

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

December 9, 2019 - 10:00 AM - Administration Office Conference Room

A. CALL TO ORDER

Finance Committee Meeting of the Board of Directors was called to order at 10:00 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:

Implementation of the Work Plan, Water Code Section 13267 Order for the Determination of the Presence of Per- and Polyfluoroalkyl Substances (PFAS) – Wood Environmental

Service Agreement with Urban Lumberjacks – Resolution 1768

October 2019 Financial Statements

October 2019 Financial Statement Variance Analysis

October 31, 2019 Accounts Receivable Aged Invoice Report

B. COMMUNICATIONS/ANNOUNCEMENTS/INFORMATIONAL ITEMS

None.

C. PUBLIC COMMENTS

None.

D. REGULAR AGENDA – ACTION ITEMS

Discussion 1. Wood Environmental Implementation of the PFAS Work Plan

The California State Water Resources Control Board (SWRCB) required all Part 139 certificated air carrier airports to perform an analysis of the effects of AFFF use and the potential of PFAS groundwater impacts on airport property. On October 11, 2019 the Board adopted Resolution No. 1765, A resolution authorizing and approving the professional services agreement with Wood Environment & Infrastructure Solutions, Inc. (Wood) for the PFAS Work Plan Implementation. Airport and Wood staff met with Regional Board staff onsite at the Airport and reviewed the draft Work Plan. The cost estimate to complete the Work Plan Implementation is not-to-exceed \$166,000.00.

A Capital Budget Amendment will be provided at a subsequent meeting that will include this Project. Currently this expenditure is unbudgeted.

Discussion 2. Urban Lumberjacks Service Agreement – Resolution 1768

Part 77 Surface Obstructions in the form of trees have been identified on the Airport Layout Plan for areas on and around the Airport and need to be addressed per FAA certification requirements. Also, Airport perimeter brush and fence clearing are necessary per TSA Security requirements. A component of the Airport Improvement Program (AIP) grant justification for the Land Acquisition Capital Improvement Project (CIP) at 2801 Monterey Salinas Highway (Fenton and Keller) was the ability to provide airspace protection. Additionally, the Approved Fiscal Year 2020 Operating Budget included tree obstruction removal and vegetation management in the Maintenance Department's budget as multiple locations around the Airport.

Staff recommendation is that the Board approve the expenditure as provided in the Urban Lumberjacks Forest Care service agreement in an amount not-to-exceed of \$102,000.00 and authorize the Executive Director to execute the purchase order.

The project is included in the adopted 2020 Operating and CIP budgets. No additional impact beyond adopted expenditures contained in the FY2020 budget.

Review 3. FYTD 2020 Financial Statements

Reviewed overall financial performance of the Airport as of October 31, 2019

October 2019 combined airport operating revenues are \$877.8K which is \$48.5K (5.9%) higher than budget (\$829.3K), and FYTD revenues are \$3.66M which is \$338.9K (10.2%) higher than budget (\$3.32M). The October favorable revenue variance is attributed to higher TNCs, concessions, rental car, parking revenues, GA landing fees and combined commercial and GA fuel sales.

When preparing the FY 2020 budget airline related revenues were expected to increase with American's and United's plans to implemented new services. Enplanements and Deplanements have a direct impact on all concession related revenues. The FY 2020 budget included a conservative 5% increase in concessions but the actual recognized increase in concessions is ranging from 7% to 15%. These variances are expected to continue for the remainder of FY 2020.

October operating expenses (\$687.7K) are under budget (\$772.0K) by \$84.4K or 10.9%. October's net favorable expenses variance resulted from the following:

Salary & Wages and Employer Payroll Tax (Wages) Expenses (\$175.2K) are lower than budget (\$182.3K) by \$7.1K or 3.9%, Employer Benefit Expenses (\$110.9K) for October are lower than budget (\$116.1K) by \$5.2K of 4.4%, Personnel Related Expenses (\$10.7K) for October were over budget (\$9.8K) by \$0.9K or 9.0%, Business Related Expenses (\$22.2K) for October were materially on budget (\$24.4), Expendable/Consumable Supplies & Materials expenses for October (\$5.2K) are lower than budget (\$11.9K) by \$6.7K or 56.7%, Repair & Maintenance expenses for October (\$48.0K) are over budget (\$82.3K) by \$34.3K or 41.7%, Outside Services expenses for October (\$237.9K) were materially on budget (\$238.6K), Professional Services expenses for October (\$25.7K) are under budget (\$39.0K) by \$13.3K or 34.2%, Marketing related expenses for October (\$24.6K) were lower than budget (\$39.0K) by \$10.1K or 29.1% and Combined Utilities expenses for October (\$21.3K) are lower than budget (\$26.7K) by \$5.4K or 20.2%.

October FYTD Operating Expenses are \$2.74M which is \$203.6K lower than budget (\$2.94M). This favorable variance is attributed to lower expenses in all expense categories.

Continued higher than budget operating revenues and lower operating expenses resulted in an operating income of \$193.3K for October which is \$133.3K higher than budget (\$60.0K). FYTD operating income is \$881.0K which is \$537.8K or 156.7% higher than budget (\$343.2K).

Review 4. October 2019 Financial Statement Variance Analysis

Revenues:

*Commercial Fuel Flowage Fees
Landing Fee
TNC Permits & Trip Fees
Rental Car Concessions
Parking Concession*

October Parking Concession counts were over budget by 416 vehicles and there was a daily favorable rate variance of \$0.52 per car (\$8.49 Bud vs \$9.01 Act). There were approximately 1,188 long term parked cars over 3 days in October which included 146 cars that parked for over 7 days.

*GA Fuel Flowage Fees
Self-Storage Concession
Office Space Rental Revenue
Utility Charges*

Expenses:

Finance & Administration:

District Legal Counsel

Beginning October, the FY20 budget includes \$45K at \$5K per month for various projects that would require District counsel legal services. No legal expenses for administrative projects were incurred in October.

*Marketing
Public Relations
Air Service Development*

The October Air Service Development expenses included \$12K for Landrum & Brown services to facilitate meetings with Alaska and Allegiant Airlines. The unfavorable variance is a timing difference with budgeted Air Service expenses planned for December 2019.

Utilities - Natural Gas
Utilities - Water

Planning & Development:

Salaries & Wages
Architect & Engineer

Maintenance & Custodial Services:

Custodial Supplies & Materials
District Vehicle Fuel
Airfield Repair & Maintenance
Terminal Repair & Maintenance
Landscape & Grounds Repair & Maintenance
District Vehicle Repair & Maintenance

Airport Operations:

None

Police Department:

None

ARFF / Fire Services:

General Repairs & Maintenance
District Vehicle Repair & Maintenance

Board of Directors:

Professional Development & Education
District Legal Counsel

The October District Legal Counsel variance is for catch up billings by District Counsel (\$3.0K) and additional services provided by Gatzke, Dillon and Balance LLP \$650.

Office Rental Property

Rental Space Repair & Maintenance

Other Income and Expense:

Grants – FAA

*Passenger Facility Charges
Depreciation and Amortization Expense*

The Depreciation variance is the result of differences in the budget and actual amounts of completed capital projects in October. The projects below are expected to close in the following months:

*2017-07 - FAA Disparity Study
2018-09 - Runway 10L-28R Overlay & PAPI
2019-10 - 2801 Monterey Salinas Highway Purchase
2019-11 – ARFF Bldg. Exhaust Modification*

No additional questions on revenues or expenses.

Review 5. Accounts Receivable Aged Invoice Report / Cash Position Updated

The accounts receivable balance on October 31, 2019 is \$640K. This balance is 0.5% lower than September 30, 2019 balance and 62.7% higher than the balance on October 31, 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 October 31, 2019 is a credit of \$646. This over 60 days balance is the result of prepaid customer accounts.

The unrestricted cash and investments balance on October 31, 2019 is \$4.98M and the unrestricted cash and investments balance on September 30, 2019 was \$4.40M, an increase of \$525.3K. The increase in unrestricted cash and investments resulted from recovery of advances to various capital projects (\$245.0K) and improved operating incomes resulted a transfer of \$200.0K to the reserve account. Additionally, prepaid UAL, worker's comp and business insurance expense amortization amounts are transferred to the reserve account monthly. These transfers are estimated FY21 CalPERS UAL (\$61.5K), FY21 prepaid SDRMA workers comp insurance (\$15.5K), business insurance (\$14.1K) plus interest from investments (\$3.17K).

Finance Committee Requests:

Director Leffel requested that three analyses be prepared and present to the Finance Committee. The analyses are:

*Recreational Vehicle Lot 2 financial performance,
2801 Properties financial performance compared to original estimates and
MRY Hospitality Group LLC (aka Golden Tee) progress and performance.*

Staff will prepare reports for future delivery.

The next Finance Committee meeting is scheduled for January 6, 2020 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 January 6, 2020



Mary Ann Leffel, Chair

ATTEST



Michael La Pier, AAE
District Secretary