

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

May 11, 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: 890 6518 6991. The password for this meeting is: 20210511. 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 Sawhney, Executive Director La Pier, Deputy Director of 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:

- *Resolution No. 1800, A Resolution of the Monterey Peninsula Airport District Amending Resolution Nos. 1774, 1775 and 1793 Related to CARES and CRRSA Act Relief for Airport Tier 1 Terminal Restaurant and Gift Shop Concession Tenants*
- *Fiscal Year 2022 Draft Budget*
- *March FYTD 2021 Financial Statements*
- *March Variance Analysis - MTD and YTD*
- *March 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

Discussion 1. Parking Concessions

The Executive Director shared information regarding a potential extension of the parking concession contract (contract) with Reef/Republic Parking (Reef). Reef requested a five year extension of the parking contract with options to change the concession percentage structure, an offer to upgrade equipment and/or modifying the contract to a concession management agreement. Executive Director discussed extending the contract for 3 years to sync terms outlined in the 2014 amendment to the contract. The committee discussed the contract options and agreed with the proposed 3 year extension.

Review 2. Resolution No. 1800, A Resolution of the Monterey Peninsula Airport District Amending Resolution Nos. 1774, 1775 and 1793 Related to CARES and CRRSA Act Relief for Airport Tier 1 Terminal Restaurant and Gift Shop Concession Tenants

Tenant rent and concession abatements are scheduled to expire on May 31, 2021. Current commercial and general aviation activities have recovered to at least 50% of the pre pandemic business levels. The terminal restaurant and gift shop recoveries continue to lag and as of March 31, 2021 both concessions were minimally meeting or slightly exceeding their minimum monthly/annual guarantees. The Executive Director recommends continuing the concession abatements for the restaurant and gift shop until July 31, 2021. The committee agreed with the recommendation and support the resolution.

Review 3. Fiscal Year 2022 Draft Budget

Staff presented the FY 2022 draft Operating and Capital budgets to the committee. The committee provided feedback on the Operating and Capital budgets, and discussed the assumptions used and proposed staffing changes. The Executive Director indicated the full budget with any additional modifications will return to the Finance Committee at the June Committee meeting prior to presentation to the full Board.

Review 4. FYTD 2021 Financial Statements

The COVID-19 health emergency impact on Airport's operations and tenants has started to subside. March commercial airline enplanements increased at 85.0% month over month, general aviation landings are about 162% of prior years landings and travel related concessions are improving.

The Airport continues to monitor updates on the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA) and the America Recovery and Reinvestment Act (ARRA). The Airport recently received guidance on the CRRSA grant (AIP 75) for reimbursement of \$50K in lost concession revenues. The Airport will analyze the requirements for AIP 75 and determine next steps.

The Airport filed a \$208.9K CRRSA Act reimbursement request for March in late April. The Airport practice is to only draw funds when cash outflows exceed cash inflows from operations, district capital improvements and debt services. The CRRSA Act reimbursement requests submitted FYTD are \$502.6K and the balance of AIP 74 and 75 is \$1.62M. Total CARES Act reimbursement requests submitted FYTD are \$3.78M and the balance available is \$8.88M.

SUMMARY. March 2021 combined Airport operating revenues are \$575.6K which is \$59.4K (11.5%) higher than budget (\$516.2K). The revenue variance resulted from a mix of Commercial, General Aviation and Terminal Concession revenues. Most of the businesses operating in the Non-Aviation and Other Operating continue to operate within normal budgeted revenues.

The revenue variance came from the following:

- Commercial Aviation (CA) fees in March are over budget (\$61.3K actual vs \$56.9K budget) by \$4.3K or 7.62%. The favorable variance came from better-than-expected RON and Fuel Flowage fees. Aircraft landing volumes (271) are under budget (296) by 25 landings. Most of the landing volume variance came from United and Alaska's SAN flight. In March, commercial airlines revenue generating enplanements increased from 5,052 in February to 9,345 passengers. Flight cancellations in March total 4 and include Alaska (0), Allegiant (0), American (1) and United (3).*
- General Aviation (GA) operating revenues for March (\$130.9K) are \$9.4K or 7.7% higher than budget (\$121.5K).*

- In March combined TCP permits, Taxi Permits/Trips, TNC Trips, Terminal Concessions, Rental Car and Parking Concessions (Concessions) revenues (\$117.8K) are \$40.4K or 5.2% higher than budget (\$77.4K). Most of the variance came from higher Terminal Concession from TNC Trip fees (\$2.8K), Rental Car Commissions (\$21.9K) and Parking Concession (\$18.4K).
- March Non-Aviation Tenant revenues (\$182.5K) are over budget (\$175.5) by \$6.9K or 4.0%. Most of the variance came from higher MHSS rental fees (\$4.2K), higher RV storage fee (\$1.9K) and other small differences.
- March Other Operating Revenues (\$17.1K) are higher than budget (\$15.6K) by \$1.5K or 10.0%. The favorable variance resulted from Parking and Security Badge renewals (\$4.0) that was offset by lower Utilities Charges (\$1.6) other small variances (\$925).

March operating expenses (\$655.1K) are under budget (\$672.9K) by \$17.8K or 2.6%. The expense variance came from the following:

- Salary & Wages and Employer Payroll Tax (Wages) Expenses (\$159.3K) for March are lower than budget (\$161.4K) \$3.0K or 1.4%. The lower Wages expense came from higher capitalized labor for AIP 73/Project 2020-12 (Northside GA Apron) (\$3.5K) that was offset by other small variances.
- Employer Benefit Expenses (\$111.7K) for March are lower than budget (\$115.4K) by \$3.7K or 3.2%. Most of the variance is the result of lower CalPERS healthcare expenses (\$3.5K) for a new employee's family health insurance that was delayed. The employee's application was submitted late and missed the March processing cycle. This variance will reverse in April when CalPERS processes the application and bills for March and April.
- Personnel Related Expenses (\$1.1K) for March are under budget (\$5.1K) by \$4.0K or 77.8%. The favorable variance comes from lower Dues, Conferences and Travel related expenses in all departments.
- Business Related Expenses (\$33.1K) for March are over budget (\$24.8K) \$8.3K or 33.5%. The unfavorable variance comes from AT&T Centrex telephone charges.
- Expendable/Consumable Supplies & Materials expenses (\$5.2K) for March are under budget (\$12.6K) by \$7.4K or 58.9%.
- Repair & Maintenance expenses (\$37.7K) for March are under budget (\$45.6K) by \$7.9K or 17.2%. This favorable expense variance resulted from lower Airfield Repair & Maintenance (\$19.8K), higher Terminal Space Repairs (\$26.5K), lower Rental Space Repairs and Maintenance (\$2.8K), lower Landscape & Grounds Repair & Maintenance (\$5.1K), lower General Repairs & Maintenance (\$1.4K) and lower District Vehicle Repair & Maintenance (\$5.2K).
- Outside Services expenses (\$217.7K) for March are materially on budget (\$218.1K).
- Professional Service expenses (\$37.9K) for March are over budget (\$27.4K) by \$10.5K or 38.5%. The unfavorable variance comes from: higher Architect & Engineer fees (\$3.3K), higher Other Legal Fees from the CEQA Amendment lawsuit (\$13.8K), lower Administration and Finance ERP software support fees, lower Computer / LAN & IT expenses (\$4.6K) and lower Human Resources expenses (\$1.6K).

- *Marketing related expenses (\$14.8K) for March are under budget (\$27.3K) by \$12.5K or 45.6%. Most of the variance resulted from lower Public Relations expenses (\$1.0K) and Air Service Development expenses (\$12.5) that was offset by slightly higher Marketing expenses (\$1.1K).*
- *Combined Utilities expenses for March (\$32.3K) are over budget (\$30.8K) by 1.4K or 4.6%. The unfavorable variance comes from lower electricity expenses from including the 2801 properties in the Airport solar array program (\$3.0K) that was offset by higher natural gas expenses for heating the terminal (\$2.3K) and Sewage / Wastewater charges (\$2.1).*

The Airport's slightly higher revenues and lower operating expenses in March resulted in an operating loss of \$79.5K which is \$83.5K lower than the budgeted loss of \$156.7K. FYTD the operating loss is \$1.66M which is \$277.8K lower than the budgeted loss of \$1.94M.

Review 5. Variance Analysis - MTD and YTD

Revenues:

*Commercial Landing Fees
 RON Fees
 Commercial Fuel Flowage Fees
 General Aviation Landing Fee
 Terminal Concessions
 TNC Permits & Trip Fees
 Rental Car Concessions
 Parking Concession
 Self-Storage Concession
 Tenant Employee Parking, Decals & Badges*

Expenses:

Finance & Administration:

*Telephone
 Other Legal Services
 Air Service Development*

Planning & Development:

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

Maintenance & Custodial Services:

*CalPERS Health Insurance
 Custodial Supplies & Materials
 Airfield Repair & Maintenance
 Terminal Repair & Maintenance*

Airport Operations:

Computer / LAN & IT

Police Department:

None

ARFF / Fire Services:

District Vehicle Repair & Maintenance

Board of Directors:

None

Office Rental Property:

*Rental Space Repair & Maintenance
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 6. Accounts Receivable Aged Invoice Report

The accounts receivable balance on March 31, 2021 is \$320K. This balance is \$92.1K or 40.4% higher than the February 28, 2021 balance of \$228K and 6.2% lower than the \$341K balance on March 31, 2020. The net accounts receivable balance over 60 days old on March 31, 2021 is a credit of \$6.8K. As of April 23, 2021, the over 60 days balance is a credit of \$1.0K and the accounts receivable balance is \$50.5K.

The following customer accounts were presented for review: American Airlines, Avis, Budget, Hertz, Holk and Swift Air.

E. ADJOURNMENT

The meeting adjourned at 1:50 PM.

Minutes Approved at the
Meeting of May 19, 2021



Gary Cursio, Chair

ATTEST



Michael La Pier, AAE
District Secretary