



Metropolitan Airports Commission

TO: Operations, Finance and Administration Committee

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

SUBJECT: **Budget Variance Report – 3rd Quarter 2022**

DATE: November 2, 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 3rd 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 - 3rd Quarter 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	\$ 42,376,375	\$ 51,623,381	\$ 54,449,036	\$ (2,825,655)	-5.2%	\$ 72,841,520
Ramp Fees	4,828,702	4,828,702	4,991,135	(162,433)	-3.3%	6,654,847
Airline R & R	3,943,985	4,043,572	4,100,818	(57,246)	-1.4%	5,467,757
Terminal 1 Rentals	24,096,034	25,488,124	31,376,088	(5,887,964)	-18.8%	40,386,342
Terminal 1 Other Rentals	4,414,198	7,190,530	6,493,669	696,861	10.7%	9,040,732
Concessions Rebate	-	-	-	-		(16,255,417)
Total Airline Agreement	79,659,294	93,174,309	101,410,746	(8,236,437)	-8.1%	118,135,781
Terminal 2 Lobby Fees	7,678,558	8,959,997	9,160,000	(200,003)	-2.2%	10,601,014
Terminal 2 Other/Passenger Fees	2,053,581	3,155,920	2,973,050	182,870	6.2%	3,323,285
Total Airline Rates & Charges	\$ 89,391,433	\$ 105,290,226	\$ 113,543,796	\$ (8,253,570)	-7.3%	\$ 132,060,080
Concessions						
Terminal/Other						
Food & Beverage	\$ 10,503,000	\$ 11,306,008	\$ 15,695,009	\$ (4,389,001)	-28.0%	\$ 21,398,705
News	2,715,611	2,256,033	2,926,996	(670,963)	-22.9%	4,039,040
Retail	1,687,013	2,681,506	3,355,948	(674,442)	-20.1%	4,528,962
Passenger Services	3,527,653	5,402,268	4,754,269	647,999	13.6%	6,659,970
Total Terminal/Other	\$ 18,433,277	\$ 21,645,815	\$ 26,732,222	\$ (5,086,407)	-19.0%	\$ 36,626,677
Parking/Ground Transportation						
Parking	46,776,398	\$ 77,792,312	\$ 66,049,645	\$ 11,742,667	17.8%	\$ 86,797,790
Ground Transportation Fees	5,182,305	8,384,151	6,876,535	1,507,616	21.9%	10,284,819
Auto Rental-On Airport	11,499,618	17,932,848	16,314,033	1,618,815	9.9%	19,292,134
Total Parking/Ground Transportation	63,458,321	104,109,311	89,240,213	14,869,098	16.7%	116,374,743
Other Concessions	1,814,999	2,074,245	1,877,543	196,702	10.5%	2,506,057
Total Concessions	\$ 83,706,597	\$ 127,829,371	\$ 117,849,978	\$ 9,979,393	8.5%	\$ 155,507,477
Rentals/Fees						
Buildings & Facilities	\$ 10,970,884	\$ 11,750,724	\$ 12,012,108	\$ (261,384)	-2.2%	\$ 15,181,278
Building Auto - CFC's	7,923,140	11,046,735	10,275,000	771,735	7.5%	15,973,559
Ground Rentals	8,489,514	9,953,980	9,968,974	(14,994)	-0.2%	13,291,963
Reliever Airports	7,004,198	7,621,897	7,668,762	(46,865)	-0.6%	9,017,580
Total Rentals/Fees	\$ 34,387,736	\$ 40,373,336	\$ 39,924,844	\$ 448,492	1.1%	\$ 53,464,380
Utilities and Other Revenue						
Utilities	\$ 2,349,470	\$ 3,178,731	\$ 3,373,479	\$ (194,748)	-5.8%	\$ 5,196,430
GA/Airside Fees	3,515,808	4,255,184	4,048,860	206,324	5.1%	6,039,405
MCD Fees	1,740,811	2,549,326	2,106,981	442,345	21.0%	3,272,410
Other Revenues	1,517,898	1,843,580	1,496,678	346,902	23.2%	1,975,913
Reimbursed Expense	1,254,209	3,613,675	3,154,000	459,675	14.6%	3,154,000
Total Utilities and Other Revenue	\$ 10,378,196	\$ 15,440,496	\$ 14,179,998	\$ 1,260,498	8.9%	\$ 19,638,158
Total Operating Revenue	\$ 217,863,962	\$ 288,933,429	\$ 285,498,616	\$ 3,434,813	1.2%	\$ 360,670,095

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

Budget Variance Report - 3rd 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	
Total Operating Revenue	\$ 217,863,962	\$ 288,933,429	\$ 285,498,616	\$ 3,434,813	1.2%	\$ 360,670,095

OPERATING EXPENSE

Personnel	\$ 64,593,903	\$ 68,545,699	\$ 70,852,743	\$ 2,307,044	3.3%	\$ 100,679,525
Administrative Expenses	681,639	787,677	851,596	63,919	7.5%	1,464,985
Professional Services	3,339,453	5,061,553	4,833,303	(228,250)	-4.7%	7,392,117
Utilities	13,593,011	16,974,661	15,680,594	(1,294,067)	-8.3%	21,518,919
Operating Services/Expenses	17,220,327	19,783,039	21,622,764	1,839,725	8.5%	32,004,333
Maintenance	26,317,006	28,415,300	29,262,508	847,208	2.9%	45,767,349
Other	3,303,905	3,979,196	3,930,348	(48,848)	-1.2%	6,145,952

Total Operating Expense	\$ 129,049,244	\$ 143,547,125	\$ 147,033,856	\$ 3,486,731	2.4%	\$ 214,973,180
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(excludes depreciation and noise amortization)

Net Operating Revenue	\$ 88,814,718	\$ 145,386,304	\$ 138,464,760	\$ 6,921,544	5.0%	\$ 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	\$ 1,849,032	\$ 4,427,108	\$ 4,102,728	\$ 324,380	7.9%	\$ 5,107,000
Unrealized Gain/Loss on Investments	\$ -	\$ (6,149,109)	\$ -	\$ (6,149,109)		-
Self-Liquidating Income	2,793,062	1,939,924	1,939,924	-	0.0%	2,079,000
	\$ 4,642,094	\$ 217,923	\$ 6,042,652	\$ (5,824,729)	-96.4%	\$ 7,186,000

Debt Service

Short Term Financing	\$ (714,579)	\$ (767,300)	\$ (767,300)	\$ -	0.0%	\$ (7,896,000)
Equip Financing Principal/Int Payments	(2,978,312)	(4,384,022)	(4,384,022)	-	0.0%	(4,415,000)
Bond Principal/Interest Payments	(23,412,270)	(21,753,310)	(21,753,310)	-		(100,882,500)
	\$ (27,105,161)	\$ (26,904,632)	\$ (26,904,632)	\$ -	0.0%	\$ (113,193,500)

Equipment

Capital Expenditures	\$ (865,308)	\$ (972,276)	\$ (972,276)	\$ -	0.0%	\$ (1,150,000)
Equipment Purchases	(5,251,704)	(5,198,907)	(5,198,907)	-	0.0%	(13,003,050)
Equipment Financing	-	2,850,000	2,850,000	-		2,850,000
	\$ (6,117,012)	\$ (3,321,183)	\$ (3,321,183)	\$ -	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	(392,552)	286,565	135,000	151,565	112.3%	180,000
	\$ 20,786,165	\$ 9,477,430	\$ (1,099,909)	\$ 10,577,339	-961.7%	\$ 9,959,519

Total Non-Operating Revenue (Expense)	\$ (7,793,914)	\$ (20,530,462)	\$ (25,283,072)	\$ 4,752,610	-18.8%	\$ (107,351,031)
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Net Revenue Available for Designation	\$ 81,020,804	\$ 124,855,842	\$ 113,181,688	\$ 11,674,154	10.3%	\$ 38,345,884
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Brackets () Represent Revenue Items under Budget and Expense Items over Budget

OPERATING REVENUE

Total operating revenue for 3rd Quarter year-to-date is over budget \$3,434,813 or 1.2%. 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 \$8,253,570 or 7.3%. Major contributors to this variance are as follows.

Landing Fees

Landing Fees are lower than budget \$2,825,655 or 5.2%. 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 \$5,887,964 or 18.8%. 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 \$696,861 or 10.7%. 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 \$200,003 or 2.2%. 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 \$182,870 or 6.2%. The majority of the variance comes from a greater number of Terminal 2 international passengers than budgeted in relation to airlines resuming operations to previously suspended routes.

Concessions

Concessions revenue is \$9,979,393 or 8.5% 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 \$9,520,569 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 \$4,389,001 or 28.0%. Passengers have spent more than expected and with higher pricing from inflation, Food & Beverage revenue is greater than projected. However, \$6,999,452 of ARPA rental relief credits have been used by Food & Beverage leaseholders, which resulted in the negative variance.

News

News revenue is under budget \$670,963, or 22.9%. News concession sales were greater than projected and various product pricing was increased due to inflation. However, the budget variance includes \$1,403,470 of ARPA rental relief credits used by the leaseholders.

Retail

Retail sales are under budget \$674,442 or 20.1%. Sales were slightly higher than budget from increased passenger spending and inflation. However, ARPA rental relief credits of \$778,793 have been utilized by the leaseholders, dropping the variance below budget.

Passenger Services

Revenue from Passenger Services is higher than budget \$647,999 or 13.6%. A number of companies outperformed budget projections. Lowering the positive variance is the \$338,854 in ARPA rental relief credits that a few passenger services leaseholders utilized.

Parking

Parking is exceeding the budget by \$11,742,667 or 17.8%. 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 \$1,507,616 or 21.9%. 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 \$1,618,815 or 9.9%. Auto rental agencies' pricing was increased due to inflation and slightly more transactions occurred than projected.

Rentals/Fees

Rentals/Fees is greater than budget \$448,492 or 1.1%. Notable in this category are the Auto Rental Customer Facility Charges (CFCs) that are over budget \$771,735 or 7.5%. 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 \$1,260,498 or 8.9% mainly for the following reasons.

Maintenance, Cleaning & Distribution (MCD) Fees

MCD Fees are over budget \$442,345 or 21.0%. 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 \$346,902 or 23.2%. 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.

Reimbursed Expense

Reimbursed Expense is higher than budget \$459,675 or 14.6% as police aid received is greater than expected in the budget.

OPERATING EXPENSE

Total Operating Expense for 3rd Quarter year-to-date is lower than budget \$3,486,731 or 2.4%. The expense categories creating this variance are within Personnel, Utilities and Operating Services/Expenses.

Personnel

Personnel is under budget \$2,307,044 or 3.3% mainly due to the following.

- Wages are under budget \$2,016,575 as the employee vacancy factor is higher than anticipated as the MAC works to fill positions held open during the onset of the pandemic.
- Overtime is greater than budget \$501,120. A major factor causing this variance comes from an agreement with Delta to have Maintenance workers repair the ramp area in front of Building B, which will be reimbursed by Delta. The remainder stems from overtime exceeding projections.
- Employee insurance expense is lower than budget \$694,562 as employee medical claims are lower than expected.

Utilities

Utilities are greater than budget \$1,294,067 or 8.3%. 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 \$1,839,725 or 8.5%. 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 3rd Quarter year-to-date is lower than budget \$4,752,610 or 18.8%. The following factors are creating this variance.

Other Non-Operating Revenue

Other Non-Operating Revenue is lower than budget \$5,824,729 or 96.4%. 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 \$10,577,339. 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.