



Metropolitan Airports Commission

TO: Operations, Finance and Administration Committee
FROM: Kathy Fisher, Manager - Budget (612-726-8158)
SUBJECT: **Budget Variance Report – November 2021**
DATE: December 29, 2021

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 November 2021 Operating Budget Variance Report is attached which summarizes year-to-date revenue and expenses and variances from budgeted amounts.

**Metropolitan Airports Commission
 Budget Variance Report - November 2021
 Operating Revenue**

	2020	2021				Total
	Year to Date	Year To Date		Dollar	%	2021
	Actual	Actual	Budget	Variance	Variance	Budget
OPERATING REVENUE						
Airline Rates & Charges						
Airline Agreement						
Landing Fees	40,685,862	\$ 62,102,623	\$ 65,411,686	\$ (3,309,063)	-5.1%	\$ 72,841,520
Ramp Fees	6,332,004	5,901,747	6,077,837	(176,090)	-2.9%	6,654,847
Airline R & R	4,528,827	4,817,483	4,864,180	(46,697)	-1.0%	5,308,502
Terminal 1 Rentals	37,387,544	30,755,537	36,989,850	(6,234,313)	-16.9%	40,386,342
Terminal 1 Other Rentals	5,039,092	5,412,275	5,990,725	(578,450)	-9.7%	8,949,314
Concessions Rebate		-	-	-		(15,606,069)
Total Airline Agreement	93,973,329	108,989,665	119,334,278	(10,344,613)	-8.7%	118,534,456
Terminal 2 Lobby Fees	8,445,531	8,586,844	8,693,014	(106,170)	-1.2%	9,992,646
Terminal 2 Other/Passenger Fees	2,324,575	2,386,672	2,413,849	(27,177)	-1.1%	2,681,159
Total Airline Rates & Charges	\$104,743,435	\$ 119,963,181	\$ 130,441,141	\$ (10,477,960)	-8.0%	\$ 131,208,261
Concessions						
Terminal/Other						
Food & Beverage	9,416,727	\$ 13,148,148	\$ 14,032,927	\$ (884,779)	-6.3%	\$ 17,201,015
News	1,917,257	3,406,505	2,843,836	562,669	19.8%	3,521,672
Retail	1,987,650	2,319,409	2,838,750	(519,341)	-18.3%	3,749,742
Passenger Services	3,734,709	4,113,980	4,991,265	(877,285)	-17.6%	5,628,112
Total Terminal/Other	17,056,343	22,988,042	24,706,778	(1,718,736)	-7.0%	30,100,541
Parking/Ground Transportation						
Parking	39,704,696	61,180,436	62,392,396	(1,211,960)	-1.9%	69,702,000
Ground Transportation Fees	5,401,497	6,828,279	8,293,523	(1,465,244)	-17.7%	9,717,331
Auto Rental-On Airport	14,106,026	14,564,234	17,677,381	(3,113,147)	-17.6%	19,292,132
Total Parking/Ground Transportation	59,212,219	82,572,949	88,363,300	(5,790,351)	-6.6%	98,711,463
Other Concessions	1,973,081	2,235,197	2,266,224	(31,027)	-1.4%	2,498,017
Total Concessions	\$ 78,241,643	\$ 107,796,188	\$ 115,336,302	\$ (7,540,114)	-6.5%	\$ 131,310,021
Rentals/Fees						
Buildings & Facilities	11,627,100	\$ 13,532,436	\$ 13,508,917	\$ 23,519	0.2%	\$ 14,765,952
Building Auto - CFC's	7,778,784	10,904,056	12,852,947	(1,948,891)	-15.2%	15,485,478
Ground Rentals	10,601,897	10,444,118	10,643,182	(199,064)	-1.9%	11,636,049
Reliever Airports	7,638,187	8,825,073	8,616,329	208,744	2.4%	8,616,329
Total Rentals/Fees	\$ 37,645,968	\$ 43,705,683	\$ 45,621,375	\$ (1,915,692)	-4.2%	\$ 50,503,808
Utilities and Other Revenue						
Utilities	5,324,864	\$ 3,144,650	\$ 3,498,315	\$ (353,665)	-19.3%	\$ 4,996,628
GA/Airside Fees	4,075,469	4,554,582	4,367,076	187,506	4.3%	4,679,938
Maintenance, Cleaning, Distribution Fees	1,468,428	2,292,590	2,395,824	(103,234)	-4.3%	2,772,944
Other Revenues	1,555,174	1,742,700	1,834,918	(92,218)	-5.0%	2,373,060
Reimbursed Expense	2,810,189	2,226,043	2,395,017	(168,974)	-7.1%	3,609,000
Total Utilities and Other Revenue	15,234,124	\$ 13,960,565	\$ 14,491,150	\$ (530,585)	-3.7%	\$ 18,431,570
Total Operating Revenue	\$235,865,170	\$ 285,425,617	\$ 305,889,968	\$ (20,464,351)	-6.7%	\$ 331,453,660

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

Budget Variance Report - November 2021
Operating Expense
Non-Operating Revenue & Expense

	2020		2021			Total 2021 Budget
	Year to Date	Year To Date		Dollar	%	
	Actual	Actual	Budget	Variance	Variance	
<i>Total Operating Revenue</i>	\$ 235,865,170	\$ 285,425,617	\$ 305,889,968	\$ (20,464,351)	-6.7%	\$ 331,453,660
OPERATING EXPENSE						
Personnel	81,015,787	\$ 81,427,700	\$ 83,616,736	\$ 2,189,036	2.6%	\$ 94,206,500
Administrative	926,058	804,710	1,054,756	250,046	23.7%	1,351,569
Professional Services	4,529,242	4,256,044	4,613,495	357,451	7.7%	6,310,316
Utilities	13,603,203	16,162,718	16,418,667	255,949	1.6%	19,896,708
Operating Services/Expenses	23,225,946	21,282,279	22,727,840	1,445,561	6.4%	27,643,462
Maintenance	30,989,882	32,604,593	33,565,342	960,749	2.9%	41,458,294
Other	3,523,071	3,353,927	3,441,328	87,401	2.5%	3,639,119
Total Operating Expense	\$157,813,189	\$ 159,891,971	\$ 165,438,164	\$ 5,546,193	3.4%	\$ 194,505,968
<i>(excludes depreciation and noise amortization)</i>						
Net Operating Revenue	\$ 78,051,981	\$ 125,533,646	\$ 140,451,804	\$ (14,918,158)	-10.6%	\$ 136,947,692
NON-OPERATING REVENUE (EXPENSE)						
	2020		2021			Total 2021 Budget
	Year to Date	Year To Date		Dollar	%	
	Actual	Actual	Budget	Variance	Variance	
Other Non-Operating Revenue						
Interest Income	\$ 6,300,000	\$ 2,344,282	\$ 2,501,000	\$ (156,718)	-6.3%	\$ 4,864,000
Self-Liquidating Income	2,904,000	3,074,054	3,074,054	-	0.0%	3,321,000
	9,204,000	5,418,336	5,575,054	(156,718)	-2.8%	8,185,000
Debt Service						
Short Term Financing	\$ (3,985,000)	\$ (5,152,475)	\$ (5,152,475)	\$ -	0.0%	\$ (6,964,500)
Equip Financing Principal/Interest Payments	(3,535,000)	(3,245,813)	(3,245,813)	-	0.0%	(4,422,630)
Bond Principal/Interest Payments	(25,987,000)	(23,412,270)	(23,412,270)	-	0.0%	(100,943,700)
	\$ (33,507,000)	\$ (31,810,558)	\$ (31,810,558)	\$ -	0.0%	\$(112,330,830)
Equipment						
Capital Expenditures	\$ (1,121,000)	\$ (1,056,560)	\$ (1,056,560)	\$ -	0.0%	\$ (1,150,000)
Equipment Purchases	(7,492,000)	(5,885,040)	(5,885,040)	-	0.0%	(8,271,850)
Equipment Financing	3,395,000	-	-	-	0.0%	-
	\$ (5,218,000)	\$ (6,941,600)	\$ (6,941,600)	\$ -	0.0%	\$ (9,421,850)
Other						
Six Month Reserve Transfer	\$ (7,035,000)	\$ -	\$ -	\$ -	0.0%	\$ -
Grant Reimbursements	-	24,709,947	-	24,709,947	-	-
Gain (Loss) on Equipment & Other	16,648,000	(866,614)	165,000	(1,031,614)	-625.2%	180,000
	\$ 9,613,000	\$ 23,843,333	\$ 165,000	\$ 23,678,333	14350.5%	\$ 180,000
Total Non-Operating Revenue (Expense)	\$ (19,908,000)	\$ (9,490,489)	\$ (33,012,104)	\$ 23,521,615	-71.3%	\$(113,387,680)
Net Revenue Available for Designation	\$ 58,143,981	\$ 116,043,157	\$ 107,439,700	\$ 8,603,457	8.0%	\$ 23,560,012

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

OPERATING REVENUE

Total operating revenue for November 2021 year-to-date is under budget \$20,464,351 or 6.7%. The revenue sources creating this variance are within the Airline Rates & Charges, Concessions, Rentals/Fees and Utilities and Other Revenue categories.

Airline Rates & Charges

The revenue from Airline Rates & Charges is below budget \$10,477,960 or 8.0% as a result of the following:

Landing Fees

Landing Fees are lower than budget \$3,309,063 or 5.1%. Landing fees are activity-based fees. Flight activity was lower than projected as the COVID-19 pandemic continues to affect air service.

Terminal 1 Rentals

Terminal 1 Rental Fees are below budget \$6,234,313 or 16.9%. Terminal rental relief was provided to the airlines through the COVID-19 relief program approved by the MAC in 2020. Airlines were given the option to take 90% of the available terminal rent credit in 2020 or 2021 with the remaining 10% rental credit provided in June of 2021. A few airlines chose to use the 90% credit in 2020; however, most airlines used the credit in 2021. Terminal rental relief credits totaling \$5,973,202 have been applied in 2021.

Terminal 1 Other Rentals

Terminal 1 Other Rental Fees are lower than budget \$578,450 or 9.7%. The variance is due to lower International Arrival Facility (IAF) operating costs related to reduced passenger levels from the COVID-19 pandemic.

Concessions

Concessions revenue is \$7,540,114 or 6.5% below budget as a result of the following:

Food & Beverage

Food & Beverage concessions revenue is under budget \$884,779 or 6.3% due to fewer enplanements than the budget projected and lower consumer spending.

News

News concessions revenue is higher than budget \$562,669 or 19.8%. More customers purchased snacks and beverages to bring on flights as food sales were discontinued on many flights as a result of the pandemic.

Retail Stores

Revenue from Retail Stores is under budget \$519,341 or 18.3%. Retail sales were lower than projected in the budget which is the result of lower spending per enplanement.

Passenger Services

After the budget was approved, MAG relief was provided to certain passenger service companies as authorized by the MAC's COVID-19 relief program. As a result, revenue from Passenger Services is below budget \$877,285 or 17.6%.

Parking

Parking revenue is under budget \$1,211,960 or 1.9%. With passenger counts lower than projections, parking revenue is slightly below the budget target.

Ground Transportation Fees

Ground Transportation Fees are under budget \$1,465,244 or 17.7%. These fees are activity-based by carrying passengers to and from the airport. This variance is mainly due to less Transportation Network Companies (TNC) activity than projected in the budget and is also affected by fewer taxi and commercial vehicle trips. Offsetting this variance are off-airport auto rental fees that are over budget by \$616,718.

Auto Rental-On Airport

For Auto Rental-On Airport, the budget expected rent to the greater of MAG or 10% of sales. After the budget was approved, rent relief was provided as authorized by the MAC's COVID-19 relief program in the form of no guaranteed rent and only 10% of sales for January through June, and rent equal to the greater of 60% of guaranteed rent or 10% of sales for July through December. This results in Auto Rental-On Airport revenue being below budget \$3,113,147 or 17.6%.

Rentals/Fees

Revenue from Rentals/Fees is \$1,915,692 or 4.2% below budget. The largest variance is in Auto Rental Customer Facility Charges (CFCs) at \$1,948,891 or 15.2% below budget. This variance results from customers on average renting cars for fewer number of days than projected in the CFC revenue budget.

Utilities and Other Revenue

Utilities and Other Revenue are under budget \$530,585 or 3.7%. The largest variance is in Utilities at \$353,665 or 19.3% below budget. Concession stores throughout the airport campus did not reopen as soon as expected so utility costs were lower.

OPERATING EXPENSE

Total operating expense for November 2021 year-to-date is under budget \$5,546,193 or 3.4%. The expenses creating this variance are within the Personnel, Operating Services/Expenses and Maintenance categories.

Personnel

Personnel is under budget \$2,189,036 or 2.6% mainly for the following reasons:

- Wages are below budget \$1,431,707. Only critically necessary positions have been filled in 2021 resulting in personnel savings.
- Overtime and temporary employees are lower than projected \$658,226 as the winter weather has been mild.
- The supplemental Other Post-Employment Benefits (OPEB) trust expenses are under budget \$718,321 as the MAC's actuarial consultant recommended reducing MAC's contributions due to funding levels.
- Employee medical insurance is over budget \$891,017 as retiree medical claims are higher than projected.

Operating Services/Expenses

Operating Services/Expenses are under budget \$1,445,561 or 6.4%. The major factors are explained below:

- Security staff was scheduled at pre-pandemic levels. Staffing was later reduced based on lower enplanements causing a below budget variance of \$644,617.
- Parking management expenses were reduced as a cost-saving measure during the pandemic recovery and are under budget \$514,117.
- Service agreements are under budget \$605,689. Due to changes in the agreements, these costs are lower than expected in the budget.
- Glycol Impacted Storm Water (GISW) management costs are lower than budget \$322,203 due to fewer flights than expected.
- Expenses for the vaccination clinics located at MSP and weekly staff covid testing is causing an over budget variance of \$737,123.

Maintenance

Maintenance expenses are under budget \$960,749 or 2.9%. Affecting this variance are snow removal costs that are lower than budget \$515,381 due to mild weather. Also, equipment parts and fuel are kept at low levels during the pandemic recovery and are under budget \$313,956.

NON-OPERATING REVENUE (EXPENSE)

The total non-operating expense for November 2021 year-to-date is lower than budget \$23,521,615 or 71.3%. The Federal Aviation Administration (FAA) reimbursed Coronavirus Aid, Relief, and Economic Security (CARES) Act funds as economic relief to eligible US airports affected by the prevention of, preparation for, and response to the COVID-19 pandemic. The MAC received \$24,709,947 in federal aid in 2021. The MAC also received a \$1 million insurance claim advance to rebuild the boarding bridges damaged from strong winds in 2021. This amount is offset by costs related to the commercial vehicle canopy fire in 2020 which is expected to be reimbursed by insurance.