



Metropolitan Airports Commission

TO: Operations, Finance and Administration Committee
FROM: Kathy Fisher, Manager - Budget (612-726-8158)
SUBJECT: **Budget Variance Report – August 2022**
DATE: September 28, 2022

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 August 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 - August 2022
 Operating Revenue**

	2021	2022			Total 2022 Budget	
	Year to Date Actual	Year To Date Actual	Budget	Dollar Variance		% Variance
OPERATING REVENUE						
Airline Rates & Charges						
Airline Agreement						
Landing Fees	\$ 37,327,007	\$ 46,040,396	\$ 48,184,665	\$ (2,144,269)	-4.5%	\$ 72,841,520
Ramp Fees	4,292,180	4,292,180	4,436,565	(144,385)	-3.3%	6,654,847
Airline R & R	3,507,236	3,594,307	3,645,171	(50,864)	-1.4%	5,467,757
Terminal 1 Rentals	20,766,282	21,712,029	27,648,449	(5,936,420)	-21.5%	40,386,342
Terminal 1 Other Rentals	3,806,909	6,275,446	5,658,767	616,679	10.9%	9,040,732
Concessions Rebate	-	-	-	-		(16,255,417)
Total Airline Agreement	69,699,614	81,914,358	89,573,617	(7,659,259)	-8.6%	118,135,781
Terminal 2 Lobby Fees	7,042,981	8,410,196	8,475,000	(64,804)	-0.8%	10,601,014
Terminal 2 Other/Passenger Fees	1,860,300	2,918,013	2,380,353	537,660	22.6%	3,323,285
Total Airline Rates & Charges	\$ 78,602,895	\$ 93,242,567	\$100,428,970	\$ (7,186,403)	-7.2%	\$ 132,060,080
Concessions						
Terminal/Other						
Food & Beverage	\$ 8,833,031	\$ 10,131,192	\$ 13,873,461	\$ (3,742,269)	-27.0%	\$ 21,398,705
News	2,296,372	2,054,777	2,564,383	(509,606)	-19.9%	4,039,040
Retail	1,393,908	2,484,291	2,969,176	(484,885)	-16.3%	4,528,962
Passenger Services	3,179,264	4,895,487	4,273,585	621,902	14.6%	6,659,970
Total Terminal/Other	\$ 15,702,575	\$ 19,565,747	\$ 23,680,605	\$ (4,114,858)	-17.4%	\$ 36,626,677
Parking/Ground Transportation						
Parking	41,006,848	\$ 69,456,263	\$ 59,257,928	\$ 10,198,335	17.2%	\$ 86,797,790
Ground Transportation Fees	4,310,074	7,160,594	5,892,499	1,268,095	21.5%	10,284,819
Auto Rental-On Airport	9,778,138	15,051,010	13,921,410	1,129,600	8.1%	19,292,134
Total Parking/Ground Transportation	55,095,060	91,667,867	79,071,837	12,596,030	15.9%	116,374,743
Other Concessions	1,588,543	1,821,593	1,655,704	165,889	10.0%	2,506,057
Total Concessions	\$ 72,386,178	\$ 113,055,207	\$104,408,146	\$ 8,647,061	8.3%	\$ 155,507,477
Rentals/Fees						
Buildings & Facilities	\$ 9,701,934	\$ 10,484,352	\$ 10,084,186	\$ 400,166	4.0%	\$ 15,181,278
Building Auto - CFC's	6,328,021	8,995,075	8,375,000	620,075	7.4%	15,973,559
Ground Rentals	7,554,530	8,901,040	8,861,309	39,731	0.4%	13,291,963
Reliever Airports	6,083,363	6,673,730	6,427,654	246,076	3.8%	9,017,580
Total Rentals/Fees	\$ 29,667,848	\$ 35,054,197	\$ 33,748,149	\$ 1,306,048	3.9%	\$ 53,464,380
Utilities and Other Revenue						
Utilities	\$ 2,112,077	\$ 2,548,730	\$ 2,665,057	\$ (116,327)	-4.4%	\$ 5,196,430
GA/Airside Fees	3,163,148	3,695,548	3,635,565	59,983	1.6%	6,039,405
MCD Fees	1,456,190	2,196,691	1,811,981	384,710	21.2%	3,272,410
Other Revenues	1,290,461	1,655,588	1,381,968	273,620	19.8%	1,975,913
Reimbursed Expense	1,127,858	2,612,260	2,552,667	59,593	2.3%	3,154,000
Total Utilities and Other Revenue	\$ 9,149,734	\$ 12,708,817	\$ 12,047,238	\$ 661,579	5.5%	\$ 19,638,158
Total Operating Revenue	\$ 189,806,655	\$ 254,060,788	\$250,632,503	\$ 3,428,285	1.4%	\$ 360,670,095

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

Budget Variance Report - August 2022

Operating Expense

Non-Operating Revenue & Expense

	2021		2022			Total 2022 Budget
	Year to Date	Year To Date		Dollar	%	
	Actual	Actual	Budget	Variance	Variance	
Total Operating Revenue	\$ 189,806,655	\$ 254,060,788	\$ 250,632,503	\$ 3,428,285	1.4%	\$ 360,670,095

OPERATING EXPENSE

Personnel	\$ 57,738,283	\$ 57,761,808	\$ 59,359,667	\$ 1,597,859	2.7%	\$ 100,679,525
Administrative Expenses	640,797	709,865	765,396	55,531	7.3%	1,464,985
Professional Services	2,972,081	4,375,144	4,524,066	148,922	3.3%	7,392,117
Utilities	11,726,921	14,568,816	13,462,890	(1,105,926)	-8.2%	21,518,919
Operating Services/Expenses	15,467,586	18,362,689	19,256,061	893,372	4.6%	32,004,333
Maintenance	23,146,053	25,681,824	26,105,558	423,734	1.6%	45,767,349
Other	3,283,127	3,883,743	3,913,761	30,018	0.8%	6,145,952

Total Operating Expense	\$ 114,974,848	\$ 125,343,889	\$ 127,387,399	\$ 2,043,510	1.6%	\$ 214,973,180
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(excludes depreciation and noise amortization)

Net Operating Revenue	\$ 74,831,807	\$ 128,716,899	\$ 123,245,104	\$ 5,471,795	4.4%	\$ 145,696,915
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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	
Other Non-Operating Revenue						
Interest Income	\$ 1,687,251	\$ 3,764,897	\$ 3,648,470	\$ 116,427	3.2%	\$ 5,107,000
Unrealized Gain/Loss on Investments	\$ -	\$ (4,800,475)	\$ -	\$ (4,800,475)		-
Self-Liquidating Income	2,231,078	1,818,836	1,818,836	-	0.0%	2,079,000
	\$ 3,918,329	\$ 783,258	\$ 5,467,306	\$ (4,684,048)	-85.7%	\$ 7,186,000

Debt Service

Short Term Financing	\$ (688,032)	\$ (767,300)	\$ (767,300)	\$ -	0.0%	\$ (7,896,000)
Equip Financing Principal/Int Payments	(2,234,160)	(3,897,665)	(3,897,665)	-	0.0%	(4,415,000)
Bond Principal/Interest Payments	(23,412,270)	(21,753,310)	(21,753,310)	-		(100,882,500)
	\$ (26,334,462)	\$ (26,418,275)	\$ (26,418,275)	\$ -	0.0%	\$ (113,193,500)

Equipment

Capital Expenditures	\$ (773,531)	\$ (866,473)	\$ (866,473)	\$ -	0.0%	\$ (1,150,000)
Equipment Purchases	(5,080,163)	(4,095,981)	(4,095,981)	-	0.0%	(13,003,050)
Equipment Financing	-	2,850,000	2,850,000	-		2,850,000
	\$ (5,853,694)	\$ (2,112,454)	\$ (2,112,454)	\$ -	0.0%	\$ (11,303,050)

Other

Six Month Reserve Transfer	\$ -	\$ (1,234,909)	\$ (1,234,909)	\$ -	0.0%	\$ (1,234,909)
Grant Reimbursements	21,178,717	10,425,774	-	10,425,774		11,014,428
Gain (Loss) on Equipment & Other	(193,854)	617,137	120,000	497,137	414.3%	180,000
	\$ 20,984,863	\$ 9,808,002	\$ (1,114,909)	\$ 10,922,911	-979.7%	\$ 9,959,519

Total Non-Operating Revenue (Expense)	\$ (7,284,964)	\$ (17,939,469)	\$ (24,178,332)	\$ 6,238,863	-25.8%	\$ (107,351,031)
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Net Revenue Available for Designation	\$ 67,546,843	\$ 110,777,430	\$ 99,066,772	\$ 11,710,658	11.8%	\$ 38,345,884
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Brackets () Represent Revenue Items under Budget and Expense Items over Budget

OPERATING REVENUE

Total operating revenue for August year-to-date is over budget \$3,428,285 or 1.4%. 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 \$7,186,403 or 7.2%. Major contributors to this variance are as follows.

Landing Fees

Landing Fees are lower than budget \$2,144,269 or 4.5%. Summer airline activity was lower than expected, which affected landed weight. In addition, airlines are using larger aircraft to transport passengers causing fewer landings than projected.

Terminal 1 Rentals

Terminal 1 Rentals is under budget \$5,936,420 or 21.5%. 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. For the airlines at Terminal 1, final rental relief credits totaling \$6,132,420 have been applied in 2022.

Terminal 1 Other Rentals

Terminal 1 Other Rentals is higher than budget \$616,679 or 10.9%. 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 under budget \$64,804 or 0.8%. Terminal 2 airline activity was greater than projected, but the airlines were provided terminal rental relief through the Covid-19 relief program in the amount of \$831,513 resulting in the negative budget variance.

Terminal 2 Other/Passenger Fees

Terminal 2 Other/Passenger Fees are over budget \$537,660 or 22.6%. The majority of the variance comes from the increase in international passengers greater than the budget as airlines resumed operations to previously suspended routes.

Concessions

Concessions revenue is \$8,647,061 or 8.3% higher than budget as explained below. Food & Beverage, News, Retail and Passenger Services concessions are provided with rental relief credits to lower their costs during the COVID-19 pandemic recovery. Rental credits in the amount of \$7,761,195 have been utilized by the concessionaires. The MAC received American Rescue Plan Act (ARPA) concession rent relief federal grant funds to offset these credits. These ARPA grant funds received are reported in Non-Operating.

Food & Beverage

Food & Beverage is lower than budget \$3,742,269 or 27.0%. Passengers have spent more than expected and with higher pricing from inflation, Food & Beverage revenue is greater than projected. However, \$5,875,830 of ARPA rental relief credits have been used by Food & Beverage leaseholders, which resulted in the negative variance.

News

News revenue is under budget \$509,606 or 19.9%. News concession sales were greater than projected and various product pricing was increased due to inflation. However, the budget variance includes \$1,119,323 of ARPA rental relief credits used by the leaseholders.

Retail

Retail sales are under budget \$484,885 or 16.3%. Sales were slightly higher than budget from increased passenger spending and inflation. However, ARPA rental relief credits of \$537,294 have been utilized by the leaseholders, dropping the variance below budget.

Passenger Services

Revenue from Passenger Services is higher than budget \$621,902 or 14.6%. A number of companies outperformed budget projections. Lowering the positive variance is the \$228,748 in ARPA rental relief credits that a few passenger services leaseholders utilized.

Parking

Parking is exceeding the budget by \$10,198,335 or 17.2%. This positive variance is due to a longer average length of stay than projected in the budget and slightly more transactions than predicted.

Ground Transportation

Ground Transportation is over budget \$1,268,095 or 21.5%. Traveler spending on ground transportation services, particularly transportation network companies and taxis, was higher than projected.

Auto Rental-On Airport

Auto Rental-On Airport revenue is higher than budget \$1,129,600 or 8.1%. Auto rental agencies' pricing was increased due to inflation and slightly more transactions occurred than projected.

Rentals/Fees

Rentals/Fees is greater than budget \$1,306,048 or 3.9%. Notable in this category are the Auto Rental Customer Facility Charges (CFCs) that are over budget \$620,075 or 7.4%. This variance results from customers on average who rented cars for a greater number of days than projected in the budget.

Utilities and Other Revenue

Utilities and Other Revenue is over budget \$661,579 or 5.5% mainly for the following reasons.

Maintenance, Cleaning & Distribution (MCD) Fees

MCD Fees are over budget \$384,710 or 21.2%. 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 \$273,620 or 19.8%. 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 August year-to-date is lower than budget \$2,043,510 or 1.6%. The expense categories creating this variance are within Personnel, Utilities and Operating Services/Expenses.

Personnel

Personnel is under budget \$1,597,859 or 2.7% mainly due to a higher vacancy factor than anticipated as MAC works to fill the positions held open during the onset of the pandemic.

Utilities

Utilities are greater than budget \$1,105,926 or 8.2%. The high price of natural gas from the global inventory shortfall caused Utilities to be over budget.

Operating Services/Expenses

Operating Services/Expenses are lower than budget \$893,372 or 4.6%. Security services, employee screening and queue line services were budgeted at a passenger level close to the 2019 passenger level. However, the current passenger level is below this target creating a negative budget variance.

NON-OPERATING REVENUE (EXPENSE)

Total Non-Operating Expense for August year-to-date is lower than budget \$6,238,863 or 25.8%. The following factors are creating this variance.

Other Non-Operating Revenue

Other Non-Operating Revenue is lower than budget \$4,684,048 or 85.7%. 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 \$10,922,911. The MAC received \$10,425,774 in ARPA concession rent relief 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 receives reimbursement from insurance companies for extraordinary costs.