

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

November 12, 2019 - 10:30 AM - Administration Office Conference Room

A. CALL TO ORDER

The Finance Committee Meeting of the Board of Directors was called to order at 10:30 AM. Director Leffel, Director Sawhney, Executive Director La Pier, Deputy Director Strategy and Development Morello and Deputy Executive Director of Finance and Administration Bergholz were present.

The following documents were presented to the Budget and Finance Committee members:

AMBAG Energy Efficient Lighting Proposal and PG&E Loan Overview

Resolution No. 1766, A Resolution Amending Resolution No 1753 and Approving the Amended Operating Budget of the Monterey Peninsula Airport District.

September 2019 Financial Statements

September 2019 Financial Statement Variance Analysis

September 30, 2019 Accounts Receivable Aged Invoice Report

B. COMMUNICATIONS/ANNOUNCEMENTS/INFORMATIONAL ITEMS

None.

C. PUBLIC COMMENTS

None.

D. REGULAR AGENDA – ACTION ITEMS

Discussion 1. AMBAG Energy Efficient Lighting Proposal and PG&E Loan Overview

AMBAG analyzed the Airport's lighting power usage and determined that upgrading/replacing the blubs/globes would result in power savings of \$62K per year. PG&E offered to finance the Airport's blub/globe replacement with rebates and zero interest loans. Additionally, the new blub/globe would have a 5 to 10 replacement warranty. The difference between the annual savings and loan payments for the first 2.5 years is estimated to be a \$20K savings to the Airport. After 2.5 years the savings would be approximately \$60K annually.

Discussion 2. Resolution No. 1766 A Resolution Amending Resolution No 1753 and Approving the Amended Operating Budget of the Monterey Peninsula Airport District.

FY20 Budget includes \$130.1K estimate for marketing expenses for promoting the Airport's services and airlines. In October, Alaska Airlines (Alaska) indicated interest in developing a new service between Monterey and its hub in Seattle, Washington and have asked for an indication of marketing support from the airport and the community. The Airport would like to increase the FY20 marketing budget by \$30.0K to an amended total of \$160.1K. The requested increase in the FY20 marketing budget would allow the Airport to increase its marketing support for Alaska by \$30.0K to a total of \$60.0K.

The requested budget amendment also includes an additional \$12.0K to support a new annual sponsorship of all Monterey County Hospitality Association (MCHA) events. This additional investment

will allow the airport to be the named sponsor of all MCHA events and will include entry for Airport representatives to all remaining events for the balance of FY20.

Review 3. FYTD 2020 Financial Statements

Reviewed overall financial performance of the airport as of September 30, 2019

September 2019 combined Airport operating revenues are \$937.6K which is \$135.8K (16.9%) higher than budget (\$801.7K), and FYTD revenues are \$2.78M which is \$290.3K (11.7%) higher than budget (\$2.49M). The September favorable revenue variance is primarily attributed to 15 additional flights by United (10) American Airlines (3), and unscheduled flights by Elite (2). Historically United and American Airlines will add flights in the summer to accommodate seasonal travelers which appears to have been extended into September. Additionally, TNCs, concessions, rental car and parking revenues followed the increase in flights and enplanements.

September operating expenses (\$691.2K) are under budget (\$724.5K) by \$33.3K or 4.6%. September's net favorable expenses variance resulted from the following: Salary & Wages and Employer Payroll Tax Expenses (\$205.8K) are higher than budget (\$194.9K) by \$10.9K or 5.6%, Employer Benefit Expenses (\$112.1K) for September are lower than budget (\$116.8K) by \$4.6K, Personnel Related Expenses (\$4.1K) for September were under budget (\$11.2K) by \$7.1K or 63.2%, Business Related Expenses (\$23.3K) for September were materially on budget (\$22.6), Expendable/Consumable Supplies & Materials expenses for September (\$6.4K) are lower than budget (\$10.4K) by \$4.0K, Repair & Maintenance expenses for September (\$32.1K) are over budget (\$27.8K) by \$4.9K, Outside Services expenses for September (\$237.9K) were materially on budget (\$237.1K), Professional Services expenses for September (\$20.5K) are under budget (\$39.1K) by \$18.6K or 47.5%, Marketing related expenses for September (\$12.7K) were lower than budget (\$31.2K) by \$18.5K and Combined Utilities expenses for September (\$31.1K) are over budget (\$27.9K) by \$2.3K.

September FYTD Operating Expenses are \$2.06M which is \$118.9K lower than budget (\$2.18M). This favorable variance is attributed to lower expenses in most expense categories except utilities.

Continued higher than budget operating revenues and lower operating expenses resulted in an operating income of \$246.4K for September which is \$169.1K higher than budget (\$77.2K). FYTD operating income is \$695.4K which is \$409.3K or 143.0% higher than budget (\$286.1K).

Review 4. September 2019 Financial Statement Variance Analysis

Revenues:

Commercial Landing Fees

In September there were 15 additional aircraft landings over budget. Additional landings in September came from the following: American Airlines 3, United 10, and Elite 2. Elite's Gamblers Express flights aren't included in the annual budget since they are unscheduled. Both United and American had small changes to their regular schedule flights.

*Commercial Fuel Flowage Fees
Terminal Concessions*

The September Terminal Concessions favorable variance came mostly from Golden Tee (5.0K). The FY20 budget included a reduction in restaurant concession with the transition to the new operator.

*TNC Permits & Trip Fees
Rental Car Concessions
Parking Concession*

September Parking Concession counts were under budget by 234 vehicles and there was a daily favorable rate variance of \$4.45 per car (\$5.32 Bud vs \$9.77 Act). There were approximately 1,044 long term parked cars over 3 days in September and include in that total were 188 cars that parked for over 7 days.

*GA Fuel Flowage Fees
Outside Storage
Office Space Rental Revenue*

Expenses:

Finance & Administration:

Salaries & Wages

The September Finance and Administration salaries and wages budget includes a \$10K incentive bonus for the Airport's Executive Director. The Executive Director actual bonus was \$20K and was paid in September.

CalPERS Retirement

Annual Audit / Accounting

The FY20 Annual Audit/Accounting budget includes \$32.3K for the FY19 audit work through September (\$30K) and the CalPERS GASB 68 reports (\$2.3K). In August LSL CPAs and Advisors billed \$26.2K for FY19 audit fieldwork creating an unfavorable variance. The FY20 budget includes an another \$15K in September for audit services. This timing difference resulted in the \$15K favorable variance in September.

*Marketing
Public Relations
Air Service Development
Utilities - Natural Gas*

Planning & Development:

Architect & Engineer

Maintenance & Custodial Services:

Salaries & Wages

In September the Maintenance department had a \$2.5K increase in accrued vacation expenses resulting in an unfavorable variance.

*Custodial Supplies & Materials
Airfield Repair & Maintenance
Terminal Repair & Maintenance*

The September Terminal Repair & Maintenance budget includes planned roof, elevator and other repairs totaling \$6.5K. Actual September Terminal Repair & Maintenance expenses included: baggage belt repairs (\$4.8K), Della Mora Heating System repairs (\$5.1K), Home Depot supplies purchases (\$6.9K) and a variety of smaller servicing/repair projects \$3.3K.

Landscape & Grounds Repair & Maintenance

Airport Operations:

None

Police Department:

None

ARFF / Fire Services:

District Vehicle Repair & Maintenance

Board of Directors:

None

Office Rental Property

Rental Space Repair & Maintenance

Other Income and Expense:

*Grants – FAA
Passenger Facility Charges
Interest Income - L.A.I.F.*

The September or Q1 FY2020 LAIF interest income estimate was \$11K. Actual LAIF income was \$15.8K.

Depreciation and Amortization Expense

No additional questions on revenues or expenses.

Review 3. Accounts Receivable Aged Invoice Report / Cash Position Updated

The accounts receivable balance on September 30, 2019 is \$643K. This balance is 4.5% higher than the August 31, 2019 balance and 61.1% higher than the balance on September 30, 2018. This increase in accounts receivables is attributed to improving the invoicing of customers, timing of recognizing PFC revenues and changes in the pattern of customer collections.

The net accounts receivable balance over 60 days old on September 30, 2019 is a credit of \$1.2K. This over 60 days balance is the result of prepaid customer accounts.

The unrestricted cash and investments balance on September 30, 2019 is \$4.40M and the unrestricted cash and investments balance on August 31, 2019 was \$4.45M, a decrease of \$54.1K. The decrease in unrestricted cash and investments resulted from transfers to the general account of \$149K to fund various capital projects and was offset by savings of funds for FY21 CalPERS UAL (\$61.5K), FY21 prepaid SDRMA workers comp insurance (\$15.5K) and interest from investments (\$18.9K). In October the Airport will recapture District advances to various AIP projects that will be reimbursed by FAA and PFC payments.

The next Finance Committee meeting is scheduled for December 9, 2019 at 10:00 AM in the Administration Office Conference Room.

E. ADJOURNMENT

The meeting adjourned at 12:30 PM.

Minutes Approved at the
Meeting of December 11, 2019



William Sabo, Chair

ATTEST



Michael La Pier, AAE
District Secretary