Other						
Food & Beverage	\$ 6,323,590	\$ 8,780,369	\$ 10,243,294	\$ (1,462,925)	-14.3%	\$ 21,398,705
News	1,195,177	1,973,133	1,854,655	118,478	6.4%	4,039,040
Retail	1,556,558	1,958,571	2,195,632	(237,061)	-10.8%	4,528,962
Passenger Services	2,497,492	3,822,853	3,633,507	189,346	5.2%	6,659,970
<b>Total Terminal/Other</b>	<b>\$ 11,572,817</b>	<b>\$ 16,534,926</b>	<b>\$ 17,927,088</b>	<b>\$ (1,392,162)</b>	<b>-7.8%</b>	<b>\$ 36,626,677</b>
Parking/Ground Transportation						
Parking	28,142,591	\$ 54,030,509	\$ 45,562,693	\$ 8,467,816	18.6%	\$ 86,797,790
Ground Transportation Fees	2,595,588	4,735,037	3,962,780	772,257	19.5%	10,284,819
Auto Rental-On Airport	3,858,443	9,828,354	9,646,068	182,286	1.9%	19,292,134
<b>Total Parking/Ground Transportation</b>	<b>34,596,622</b>	<b>68,593,900</b>	<b>59,171,541</b>	<b>9,422,359</b>	<b>15.9%</b>	<b>116,374,743</b>
Other Concessions	1,153,564	1,281,047	1,222,029	59,018	4.8%	2,506,057
<b>Total Concessions</b>	<b>\$ 47,323,003</b>	<b>\$ 86,409,873</b>	<b>\$ 78,320,658</b>	<b>\$ 8,089,215</b>	<b>10.3%</b>	<b>\$ 155,507,477</b>
<b>Rentals/Fees</b>						
Buildings & Facilities	\$ 7,161,741	\$ 7,796,040	\$ 7,538,139	\$ 257,901	3.4%	\$ 15,181,278
Building Auto - CFC's	3,719,974	5,306,554	4,875,000	431,554	8.9%	15,973,559
Ground Rentals	5,556,139	6,775,676	6,645,981	129,695	2.0%	13,291,963
Reliever Airports	4,136,061	4,672,705	4,660,913	11,792	0.3%	9,017,580
<b>Total Rentals/Fees</b>	<b>\$ 20,573,915</b>	<b>\$ 24,550,975</b>	<b>\$ 23,720,033</b>	<b>\$ 830,942</b>	<b>3.5%</b>	<b>\$ 53,464,380</b>
<b>Utilities and Other Revenue</b>						
Utilities	\$ 1,413,556	\$ 1,739,014	\$ 1,848,372	\$ (109,358)	-5.9%	\$ 5,196,430
GA/Airside Fees	2,194,001	2,798,924	2,541,509	257,415	10.1%	6,039,405
MCD Fees	895,409	1,498,259	1,216,981	281,278	23.1%	3,272,410
Other Revenues	858,267	1,168,125	1,015,588	152,537	15.0%	1,975,913
Reimbursed Expense	672,040	1,593,832	1,577,000	16,832	1.1%	3,154,000
<b>Total Utilities and Other Revenue</b>	<b>\$ 6,033,273</b>	<b>\$ 8,798,154</b>	<b>\$ 8,199,450</b>	<b>\$ 598,704</b>	<b>7.3%</b>	<b>\$ 19,638,158</b>
<b>Total Operating Revenue</b>	<b>\$ 129,607,151</b>	<b>\$ 188,401,563</b>	<b>\$ 184,622,086</b>	<b>\$ 3,779,477</b>	<b>2.0%</b>	<b>\$ 360,670,095</b>

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

**Budget Variance Report - 2nd Quarter 2022**

**Operating Expense**

**Non-Operating Revenue & Expense**

	2021		2022			Total 2022 Budget
	Year to Date	Year To Date		Dollar	%	
	Actual	Actual	Budget	Variance	Variance	
<i>Total Operating Revenue</i>	\$ 129,607,151	\$ 188,401,563	\$ 184,622,086	\$ 3,779,477	2.0%	\$ 360,670,095
<b>OPERATING EXPENSE</b>						
<b>Personnel</b>	\$ 45,137,508	\$ 44,515,788	\$ 45,173,941	\$ 658,153	1.5%	\$ 100,679,525
<b>Administrative Expenses</b>	470,417	510,687	575,661	64,974	11.3%	1,464,985
<b>Professional Services</b>	2,077,323	3,222,604	3,325,499	102,895	3.1%	7,392,117
<b>Utilities</b>	8,407,417	10,124,887	9,451,559	(673,328)	-7.1%	21,518,919
<b>Operating Services/Expenses</b>	12,318,908	13,794,863	14,261,702	466,839	3.3%	32,004,333
<b>Maintenance</b>	17,262,777	18,340,721	18,874,639	533,918	2.8%	45,767,349
<b>Other</b>	1,441,188	1,541,627	1,655,598	113,971	6.9%	6,145,952
<b>Total Operating Expense</b>	<b>\$ 87,115,538</b>	<b>\$ 92,051,177</b>	<b>\$ 93,318,599</b>	<b>\$ 1,267,422</b>	<b>1.4%</b>	<b>\$ 214,973,180</b>

*(excludes depreciation and noise amortization)*

<b>Net Operating Revenue</b>	<b>\$ 42,491,613</b>	<b>\$ 96,350,386</b>	<b>\$ 91,303,487</b>	<b>\$ 5,046,899</b>	<b>5.5%</b>	<b>\$ 145,696,915</b>
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**NON-OPERATING REVENUE (EXPENSE)**

	2021		2022			Total 2022 Budget
	Year to Date	Year To Date		Dollar	%	
	Actual	Actual	Budget	Variance	Variance	
<b>Other Non-Operating Revenue</b>						
Interest Income	\$ 1,237,000	\$ 2,734,376	\$ 2,739,956	\$ (5,580)	-0.2%	\$ 5,107,000
Unrealized Gain/Loss on Investments	\$ -	\$ (4,098,740)	\$ -	\$ (4,098,740)		-
Self-Liquidating Income	1,669,000	1,576,660	1,576,660	-	0.0%	2,079,000
	\$ 2,906,000	\$ 212,296	\$ 4,316,616	\$ (4,104,320)	-95.1%	\$ 7,186,000
<b>Debt Service</b>						
Short Term Financing	\$ (513,000)	\$ (453,209)	\$ (453,209)	\$ -	0.0%	\$ (7,896,000)
Equip Financing Principal/Int Payments	(2,036,000)	(2,638,489)	(2,638,489)	-	0.0%	(4,415,000)
Bond Principal/Interest Payments	(23,412,000)	(21,753,310)	(21,753,310)	-		(100,882,500)
	\$ (25,961,000)	\$ (24,845,008)	\$ (24,845,008)	\$ -	0.0%	\$ (113,193,500)
<b>Equipment</b>						
Capital Expenditures	\$ (545,000)	\$ (600,726)	\$ (600,726)	\$ -	0.0%	\$ (1,150,000)
Equipment Purchases	(4,393,000)	(3,060,136)	(3,060,136)	-	0.0%	(13,003,050)
Equipment Financing	-	2,850,000	2,850,000	-		2,850,000
	\$ (4,938,000)	\$ (810,862)	\$ (810,862)	\$ -	0.0%	\$ (11,303,050)
<b>Other</b>						
Six Month Reserve Transfer	\$ -	\$ (1,234,909)	\$ (1,234,909)	\$ -	0.0%	\$ (1,234,909)
Grant Reimbursements	4,283,701	3,104,355	-	3,104,355		11,014,428
Gain (Loss) on Equipment & Other	(31,000)	791,863	90,000	701,863	779.8%	180,000
	\$ 4,252,701	\$ 2,661,309	\$ (1,144,909)	\$ 3,806,218	-332.4%	\$ 9,959,519

<b>Total Non-Operating Revenue (Expense)</b>	<b>\$ (23,740,299)</b>	<b>\$ (22,782,265)</b>	<b>\$ (22,484,163)</b>	<b>\$ (298,102)</b>	<b>1.3%</b>	<b>\$ (107,351,031)</b>
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<b>Net Revenue Available for Designation</b>	<b>\$ 18,751,314</b>	<b>\$ 73,568,121</b>	<b>\$ 68,819,324</b>	<b>\$ 4,748,797</b>	<b>6.9%</b>	<b>\$ 38,345,884</b>
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*Brackets ( ) Represent Revenue Items under Budget and Expense Items over Budget*

## **OPERATING REVENUE**

Total operating revenue for 2<sup>nd</sup> Quarter year-to-date is over budget \$3,779,477 or 2.0%. The revenue sources creating this variance are within the Airline Rates & Charges, Concessions, Rentals/Fees and Utilities and Other Revenue categories.

### **Airline Rates & Charges**

Revenue from Airline Rates & Charges is under budget \$5,739,384 or 7.7%. Major contributors to this variance are as follows.

#### ***Landing Fees***

Landing Fees are lower than budget \$715,836 or 2.1%. Airlines are using larger aircraft to transport passengers causing fewer landings than projected.

#### ***Terminal 1 Rentals***

Terminal 1 Rentals is under budget \$6,071,199 or 28.5%. Terminal rental relief was provided to the airlines through the COVID-19 relief program approved by the MAC. Airlines were given the option to take the available terminal rental credit in years 2021 through 2022. Final terminal rental relief credits totaling \$6,963,933 have been applied in 2022.

#### ***Terminal 1 Other Rentals***

Terminal 1 Other Rentals is higher than budget \$502,274 or 12.6%. The majority of the variance comes from the increase in international passenger arrival fees that surpassed the budget expectation.

#### ***Terminal 2 Lobby Fees***

Terminal 2 Lobby Fees are greater than budget \$256,759 or 3.9%. Airline operations exceeded budget expectations as Spring Break in the first quarter was a busy travel season.

#### ***Terminal 2 Other/Passenger Fees***

Terminal 2 Other/Passenger Fees are over budget \$435,008 or 20.9%. The majority of the variance comes from the increase in international passengers greater than the budget as airlines resume operations to the Caribbean and Central America. Lobby fees are slightly higher than projected as well.

### **Concessions**

Concessions revenue is \$8,089,215 or 10.3% higher than budget as explained below. The American Rescue Plan Act (ARPA) is a federal grant to support US airports in preventing and responding to the effects of the COVID-19 pandemic. For Food & Beverage, News, Retail and Passenger Services, approved ARPA rent credits in the amount of \$3,104,355 were utilized by the concessionaires. The ARPA grant funds received to offset these credits are reported in Non-Operating.

#### ***Food & Beverage and News***

Food & Beverage is lower than budget \$1,462,925 or 14.3%. News revenue is higher than budget \$118,478 or 6.4%. The greater number of passengers has produced higher revenue than projected for both Food & Beverage and News. However, \$2,552,198 of ARPA credits have been

used by Food & Beverage leaseholders, which resulted in the negative variance shown. The News variance shown remained positive even with the inclusion of \$228,669 of ARPA credit usage.

### ***Retail***

Revenue from retail stores is below budget \$237,061 or 10.8%. All retail stores were budgeted to open on January 1, 2022. A few stores did not open as soon as expected causing a slight below budget variance. ARPA rent credits of \$201,969 have been used by the leaseholders, which represents most of the negative variance.

### ***Passenger Services***

Revenue from Passenger Services is higher than budget \$189,346 or 5.2%. The increase is mainly due to a biometrics screening company and a COVID testing company outperforming the expectation of the budget. ARPA rent credits of \$121,519 have been used by the leaseholders, which reduced the above budget variance.

### ***Parking***

Parking is greater than budget \$8,467,816 or 18.6%. This positive variance is due to a greater number of passengers than expected and those on average choosing to park for a longer length of stay than projected in the budget.

### ***Ground Transportation***

Ground Transportation is exceeding the budget \$772,257 or 19.5%. Traveler spending on ground transportation services were higher than projected.

### **Rentals/Fees**

Rentals/Fees is greater than budget \$830,942 or 3.5%. Notable in this category are the Auto Rental Customer Facility Charges (CFCs) that are over budget \$431,554 or 8.9%. This variance results from customers on average renting cars for a greater number of days than projected in the budget.

### **Utilities and Other Revenue**

Utilities and Other Revenue is over budget \$598,704 or 7.3% for the following reasons.

#### ***GA/Airside Fees***

GA/Airside Fees are higher than budget \$257,415 or 10.1% as revenue from commercial air service licensures is more than projected in the budget.

#### ***Maintenance, Cleaning & Distribution (MCD) Fees***

MCD Fees are over budget \$281,278 or 23.1%. The increase is a direct correlation to the increase in concession sales as it is a percentage of sales.

#### ***Other Revenues***

Other Revenues consists of fines, permit fees, badging revenue and other miscellaneous revenue. This category is over budget \$152,537 or 15.0%. Badging fees are exceeding the budget for new vendor and employee badges throughout the terminal. In addition, building permits and fees are higher than the budget expected for new construction.

## **OPERATING EXPENSE**

Total Operating Expense for 2<sup>nd</sup> Quarter year-to-date is lower than budget \$1,267,422 or 1.4%. Most expense categories are under budget; however, one area over budget is Utilities, which is greater than budget \$673,328 or 7.1%. When the budget was created, the global spike in natural gas pricing from the inventory shortfall was not foreseen.

## **NON-OPERATING REVENUE (EXPENSE)**

Total Non-Operating Expense for 2<sup>nd</sup> Quarter year-to-date is higher than budget \$298,102. The following factors are creating this variance.

### **Other Non-Operating Revenue**

Other Non-Operating Revenue is lower than budget \$4,104,320 or 95.1%. The MAC is required to report investments at market value. As the value increases or decreases, an unrealized gain or loss on investments is recorded. The decrease in the market value of existing investments results from the current rising interest rate environment. Since the MAC holds investments to maturity, these fluctuations in value are temporary unless the investment is sold. The stated coupon rate is still received.

### **Other**

The Other Non-Operating category shows a variance of \$3,806,218 or 332.4%. The MAC received \$3,104,355 in ARPA grant funds to provide to the concessionaires in response to the effects of COVID-19. This variance is also due to costs related to the Terminal 2 boarding bridge damaged from strong winds in 2021. The MAC received \$750,000 from the insurance company as partial reimbursement for these costs.