



## Metropolitan Airports Commission

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TO: Operations, Finance and Administration Committee

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

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

DATE: January 11, 2023

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### **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 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 - November 2022  
Operating Revenue**

	2021		2022			Total 2022 Budget
	Year to Date Actual		Year To Date Actual	Budget	Dollar Variance	
<b>OPERATING REVENUE</b>						
<b>Airline Rates &amp; Charges</b>						
Airline Agreement						
Landing Fees	\$ 62,102,623	\$ 62,947,268	\$ 66,686,412	\$ (3,739,144)	-5.6%	\$ 72,841,520
Ramp Fees	5,901,747	5,901,747	6,100,276	(198,529)	-3.3%	6,654,847
Airline R & R	4,817,483	4,942,102	5,012,111	(70,009)	-1.4%	5,467,757
Terminal 1 Rentals	30,755,537	31,991,743	37,745,035	(5,753,292)	-15.2%	40,386,342
Terminal 1 Other Rentals	5,412,275	8,766,239	7,963,475	802,764	10.1%	9,040,732
Concessions Rebate	-	-	-	-		(16,255,417)
<b>Total Airline Agreement</b>	<b>108,989,665</b>	<b>114,549,099</b>	<b>123,507,309</b>	<b>(8,958,210)</b>	<b>-7.3%</b>	<b>118,135,781</b>
Terminal 2 Lobby Fees	8,586,844	9,581,454	9,960,000	(378,546)	-3.8%	10,601,014
Terminal 2 Other/Passenger Fees	2,386,672	3,533,993	2,821,915	712,078	25.2%	3,323,285
<b>Total Airline Rates &amp; Charges</b>	<b>\$ 119,963,181</b>	<b>\$ 127,664,546</b>	<b>\$ 136,289,224</b>	<b>\$ (8,624,678)</b>	<b>-6.3%</b>	<b>\$ 132,060,080</b>
<b>Concessions</b>						
Terminal/Other						
Food & Beverage	\$ 13,148,148	\$ 14,718,959	\$ 19,274,749	\$ (4,555,790)	-23.6%	\$ 21,398,705
News	3,406,505	3,119,560	3,609,313	(489,753)	-13.6%	4,039,040
Retail	2,319,409	3,325,527	4,112,192	(786,665)	-19.1%	4,528,962
Passenger Services	4,113,980	6,293,315	5,746,886	546,429	9.5%	6,659,970
<b>Total Terminal/Other</b>	<b>\$ 22,988,042</b>	<b>\$ 27,457,361</b>	<b>\$ 32,743,140</b>	<b>\$ (5,285,779)</b>	<b>-16.1%</b>	<b>\$ 36,626,677</b>
Parking/Ground Transportation						
Parking	61,180,436	\$ 97,057,548	\$ 80,393,753	\$ 16,663,795	20.7%	\$ 86,797,790
Ground Transportation Fees	6,828,279	11,065,047	8,685,802	2,379,245	27.4%	10,284,819
Auto Rental-On Airport	14,564,234	22,058,196	19,292,134	2,766,062	14.3%	19,292,134
<b>Total Parking/Ground Transportation</b>	<b>82,572,949</b>	<b>130,180,791</b>	<b>108,371,689</b>	<b>21,809,102</b>	<b>20.1%</b>	<b>116,374,743</b>
Other Concessions	2,235,197	2,544,789	2,297,218	247,571	10.8%	2,506,057
<b>Total Concessions</b>	<b>\$ 107,796,188</b>	<b>\$ 160,182,941</b>	<b>\$ 143,412,047</b>	<b>\$ 16,770,894</b>	<b>11.7%</b>	<b>\$ 155,507,477</b>
<b>Rentals/Fees</b>						
Buildings & Facilities	\$ 13,532,436	\$ 14,613,273	\$ 13,893,255	\$ 720,018	5.2%	\$ 15,181,278
Building Auto - CFCs	10,904,056	14,523,104	13,375,000	1,148,104	8.6%	15,973,559
Ground Rentals	10,444,118	12,009,090	12,135,562	(126,472)	-1.0%	13,291,963
Reliever Airports	8,825,073	9,489,079	8,717,580	771,499	8.8%	9,017,580
<b>Total Rentals/Fees</b>	<b>\$ 43,705,683</b>	<b>\$ 50,634,546</b>	<b>\$ 48,121,397</b>	<b>\$ 2,513,149</b>	<b>5.2%</b>	<b>\$ 53,464,380</b>
<b>Utilities and Other Revenue</b>						
Utilities	\$ 3,144,650	\$ 4,495,434	\$ 4,500,344	\$ (4,910)	-0.1%	\$ 5,196,430
GA/Airside Fees	4,554,582	5,313,667	5,073,016	240,651	4.7%	6,039,405
MCD Fees	2,292,590	3,201,909	2,676,981	524,928	19.6%	3,272,410
Other Revenues	1,742,700	2,241,075	1,819,617	421,458	23.2%	1,975,913
Reimbursed Expense	2,226,043	4,126,907	2,882,807	1,244,100	43.2%	3,154,000
<b>Total Utilities and Other Revenue</b>	<b>\$ 13,960,565</b>	<b>\$ 19,378,992</b>	<b>\$ 16,952,765</b>	<b>\$ 2,426,227</b>	<b>14.3%</b>	<b>\$ 19,638,158</b>
<b>Total Operating Revenue</b>	<b>\$ 285,425,617</b>	<b>\$ 357,861,025</b>	<b>\$ 344,775,433</b>	<b>\$ 13,085,592</b>	<b>3.8%</b>	<b>\$ 360,670,095</b>

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

**Budget Variance Report - November 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	\$ 285,425,617	\$ 357,861,025	\$ 344,775,433	\$ 13,085,592	3.8%	\$ 360,670,095
<b>OPERATING EXPENSE</b>						
Personnel	\$ 81,427,700	\$ 84,542,667	\$ 87,411,580	\$ 2,868,913	3.3%	\$ 100,679,525
Administrative Expenses	804,710	988,188	1,031,337	43,149	4.2%	1,464,985
Professional Services	4,256,044	6,450,120	6,031,403	(418,717)	-6.9%	7,392,117
Utilities	16,162,718	21,089,836	19,586,848	(1,502,988)	-7.7%	21,518,919
Operating Services/Expenses	21,282,279	23,881,111	26,083,929	2,202,818	8.4%	32,263,246
Maintenance	32,604,593	36,512,699	36,878,828	366,129	1.0%	45,767,349
Other	3,353,927	3,425,056	3,640,825	215,769	5.9%	6,145,952

<b>Total Operating Expense</b>	<b>\$ 159,891,971</b>	<b>\$ 176,889,677</b>	<b>\$ 180,664,750</b>	<b>\$ 3,775,073</b>	<b>2.1%</b>	<b>\$ 215,232,093</b>
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(excludes depreciation and noise amortization)

<b>Net Operating Revenue</b>	<b>\$ 125,533,646</b>	<b>\$ 180,971,348</b>	<b>\$ 164,110,683</b>	<b>\$ 16,860,665</b>	<b>10.3%</b>	<b>\$ 145,438,002</b>
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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	
<b>Other Non-Operating Revenue</b>						
Interest Income	\$ 2,344,282	\$ 5,381,979	\$ 4,693,529	\$ 688,450	14.7%	\$ 5,107,000
Unrealized Gain/Loss on Investments	\$ -	\$ (6,142,652)	\$ -	\$ (6,142,652)		-
Self-Liquidating Income	3,074,054	2,032,518	2,032,518	-	0.0%	2,079,000
	\$ 5,418,336	\$ 1,271,845	\$ 6,726,047	\$ (5,454,202)	-81.1%	\$ 7,186,000
<b>Debt Service</b>						
Short Term Financing	\$ (5,152,475)	\$ (2,900,471)	\$ (2,900,471)	\$ -	0.0%	\$ (7,896,000)
Equip Financing Principal/Int Payments	(3,245,813)	(4,651,524)	(4,415,000)	(236,524)	5.4%	(4,415,000)
Bond Principal/Interest Payments	(23,412,270)	(21,753,310)	(21,753,310)	-	0.0%	(100,882,500)
	\$ (31,810,558)	\$ (29,305,305)	\$ (29,068,781)	\$ (236,524)	0.8%	\$ (113,193,500)
<b>Equipment</b>						
Capital Expenditures	\$ (1,056,560)	\$ (1,190,320)	\$ (1,150,000)	\$ (40,320)	3.5%	\$ (1,150,000)
Equipment Purchases	(5,885,040)	(6,304,001)	(6,304,001)	-	0.0%	(13,003,050)
Equipment Financing	-	2,850,000	2,850,000	-	0.0%	2,850,000
	\$ (6,941,600)	\$ (4,644,321)	\$ (4,604,001)	\$ (40,320)	0.9%	\$ (11,303,050)
<b>Other</b>						
Six Month Reserve Transfer	\$ -	\$ (1,234,909)	\$ (1,234,909)	\$ -	0.0%	\$ (1,234,909)
Grant Reimbursements	24,709,947	10,425,774	-	10,425,774		11,014,428
Gain (Loss) on Equipment & Other	(866,614)	(152,350)	165,000	(317,350)	-192.3%	180,000
	\$ 23,843,333	\$ 9,038,515	\$ (1,069,909)	\$ 10,108,424	-944.8%	\$ 9,959,519

<b>Total Non-Operating Revenue (Expense)</b>	<b>\$ (9,490,489)</b>	<b>\$ (23,639,266)</b>	<b>\$ (28,016,644)</b>	<b>\$ 4,377,378</b>	<b>-15.6%</b>	<b>\$ (107,351,031)</b>
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<b>Net Revenue Available for Designation</b>	<b>\$ 116,043,157</b>	<b>\$ 157,332,082</b>	<b>\$ 136,094,039</b>	<b>\$ 21,238,043</b>	<b>15.6%</b>	<b>\$ 38,086,971</b>
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Brackets ( ) Represent Revenue Items under Budget and Expense Items over Budget

## **OPERATING REVENUE**

Total operating revenue for November year-to-date is over budget \$13,085,592 or 3.8%. The budget variances are explained 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 \$8,624,678 or 6.3%. Major contributors to this variance are as follows.

#### ***Landing Fees***

Landing Fees are lower than budget \$3,739,144 or 5.6%. 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 \$5,753,292 or 15.2%. 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 \$802,764 or 10.1%. 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 \$378,546 or 3.8%. Terminal 2 airline activity was greater than projected. However, 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 \$712,078 or 25.2%. The main driver of this variance is the greater number of Terminal 2 international passengers than budgeted, which relates to airlines resuming operations to previously suspended routes.

### **Concessions**

Actual Concessions revenue is \$16,770,894 or 11.7% higher than budget. However, the MAC provided rental relief credits to Food & Beverage, News, Retail and Passenger Services concessionaires to lower their costs during the COVID-19 pandemic recovery in 2022. These rental credits total \$11,006,386 through November. The MAC received American Rescue Plan Act (ARPA) concession rent relief federal grant funds to offset these credits. The ARPA grant funds received are reported in Non-Operating. Additional details for concessions are provided below.

#### ***Food & Beverage***

Food & Beverage is lower than budget \$4,555,790 or 23.6%. Passengers have spent more than expected and with higher pricing from inflation, Food & Beverage revenue is greater than projected.

However, \$7,998,147 of ARPA rental relief credits have been used by Food & Beverage leaseholders, which resulted in the negative variance.

***News***

News revenue is under budget \$489,753 or 13.6%. News concession sales were greater than projected and various product pricing was increased due to inflation. However, the budget variance includes \$1,405,254 of ARPA rental relief credits used by the leaseholders.

***Retail***

Retail sales are under budget \$786,665 or 19.1%. Sales were slightly higher than budget from increased passenger spending and inflation. However, ARPA rental relief credits of \$941,224 have been utilized by the leaseholders, dropping the variance below budget.

***Passenger Services***

Revenue from Passenger Services is higher than budget \$546,429 or 9.5%. A number of companies outperformed budget projections. Lowering the positive variance are the ARPA rental relief credits of \$661,761 that a few passenger services leaseholders utilized.

***Parking***

Parking is exceeding the budget by \$16,663,795 or 20.7%. 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 \$2,379,245 or 27.4%. Traveler spending on ground transportation services, particularly transportation network companies, was higher than projected.

***Auto Rental-On Airport***

Auto Rental-On Airport revenue is higher than budget \$2,766,062 or 14.3%. Auto rental agencies' pricing was increased due to inflation and more transactions occurred than projected.

**Rentals/Fees**

Rentals/Fees is greater than budget \$2,513,149 or 5.2% mainly due to the following reasons.

***Buildings & Facilities***

Revenue from Buildings & Facilities is over budget \$720,018 or 5.2%. The Hotel Facility Charge fees brought in \$335,429 more revenue than expected and additional terminal leasing surpassed the budget by \$489,428.

***Customer Facility Charges (CFCs)***

CFCs are higher than budget \$1,148,104 or 8.6%. This variance results from customers on average renting cars for a greater number of days than projected in the budget.

***Reliever Airports***

Revenue from Reliever Airports is \$771,499 or 8.8% greater than budget. Aeronautical activity at the reliever airports is exceeding projections. The high cost of fuel is bringing in additional revenue as well.

### **Utilities and Other Revenue**

Utilities and Other Revenue is over budget \$2,426,227 or 14.3%, mainly for the following reasons.

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

MCD Fees are over budget \$524,928 or 19.6%. The increase is a direct correlation to the increase in concession sales as these fees are a percentage of sales.

#### ***Other Revenues***

Other Revenues consists of fines, permit fees, badging revenue and other miscellaneous revenue. This category is over budget \$421,458 or 23.2%. Badging fees exceeded the budget for new vendor and employee badges throughout the terminal. In addition, building permits and fees were greater than the budget expected for new construction.

#### ***Reimbursed Expense***

Reimbursed Expense is higher than budget \$1,244,100 or 43.2% as police reimbursed costs were greater than expected in the budget.

## **OPERATING EXPENSE**

Total Operating Expense for November year-to-date is lower than budget \$3,775,073 or 2.1%. The budget variances are explained within Personnel, Professional Services, Utilities and Operating Services/Expenses.

### **Personnel**

Personnel is under budget \$2,868,913 or 3.3% mainly due to the following.

- Wages and related costs are under budget \$1,903,954. Employee vacancies are higher than anticipated as the MAC works to fill positions held open during the onset of the pandemic.
- Temporary employees are below budget \$421,305 as they were not needed in certain areas. For example, Police used fewer temporary employees as one checkpoint did not open.
- Overtime is greater than budget \$1,358,061 due to the inclement winter weather. Additional staff hours were needed to make the runway surface conditions safe for aircraft as well as clear public roadways and parking lots. Also, an agreement with Delta to have Maintenance workers repair the ramp area in front of Building B is a factor in this variance. Delta will reimburse the MAC for these costs.
- Employee benefits are lower than budget \$1,993,205 as employee medical claims were lower than expected.

### **Professional Services**

Professional Services are over budget \$418,717 or 6.9%. This variance is from certain costs requiring Professional Services Authorizations that were budgeted in Operating Services/Expenses but were accurately recorded in Professional Services.

### **Utilities**

Utilities are greater than budget \$1,502,988 or 7.7%. The price of natural gas is higher than expected from the global inventory shortfall and exceeded the budget by \$841,529. In addition, the electricity rate increased throughout the year and surpassed the budget by \$700,382.

### **Operating Services/Expenses**

Operating Services/Expenses are lower than budget \$2,202,818 or 8.4%. The following explains the major factors.

- Security Services, Employee Screening and Queue Line staff were scheduled at pre-pandemic levels. Staffing was later reduced based on lower enplanements causing below budget variances of \$253,553 for Security Services, \$435,708 for Employee Screening and \$504,953 for queue line management.
- Parking management costs are lower than budget by \$348,017. Reimbursed parking management payroll costs were lower due to staff vacancies.
- Service Agreements are below budget \$685,188 mainly due to certain costs requiring a Professional Services Authorization that were budgeted in Operating Services/Expenses but were accurately recorded in Professional Services.

### **NON-OPERATING REVENUE (EXPENSE)**

Total Non-Operating Expense for November year-to-date is lower than budget \$4,377,378 or 15.6%. The following factors are creating this variance.

#### **Other Non-Operating Revenue**

Other Non-Operating Revenue is lower than budget \$5,454,202 or 81.1%. 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. Interest income is exceeding the budget \$688,450 as the interest rate continues to rise.

#### **Other**

The Other category shows a variance of \$10,108,424. 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 extraordinary costs related to the Terminal 2 boarding bridge damaged from strong winds in 2021. The MAC receives reimbursement from insurance companies for extraordinary costs.