

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

August 10, 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: **873 1987 1927** The password for this meeting is **20210810**. 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

The meeting was called to order at 10:00 AM. Director Leffel and Director Sawhney, Executive Director La Pier, Deputy Director of Strategy and Development Morello and Deputy Executive Director of Finance and Administration Bergholz were present.

Brandon Young, Partner with LSL CPA's and Advisors was also present at the meeting.

- *June FYTD 2021 Financial Statements*
- *June Variance Analysis - MTD and YTD*
- *June Accounts Receivable Aged Invoice Report*

B. COMMUNICATIONS / ANNOUNCEMENTS / INFORMATIONAL ITEMS

None.

C. PUBLIC COMMENTS

None. No members of the public were in attendance.

D. REGULAR AGENDA – ACTION ITEMS

Presentation 1. LSL FY 2021 Audit Plan

Brandon Young, LSL Partner, presented the FY 2021 audit engagement letter (Statement of Auditing Standards 114) to the Finance Committee members. Mr. Young presented the phases and timing of the audit and the proposed timeline for providing the final audit report for Finance Committee review and before delivery to the full Board of Directors. The audit will be conducted remotely, and the LSL manager and senior team members will be returning to the audit.

Review 2. Professional Service Agreement with PFM Financial Advisors LLC to Provide Financial Services Related to the Development of the Analysis of Unfunded Liabilities

Executive Director La Pier discussed the contract with PFM Financial Advisors LLC to analyze the Airport's CalPERS Unfunded Account Liability. The goal is to determine options for managing the

Airport's CalPERS retirement plan discount rate risk which may include the issuance of bonds or establishing an IRC 115 trust. This will be an ongoing investigation.

Review 3. FYTD 2021 Statements

California's June 15th reopening continued to improve the Airport and tenant's operational performance. June commercial airline enplanements increased at 17.2% from May, general aviation landings are 6% higher than May and travel related concessions continue to improve and are operating at about 60% to 70% of normal.

The Airport continues to monitor updates on the American Recovery Plan (ARP) Act and estimates the grant will be available in August 2021.

No CARES Act or CRRSA reimbursement requests were submitted for June. The Airport practice is to only draw funds when cash outflows exceed cash inflows from operations, district capital improvements and debt services. Total CARES Act reimbursement requests submitted FYTD are \$3.82M and the balance available is \$8.84M. The CRRSA Act reimbursement requests submitted FYTD are \$502.6K and the balance of AIP 74 and 75 is \$1.62M.

SUMMARY. June 2021 combined Airport operating revenues are \$852.8K which is \$187.1K (28.1%) higher than budget (\$665.7K). The revenue variance resulted from a mix of improvements in Commercial, General Aviation and Terminal Concession revenues. 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 June are over budget (\$70.3K actual vs \$59.8K budget) by \$10.5K or 17.5%. The favorable variance came from better-than-expected RON and Fuel Flowage fees. Aircraft landing volumes (286) are under budget (297) by 8 landings.*
- General Aviation (GA) operating revenues for June (\$179.4K) are \$23.5K or 15.1% higher than budget (\$155.9K). This favorable GA revenue variance resulted from significantly higher landing (\$19.6K) and FBO Rents (\$14.4) that were offset by lower Fuel Flowage (\$6.0K) fees and Airport hangar rents (\$4.6K).*
- In June combined TCP permits, Taxi Permits/Trips, TNC Trips, Terminal Concessions, Rental Car and Parking Concessions (Concessions) revenues (\$243.5K) are \$150.1K or 160.6% higher than budget (\$94.4K). The favorable Concession variance comes from higher Taxi fees (\$2.2) TNC Trip fees (\$10.9K), Rental Car Commissions (\$89.3K) and Parking Concessions (\$55.8K) which offset lower Terminal Concession (\$8.1K).*
- June Non-Aviation Tenant revenues (\$188.2K) are over budget (\$182.4K) by \$5.9K or 3.2%. Most of the variance came from higher MHSS revenues of (\$3.3K) and higher RV storage fees (\$2.3K).*
- June Other Operating Revenues (\$18.5K) are under budget (\$20.5K) by \$2.1K or 10.0%. The variance came from lower property tax revenues (\$2.0), utilities charges (\$0.9K), late fees (\$425) that was offset by higher Tenant Employee Parking, Decals & Badge fees (\$1.2K)*

June operating expenses (\$677.5K) are over budget (\$666.7K) by \$10.8K or 1.6%. The expense variance came from the following:

- Salary & Wages and Employer Payroll Tax (Wages) Expenses (\$153.7K) for June are lower than budget (\$161.2K) \$7.5K or 4.7%. The lower Wages expense came from an employee that used two weeks of vacation (\$2.9K), a custodian who retired, applied sick time to retirement and cashed out comp time (\$5.6K) that were offset by lower capitalized labor (\$1.0K).
- Employer Benefit Expenses (\$113.3K) for June are lower than budget (\$115.5K) by \$2.2K or 1.9%. Most of the variance is the result of lower CalPERS healthcare expenses (\$2.1K) from an employee who retired.
- Personnel Related Expenses (\$5.8K) for June are materially on budget (\$5.6K).
- Business Related Expenses (\$25.5K) for June are under budget (\$29.3K) by \$3.8K or 13.1%. Most of the variance comes from lower Bad Debts expense that wasn't accrued (\$5.0K) in June. On June 30 the Airport has a Bad Debt reserve of \$32.0K and no additional accrual is needed for FY21. Based on current accounts receivables it appears that the reserve can be reduced to approximately \$5K or \$10K.
- Expendable/Consumable Supplies & Materials expenses (\$5.8K) for June are under budget (\$12.6K) by \$6.8K or 53.9%. This favorable expense variance resulted from lower expenses in almost all supplies categories.
- Repair & Maintenance expenses (\$63.7K) for June are over budget (\$29.7K) by \$34.0K or 114.7%. This unfavorable expense variance resulted from higher Terminal Space Repairs (\$40.2K) and General Repairs (\$5.2K) that offset lower Airfield Repairs (\$8.3K), Rental Space Repairs and Maintenance (\$0.9K) and Landscape & Grounds Repair & Maintenance (\$2.3K). Terminal Space Repairs expenses include the purchase of carpet for the mezzanine and stairs (\$22K), the installation (\$21K), repairs to the luggage belt (\$2K) and various other small repairs.
- Professional Service expenses (\$41.2K) for June are over budget (\$28.3K) by \$12.9K or 45.8%. The unfavorable variance comes from Art Program expenses (\$6.5K), a timing difference in the billing of MacLeod and Watts OPEB actuarial service fees performed in June but were budgeted in April (\$2.4K), the purchase of two replacement computers (\$5.4K) that were offset by lower human resources fees (\$2.5K) and other small variances.
- Marketing related expenses (\$21.2K) for June are under budget (\$34.3K) by \$13.0K or 38.1%. Most of the variance resulted from lower Public Relations expenses (\$3.0K) and Air Service Development (\$9.6K).
- Combined Utilities expenses for June (\$26.5K) are under budget (\$28.3K) by 1.8K or 6.5%.

The Airport's higher revenues and higher operating expenses in June resulted in an operating surplus of \$175.3K which is \$176.3K higher than the budgeted loss of \$1.1K. FYTD the operating loss is \$1.44M which is \$770.2K lower than the budgeted loss of \$2.21M.

Review 4. Variance Analysis- MTD and YTD

Revenues:

RON Fees

*Commercial Fuel Flowage Fees
General Aviation Landing Fee
Terminal Space Rent
Terminal Concessions
Taxi Operator Permits & Trip Fees
TNC Permits & Trip Fees
Rental Car Concessions
Parking Concession
FBO Rents
Fuel Flowage
Hangar Rents*

Self-Storage Concession

The FY 21 budget includes estimated MHSS Self-Storage commissions of about \$31K per month. In June MHSS raised storage rates on some units by about 3% and occupancy has been at about 99%. The result has been a series of favorable variances which MHSS management expects to continue in the near future.

Expenses:

Finance & Administration:

*Office Supplies & Materials
Art Program
Annual Audit / Accounting
Human Resources
Public Relations
Air Service Development
Bad Debt Expense*

Planning & Development:

Computer / LAN & IT

Maintenance & Custodial Services:

*Overtime (OT) Pay
CalPERS Health Insurance
Custodial Supplies & Materials
Airfield Repair & Maintenance
Terminal Repair & Maintenance
Rental Space Repair & Maintenance
Landscape & Grounds Repair & Maintenance*

Airport Operations:

*Salaries & Wages
General Repairs & Maintenance*

Police Department:

None

ARFF / Fire Services:

None

Board of Directors:

None

Office Rental Property:

Other / Contract Services
Utilities – Electricity

Other Income and Expense:

Grants - FAA
Grants - FAA CARES 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 June 30, 2021 is \$605K. This balance is \$129.1K or 27.2% higher than the May 31, 2021 balance of \$475K and 124.9% higher than the \$269K balance on June 30, 2020. The net accounts receivable balance over 60 days old on June 30, 2021 is a credit of \$6.7K. As of July 23, 2021, the over 60 days old balance is a credit of \$14.2K and the net accounts receivable balance is \$137.4K. There are several accounts with credit balances and staff is working with those customers to make corrections.

E. ADJOURNMENT

The meeting adjourned at 11:02 AM.

Minutes Approved at the
Meeting of August 18, 2021



Gary Cursio, Chair

ATTEST



Michael La Pier, AAE
District Secretary