

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

January 13, 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: **870 9378 2817**. The password for this meeting is: **20210113**. 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 10:00 AM. Director Leffel and Director Cursio, 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:

*Airport Capital Improvements Program
November 2020 Financial Statements
November 2020 Financial Statement Variance Analysis
November 30, 2020 Accounts Receivable Aged Invoice Report
November 30, 2020 CARES Act Summary*

B. COMMUNICATIONS / ANNOUNCEMENTS / INFORMATIONAL ITEMS

None.

C. PUBLIC COMMENTS

None.

D. REGULAR AGENDA – ACTION ITEMS

Review 1. Airport Capital Improvements Plan

Deputy Director Strategy and Development Morello presented Resolution No. 1792, a resolution approving the FY 2021 Airport Capital Improvement Plan (ACIP) and Staff Report for review by the Finance Committee. After review, committee agreed to recommend adoption of the resolution by the Board.

Review 2. FYTD 2020 Financial Statements

Reviewed overall financial performance of the Airport as of November 30, 2020

The COVID-19 health emergency began to surge in November but the impact on aviation travel appeared to be negligible, although public information suggests that December may be impacted. Commercial airline enplanements decreased at about 9% month over month, general aviation landings are about 107% of prior years' landings and travel related concessions are stable. Airport customers and tenants have adjusted to travel safety requirements under the pandemic and the industries COVID-19 safety policies and practices continue.

The Airport filed a \$209.9K Corona Virus Aid, Relief, and Economic Security (CARES) Act reimbursement request for November. The Airport practice is to only draw funds when cash outflows exceed cash inflows from operations, district capital improvements and debt services. As of November 30, total CARES Act reimbursement requests submitted are \$3.14M and the balance available is \$9.52M.

November 2020 combined Airport operating revenues are \$493.6K which is \$5.4K (1.1%) lower than budget (\$499.1K). The November unfavorable revenue variance is attributed to changes projected in the June 2020 budget. By November 1, the Airport hoped Commercial Airline travel would have improved, and tenant abatements could be decreased or cancelled. Fortunately, there is increasing stability in Commercial, General Aviation and Concession revenues. Most of the businesses operating in the Non-Aviation and Other Operating continue to operate with near normal revenues.

The November unfavorable revenue variance is attributed to the following:

- Commercial Aviation (CA) fees in November are over budget (\$43.1K actual vs \$32.0K budget) by \$11.1K or 34.8%. Aircraft landing volumes (189) are over budget (157) by 32 landings. In November, commercial airlines revenue generating enplanements decreased slightly from 7,871 in October to 7,160 passengers.
- General Aviation (GA) operating revenues for November (\$134.9K) are \$28.0K or 26.15% higher than budget (\$106.9K). This favorable GA revenue variance resulted from higher GA Landing (\$21.4K) and Fuel Flowage (\$24.9K) fees that were slightly offset by lower FBO abated rents (\$14.5K).
- In November combined TCP permits, Taxi Permits/Trips, TNC Trips, Terminal Concessions, Rental Car and Parking Concessions (Concessions) revenues (\$97.5K) are \$71.5K or 274.8% higher than budget (\$26.0K). Beginning November 2020 Rental Car and Parking minimum annual guarantees were included in the budget (\$12.8K). Overall Concession revenues have been performing better than expected even with the 65% decrease in enplanements and deplanements. Rental car revenues are operating at about 55% of prior year levels.
- November Non-Aviation Tenant revenues (\$171.8K) are lower than budget (\$173.5) by \$1.7K or 0.9%. \$1.6K. Most of the variance came from Tarcy's rent abatement (\$10.3K) that was partially extended to February 28, 2021. Tarcy's abatement was partially offset by improved RV rents, MHSS fees and higher office rents.
- November Other Operating Revenues (\$16.3K) are higher than budget (\$12.8K) by \$3.5K or 27.2%. The favorable variance resulted from higher tenant utilities chargebacks (\$3.1K) and higher tenant parking passes and badges (\$1.3K) which were offset by other small variances (\$975).

November operating expenses (\$868.5K) are under budget (\$880.7K) by \$12.2K or 1.4%. The expense variance came from the following:

- *Salary & Wages and Employer Payroll Tax (Wages) Expenses (\$154.5K) for November are materially on budget (\$156.8K).*
- *Employer Benefit Expenses (\$113.9K) for November are lower than budget (\$118.6K) by \$4.7K or 4.0%. The variance is the result of lower CalPERS retirement expenses (\$1.7K), savings from prepaying the FY 21 CALPERS UAL expense (\$2.7K) and other small differences.*
- *Personnel Related Expenses (\$114.3) for November are under budget (\$122.1K) by \$7.9K or 6.4%. The favorable variance comes from lower Board Member election fees (\$4.6K), Dues and Subscriptions (\$1.0K) and lower Travel & Business Entertainment related expenses (\$2.5K) and other small variances (\$0.3K).*
- *Business Related Expenses (\$28.5K) for November are under budget (\$74.7K). Most of the difference comes from a delayed payment of the 2801 Monterey Salinas Highway property (2801) possessory tax interest (\$76.7K) that was due on December 10th.*
- *Expendable/Consumable Supplies & Materials expenses (\$4.9K) for November are under budget (\$8.6K) by \$3.7K or 43.05%. This favorable expense variance resulted from lower expenses in all supplies categories.*
- *Repair & Maintenance expenses (\$46.2K) for November are over budget (\$42.8K) by \$3.4K or 7.9%. This unfavorable expense variance resulted from higher Airfield Repair & Maintenance (\$12.8K), Terminal Space Repairs (\$2.9K) and District Vehicle Repair & Maintenance (\$4.4K).*
- *Professional Service expenses (\$121.8K) for November are over budget (\$35.3K) by \$86.4K or 244.4%. The unfavorable variance comes from higher Other Legal Fees from the CEQA Amendment lawsuit (\$95.6K) and storm water testing fees (\$6.0K) that are offset by lower Art Program (\$10.0K), temporary delay of Audit fees (\$4.6K), and Human Resources contract expenses (\$2.5K).*
- *Marketing related expenses (\$8.4K) for November were over budget (\$6.8K) by \$1.7K or 24.7%. Most of the variance resulted from higher Marketing Expenses (\$2.4K) for commercials and advertising.*
- *Combined Utilities expenses for November (\$53.6K) were lower than budget (\$61.8K) by \$8.3K or 13.4%. Most of the favorable variance come from a lower PG&E's annual true-up for the solar power generation and power usage.*
- *With November revenues and operating expenses materially on budget the result is an operating loss of \$374.9K which is \$6.7K lower than the budgeted loss of \$381.6K. FYTD the operating loss is \$996.5K which is \$880.6K lower than budgeted loss of \$1.88M.*

Review 3. Variance Analysis - MTD and YTD

Revenues:

CA Landing Fee
GA Landing Fee
Terminal Space Rent

The budget was prepared before the abatements were approved which resulted in natural variances. QTA rents were excluded from the abatements but not included in the terminal rents budget until November.

Beginning November, the FY 21 budget includes terminal tenant rents returning to normal. In November BOD approved continued terminal rent abatements with rent abatement reductions for rental car company tenants. TSA and collection box vendors (UPS, FED EX, B of A) totaling \$10.2K continue to be collected in November and reduced the unfavorable variance. Most of the unfavorable variance is the result of extending terminal tenant rent abatements.

TNC Permits & Trip Fees
Rental Car Concessions
Parking Concession
FBO Rents

Beginning November, the FY 21 budget includes FBO tenant rents at the normal contracted rates. In November BOD approved continued FBO rent abatements at 25% normal contracted rates. The unfavorable variance represents the 25% FBO rent abatement.

GA Fuel Flowage Fees
Hangar Rents
Facility / Space Rents
Self-Storage Concession
Office Space Rental Revenue
Miscellaneous Other Operating Revenue

Expenses:

Finance & Administration:

Art Program
Annual Audit / Accounting
Other Legal Services
Marketing
Utilities - Electricity
Utilities - Water

Planning & Development:

None

Maintenance & Custodial Services:

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

Airport Operations:

Computer / LAN & IT
Environmental

Police Department:

None

ARFF / Fire Services:

District Vehicle Repair & Maintenance

Board of Directors:

Board Member Election Expense

In November Districts 3 elections were held with a total 12,549 registered votes at an estimated cost of \$8.00 per ballot. The District budgeted \$105K for Board of Director election expenses and the accrued expense is \$100.4K. Actual election expense invoices won't be issued until Q1 calendar year 2021.

Office Rental Property:

Rental Space Repair & Maintenance
Other / Contract Services
Property Tax & Assessments

Monterey County hasn't issued a possessory tax statement for the 2801 properties since they were transferred to (MPAD), and the county can't issue a tax possessory statement to a government entity. Form BOE-502-P needs to be filed for Lot A tenants which is occupied by Fenton and Keller. Since Lot C is unoccupied no tax or payment will be due.

Other Income and Expense:

Grants - FAA
Grants - FAA CARES ACT
Passenger Facility Charges

There were no additional questions on revenues or expenses.

Review 4. Accounts Receivable Aged Invoice Report

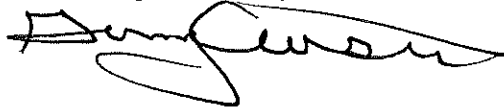
The Accounts Receivable balance on November 30, 2020 is \$355K. This balance is 10.1% lower than October 31, 2020 balance of \$394K and 35.0% lower than the \$546K balance on November 30, 2019. The net accounts receivable balance over 60 days old on November 31, 2020 is \$2.3K. As of December 24, 2020, the over 60 days balance is \$791 and the Accounts Receivable balance is \$68.9K.

The following customer accounts receivables were reviewed and discussed: Del Monte Aviation, J & J Auto Body, Constance Laud, Monterey Airpark Associates, MRY Hospitality Group and Swift Air LLC.

E. ADJOURNMENT

The meeting adjourned at 11:30 AM.

Minutes Approved at the
Meeting of January 20, 2021



Gary Cursio, Chair

ATTEST



Michael La Pier, AAE
District Secretary