



Metropolitan Airports Commission

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.

**Metropolitan Airports Commission
Budget Variance Report - July 2022
Operating Revenue**

	2021	2022			%	Total 2022 Budget
	Year to Date Actual	Year To Date Actual Budget		Dollar Variance		
OPERATING REVENUE						
Airline Rates & Charges						
Airline Agreement						
Landing Fees	\$ 31,947,582	\$ 39,820,462	\$ 41,191,880	\$ (1,371,418)	-3.3%	\$ 72,841,520
Ramp Fees	3,755,657	3,755,657	3,881,994	(126,337)	-3.3%	6,654,847
Airline R & R	3,070,488	3,145,043	3,189,525	(44,482)	-1.4%	5,467,757
Terminal 1 Rentals	17,436,531	17,935,935	23,920,810	(5,984,875)	-25.0%	40,386,342
Terminal 1 Other Rentals	3,103,994	5,345,682	4,823,863	521,819	10.8%	9,040,732
Concessions Rebate	-	-	-	-		(16,255,417)
Total Airline Agreement	59,314,252	70,002,779	77,008,072	(7,005,293)	-9.1%	118,135,781
Terminal 2 Lobby Fees	6,192,235	7,851,407	7,750,000	101,407	1.3%	10,601,014
Terminal 2 Other/Passenger Fees	1,676,732	2,692,566	2,218,285	474,281	21.4%	3,323,285
Total Airline Rates & Charges	\$ 67,183,219	\$ 80,546,752	\$ 86,976,357	\$ (6,429,605)	-7.4%	\$ 132,060,080
Concessions						
Terminal/Other						
Food & Beverage	\$ 7,192,739	\$ 9,831,323	\$ 12,266,483	\$ (2,435,160)	-19.9%	\$ 21,398,705
News	1,751,473	2,214,288	2,205,353	8,935	0.4%	4,039,040
Retail	1,048,882	2,095,810	2,582,403	(486,593)	-18.8%	4,528,962
Passenger Services	2,854,512	3,771,080	4,151,476	(380,396)	-9.2%	6,659,970
Total Terminal/Other	\$ 12,847,606	\$ 17,912,501	\$ 21,205,715	\$ (3,293,214)	-15.5%	\$ 36,626,677
Parking/Ground Transportation						
Parking	34,483,381	\$ 61,283,277	\$ 52,030,805	\$ 9,252,472	17.8%	\$ 86,797,790
Ground Transportation Fees	3,400,069	5,935,763	4,925,145	1,010,618	20.5%	10,284,819
Auto Rental-On Airport	7,281,234	12,165,567	11,548,637	616,930	5.3%	19,292,134
Total Parking/Ground Transportation	45,164,684	79,384,607	68,504,587	10,880,020	15.9%	116,374,743
Other Concessions	1,354,784	1,529,435	1,439,868	89,567	6.2%	2,506,057
Total Concessions	\$ 59,367,074	\$ 98,826,543	\$ 91,150,170	\$ 7,676,373	8.4%	\$ 155,507,477
Rentals/Fees						
Buildings & Facilities	\$ 8,152,157	\$ 9,102,946	\$ 8,811,162	\$ 291,784	3.3%	\$ 15,181,278
Building Auto - CFC's	4,995,442	6,991,276	6,475,000	516,276	8.0%	15,973,559
Ground Rentals	6,441,949	7,848,173	7,753,646	94,527	1.2%	13,291,963
Reliever Airports	5,083,719	5,687,055	5,538,506	148,549	2.7%	9,017,580
Total Rentals/Fees	\$ 24,673,267	\$ 29,629,450	\$ 28,578,314	\$ 1,051,136	3.7%	\$ 53,464,380
Utilities and Other Revenue						
Utilities	\$ 1,648,600	\$ 2,000,931	\$ 2,106,636	\$ (105,705)	-5.0%	\$ 5,196,430
GA/Airside Fees	2,694,555	3,216,735	3,082,440	134,295	4.4%	6,039,405
MCD Fees	1,159,668	1,845,989	1,511,981	334,008	22.1%	3,272,410
Other Revenues	1,054,602	1,489,710	1,175,641	314,069	26.7%	1,975,913
Reimbursed Expense	743,290	2,072,451	1,999,833	72,618	3.6%	3,154,000
Total Utilities and Other Revenue	\$ 7,300,715	\$ 10,625,816	\$ 9,876,531	\$ 749,285	7.6%	\$ 19,638,158
Total Operating Revenue	\$ 158,524,275	\$ 219,628,561	\$ 216,581,372	\$ 3,047,189	1.4%	\$ 360,670,095

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

Budget Variance Report - July 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>	\$ 158,524,275	\$ 219,628,561	\$ 216,581,372	\$ 3,047,189	1.4%	\$ 360,670,095
OPERATING EXPENSE						
Personnel	\$ 51,254,977	\$ 50,823,516	\$ 52,204,611	\$ 1,381,095	2.6%	\$ 100,679,525
Administrative Expenses	556,208	585,492	648,948	63,456	9.8%	1,464,985
Professional Services	2,439,937	3,771,561	3,749,117	(22,444)	-0.6%	7,392,117
Utilities	9,832,898	12,324,275	11,468,467	(855,808)	-7.5%	21,518,919
Operating Services/Expenses	13,962,389	15,301,342	16,195,481	894,139	5.5%	32,004,333
Maintenance	20,925,389	22,278,577	22,935,958	657,381	2.9%	45,767,349
Other	3,259,718	4,022,963	3,928,229	(94,734)	-2.4%	6,145,952

Total Operating Expense	\$ 102,231,516	\$ 109,107,726	\$ 111,130,811	\$ 2,023,085	1.8%	\$ 214,973,180
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(excludes depreciation and noise amortization)

Net Operating Revenue	\$ 56,292,759	\$ 110,520,835	\$ 105,450,561	\$ 5,070,274	4.8%	\$ 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	\$ 1,476,921	\$ 3,227,723	\$ 3,194,213	\$ 33,510	1.0%	\$ 5,107,000
Unrealized Gain/Loss on Investments		\$ (3,965,979)	\$ -	\$ (3,965,979)		-
Self-Liquidating Income	1,950,086	1,697,748	1,697,748	-	0.0%	2,079,000
	\$ 3,427,007	\$ 959,492	\$ 4,891,961	\$ (3,932,469)	-80.4%	\$ 7,186,000

Debt Service

Short Term Financing	\$ (603,246)	\$ (560,091)	\$ (560,091)	\$ -	0.0%	\$ (7,896,000)
Equip Financing Principal/Int Payments	(2,065,426)	(2,694,553)	(2,694,553)	-	0.0%	(4,415,000)
Bond Principal/Interest Payments	(23,412,270)	(21,753,310)	(21,753,310)	-		(100,882,500)
	\$ (26,080,942)	\$ (25,007,954)	\$ (25,007,954)	\$ -	0.0%	\$ (113,193,500)

Equipment

Capital Expenditures	\$ (682,094)	\$ (758,436)	\$ (758,436)	\$ -	0.0%	\$ (1,150,000)
Equipment Purchases	(4,761,804)	(3,226,288)	(3,226,288)	-	0.0%	(13,003,050)
Equipment Financing	-	2,850,000	2,850,000	-		2,850,000
	\$ (5,443,898)	\$ (1,134,724)	\$ (1,134,724)	\$ -	0.0%	\$ (11,303,050)

Other

Six Month Reserve Transfer	\$ -	\$ (1,234,909)	\$ (1,234,909)	\$ -	0.0%	\$ (1,234,909)
Grant Reimbursements	4,283,701	10,425,774	-	10,425,774		11,014,428
Gain (Loss) on Equipment & Other	(152,728)	728,393	105,000	623,393	593.7%	180,000
	\$ 4,130,973	\$ 9,919,258	\$ (1,129,909)	\$ 11,049,167	-977.9%	\$ 9,959,519

Total Non-Operating Revenue (Expense)	\$ (23,966,860)	\$ (15,263,928)	\$ (22,380,626)	\$ 7,116,698	-31.8%	\$ (107,351,031)
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Net Revenue Available for Designation	\$ 32,325,899	\$ 95,256,907	\$ 83,069,935	\$ 12,186,972	14.7%	\$ 38,345,884
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Brackets () Represent Revenue Items under Budget and Expense Items over Budget

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.