

MINUTES OF THE BUDGET & FINANCE COMMITTEE MEETING OF THE MONTEREY PENINSULA AIRPORT DISTRICT BOARD OF DIRECTORS

October 12, 2021 - 10:00 AM

SPECIAL AND URGENT NOTICE ELIMINATING IN-PERSON PUBLIC PARTICIPATION AT MONTEREY PENINSULA AIRPORT DISTRICT BOARD MEETINGS

Due to the directives contained in the Governor's Declarations of Emergency for the State of California (Executive Orders N-25-20 and N-29-20) and the Governor's Stay at Home Order (Executive Order N-33-20), the Board of Directors of the Monterey Peninsula Airport District is required to limit in-person attendance at the upcoming Board Committee meeting. Members of the public may utilize alternative measures established by the Monterey Peninsula Airport District to listen to Board meeting and/or to communicate your opinions to the Board Members. To participate in the Board meeting via Zoom video conference, please visit www.zoom.us/join and enter the following Meeting ID: **828 7853 9412**. The password for this meeting is **20211012**. If you do not have access to the internet, you may also participate telephonically by calling (253) 215-8782 and entering the same Meeting ID and password.

Members of the public who wish to provide comment on an item on the agenda may do so during the meeting prior to the item being considered by the Board.

A. CALL TO ORDER

Finance Committee Meeting of the Board of Directors was called to order at 10:10 AM. Director Leffel, Director Sawhney, Executive Director La Pier, Deputy Director Morello and Deputy Executive Director Bergholz were present.

LSL CPAs and Advisors Partner Brandon Young was also present for the meeting.

PFM Financial Advisors Managing Directors Sarah Hollenbeck and Brian Gallucci were present for the meeting.

B. COMMUNICATIONS / ANNOUNCEMENTS / INFORMATIONAL ITEMS

None.

C. PUBLIC COMMENTS

None.

D. REGULAR AGENDA – ACTION ITEMS

Presentation 1. Draft Fiscal Year 2021 Audit Report by Brandon Young, Partner, LSL CPAs and Advisors (LSL)

Mr. Young presented the draft Fiscal Year 2021 audited financial statements report and provided an explanation of each section of the report and the opinions rendered. Mr. Young also discussed the implementation of GASB 87 and the impact on the financial statements, and provided an overview of the Required Supplemental Information section of the report that includes the changes in the GASB 68 Net Pension Liability and GASB 75 Other Post-Employment Benefits.

Mr. Young then presented the draft Audit Communication Letter and presented each of LSLs findings during the audit.

Presentation 2. Pension Funding Analysis by PFM Financial Advisors, LLC

Ms. Hollenbeck presented PFM's analysis of the Airport's FY 2021 CalPERS Unfunded Account Liability (UAL). The presentation included a review of the UAL sources by Classic Safety, Classic Fire, Classic Miscellaneous, PEPRSA Safety and PEPRSA Miscellaneous plans, and the historical investment returns creating the UAL.

Ms. Hollenbeck then discussed the purpose of creating a Pension Funding Policy, options for funding the UAL with specific examples of those options and the impact of using a Section 115 Trust.

Review 3. FYTD 2021 Statements

August commercial airline enplanements increased 25.3% from July but Airline landings were well below budget (514 budget vs 396 actual) by 118 landings which impacted budgeted landing and APRON fees. General aviation landings are 6.8% lower than July but well above budget by \$57.7K and travel related concessions (Woody's and Gifts & More) are exceeding their minimal annual guarantees by \$11.5K.

The Airport received the American Recovery Plan (ARP) Act grant in early August and an additional \$3.149M in funds are now available. No CARES or CRRSA Act draws were submitted in August. A CRRSA reimbursement request submitted for June (\$398.4K) and July (\$898.1K) expenses totaling \$1.298M was received in August. Total CRRSA Act reimbursement requests submitted are \$1.799M and the balance of AIP 74 (\$277K) and AIP 75 (\$50.0K) is \$327K. Total CARES Act reimbursement requests submitted are \$3.82M and the balance available is \$8.84M.

August 2021 combined Airport operating revenues are \$1.030M which is \$309.8K (43.0%) higher than budget (\$720.6K). The revenue variance resulted from a significant increase in General Aviation, Rental Car and Parking which offset lower than budget Commercial Airline operations. Non-Aviation and Other Operating sources continue to operate within regular budgeted revenues. The revenue variances came from the following:

Commercial Aviation (CA) fees in August are well below budget (\$91.6K actual vs \$113.8K budget) by \$22.2K or 19.5%. The unfavorable variance came from lower Landing and APRON fees that were offset by higher Fuel Flowage fees. Aircraft landing volumes (396) are under budget (514) by 118 landings.

General Aviation (GA) operating revenues for August (\$237.0K) are \$87.4K or 58.4% higher than budget (\$149.6K) mostly attributed to car week.

August combined TCP permits, Taxi Permits/Trips, TNC Trips, Terminal Concessions, Rental Car and Parking Concessions (Concessions) revenues (\$347.6K) are \$235.3K or 209.6% higher than budget (\$112.3K).

August Non-Aviation Tenant revenues (\$186.2K) are over budget (\$181.3K) by \$4.8K or 2.7%.

August Other Operating Revenues (\$18.5K) are over budget (\$16.7K) by \$1.7K or 10.4%.

August Operating Expenses (\$726.3K) are over budget (\$720.1K) by \$6.3K or 0.9%. The expense variance came from the following:

Salary & Wages and Employer Payroll Tax (Wages) Expenses (\$154.8K) for August are lower than budget (\$163.4K) \$8.6K or 5.24%.

Employer Benefit Expenses (\$126.3K) for August are lower than budget (\$133.9K) by \$7.6K or 5.7%.

Personnel Related Expenses (\$12.7K) for August are over budget (\$6.1K) \$6.6K or 107.4%.

Business Related Expenses (\$41.9K) for August are over budget (\$27.2K) by \$14.7K or 53.9%.

Expendable/Consumable Supplies & Materials expenses (\$6.1K) for August are under budget (\$11.6K) by \$5.6K or 48.0%.

Repair & Maintenance expenses (\$32.4K) for August are under budget (\$38.9K) by \$6.5K or 16.8%.

Outside Services expenses (\$215.7K) for August are over budget (\$211.4K) by \$4.2K or 2.0%.

Professional Service expenses (\$76.6K) for August are over budget (\$68.4K) by \$8.2K or 12.0%.

Marketing related expenses (\$22.7K) for August are over budget (\$17.4K) by \$5.2K or 12.0%.

The Airport's higher revenues and lower operating expenses in August resulted in an operating surplus of \$304.2K which is \$303.6K higher than the budgeted income of \$611. Fiscal year-to-date operating surplus is \$511.0K which is \$560.0K higher than the budgeted loss of \$49.0K.

See the August Fiscal Year 2021 Financial Summary for details of each variance.

Review 4. Variance Analysis - MTD and YTD

Revenues:

- Landing Fees*
- Apron Fees*
- Commercial Fuel Flowage Fees*
- Landing Fee*
- Terminal Space Rent*
- Terminal Concessions*
- Taxi Operator Permits & Trip Fees*
- TNC Permits & Trip Fees*
- Rental Car Concessions*
- Parking Concession*
- Fuel Flowage Fees*
- Hangar Rents*
- Utility Charges*

Expenses:

Finance & Administration:

- Temporary Personnel*
- LAFCO Expense*
- Annual Audit / Accounting*
- Other Legal Services*
- Administration & Finance*
- Marketing*
- Public Relations*
- Utilities – Water*

Planning & Development:

*Salary & Wage Reimbursement
Architect & Engineer
Computer / LAN & IT*

Maintenance & Custodial Services:

*Salaries & Wages
Custodial Supplies & Materials
Airfield Repair & Maintenance
Terminal Repair & Maintenance
Rental Space Repair & Maintenance
Landscape & Grounds Repair & Maintenance
District Vehicle Repair & Maintenance*

Airport Operations:

*General Repairs & Maintenance
Other / Contract Services
Computer / LAN & IT
Environmental*

Police Department:

None

ARFF / Fire Services:

District Vehicle Repair & Maintenance

Board of Directors:

Other Meetings / Workshops

Office Rental Property:

None

Other Income and Expense:

*Grants - FAA
Grants - FAA CARES/CRSSA ACT
Passenger Facility Charges*

There were no additional variances on revenues or expenses presented.

Review 5. Accounts Receivable Aged Invoice Report

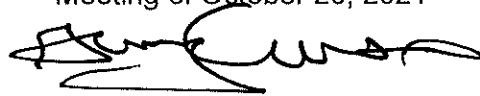
The accounts receivable balance on August 31, 2021 is \$898.0K. This balance is \$258.4K or 40.4% higher than the July 31, 2021 balance of \$639.0K and 187.0% higher than the \$313K balance on August 31, 2020. The net accounts receivable balance over 60 days old on August 31, 2021, is a credit of

\$7.4K. As of September 27, 2021, the over 60 days balance is a credit of \$2.3K and the net accounts receivable balance is \$226.7K

E. ADJOURNMENT

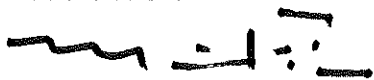
The meeting adjourned at 1:50 PM.

Minutes Approved at the
Meeting of October 20, 2021



Gary Cursio, Chair

ATTEST



Michael La Pier, AAE
District Secretary