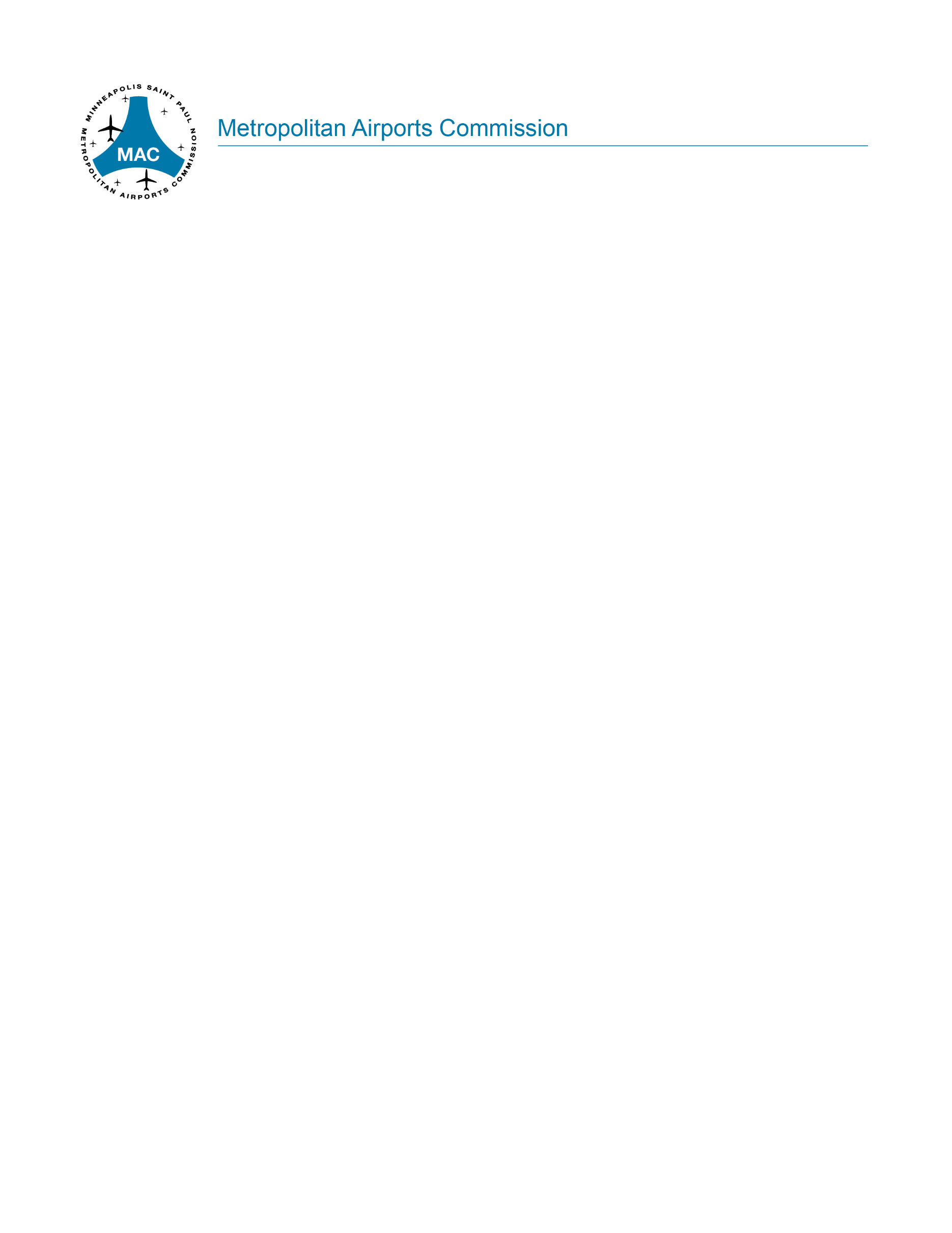
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TO: Operations, Finance and Administration Committee

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

SUBJECT: **Budget Variance Report – July 2022**

DATE: August 31, 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 July 2022 Budget Variance Report is attached which summarizes year-to-date operating and non-operating revenue and expenses and variances from budgeted amounts.

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**OPERATING REVENUE**

Total operating revenue for July year-to-date is over budget $3,047,189 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 $6,429,605 or 7.4%. Major contributors to this variance are as follows.

***Landing Fees***

Landing Fees are lower than budget $1,371,418 or 3.3%. 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 $5,984,875 or 25.0%. 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 $521,819 or 10.8%. 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 over budget $101,407 or 1.3%. The airlines at Terminal 2 were also provided terminal rental relief through the Covid-19 relief program. Final terminal rental relief credits totaling $831,513 have been applied in 2022.

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

Terminal 2 Other/Passenger Fees are over budget $474,281 or 21.4%. 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.

***Concessions***

Concessions revenue is $7,676,373 or 8.4% 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 rental credits in the amount of $5,569,869 were utilized by the concessionaires. The ARPA grant funds received to offset these credits are reported in Non-Operating.

***Food & Beverage***

Food & Beverage is lower than budget $2,435,160 or 19.9%. The greater number of passengers has produced higher revenue than projected for Food & Beverage. However, $3,827,002 of ARPA rental credits have been used by Food & Beverage leaseholders, which resulted in the negative variance.

***News***

News revenue is higher than budget $8,935 or 0.4%. News concession sales were greater than projected. However, this budget variance includes $464,048 of ARPA rental credits used by the leaseholders.

***Retail***

Retail sales are under budget $486,593 or 18.8%. ARPA rental credits of $496,593 have been used by the leaseholders, which erased the positive variance.

***Passenger Services***

Revenue from Passenger Services is lower than budget $380,396 or 9.2%. Although a few companies outperformed budget projections, some passenger services leaseholders used ARPA rental credits of $782,524, which brought the variance below budget.

***Parking***

Parking is exceeding the budget by $9,252,472 or 17.8%. This positive variance is due to a greater number of passengers than expected and travelers are parking for a longer length of stay than projected in the budget.

***Ground Transportation***

Ground Transportation is over budget $1,010,618 or 20.5%. Traveler spending on ground transportation services, particularly taxis and transportation network companies, was higher than projected.

***Auto Rental-On Airport***

Auto Rental-On Airport revenue is over budget $616,930 or 5.3%. Auto rental agencies’ sales are higher than expected as more passenger arrivals brought in additional rental transactions.

***Rentals/Fees***

Rentals/Fees is greater than budget $1,051,136 or 3.7%. Notable in this category are the Auto Rental Customer Facility Charges (CFCs) that are over budget $516,276 or 8.0%. 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 $749,285 or 7.6% for the following reasons.

***GA/Airside Fees***

GA/Airside Fees are higher than budget $134,295 or 4.4% as revenue from commercial air service licensures is more than projected in the budget.

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

MCD Fees are over budget $334,008 or 22.1%. 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 $314,069 or 26.7%. 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 July year-to-date is lower than budget $2,023,085 or 1.8%. The expense categories creating this variance are within Personnel, Utilities and Operating Services/Expenses.

***Personnel***

Personnel is under budget $1,381,095 or 2.6% 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 $855,88 or 7.5%. When the budget was created, the global spike in natural gas pricing from the inventory shortfall was not foreseen.

***Operating Services/Expenses***

Operating Services/Expenses are lower than budget $894,139 or 5.5%. 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 July year-to-date is lower than budget $7,116,698 or 31.8%. The following factors are creating this variance.

***Other Non-Operating Revenue***

Other Non-Operating Revenue is lower than budget $3,932,469 or 80.4%. 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 $11,049,167. The MAC received $10,425,774 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.