

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

August 6, 2018 - 10:00 AM - Board Room

A. CALL TO ORDER

Director Sabo called to order the Finance Committee Meeting of the Board of Directors at 10:00 AM. Director Leffel, Director Sabo, Executive Director La Pier, and Deputy Executive Director of Finance and Administration Bergholz were present. District Counsel Huber was present by telephone.

Macias Gini and O'Connell Audit Partner Eugene Ma and Senior Associate Auditor Dominic Jaranilla were present for part of the meeting.

Presented the following documents to the Budget and Finance committee members:

Macias Gini and O'Connell's Fiscal Year 2018 Audit Plan

June 2018 Financial Statements

June 2018 Financial Statement Variance Analysis

June 30, 2018 Accounts Receivable Aged Invoice Report

Investment Policy Revised 2018-07-31

Finance and Accounting Policy 2018-07-31

B. COMMUNICATIONS/ANNOUNCEMENTS/INFORMATIONAL ITEMS

Macias Gini and O'Connell audit partner Eugene Ma presented the fiscal year 18 audit plan to Directors Leffel and Sabo in closed session. Field work will begin on August 14, 2018.

C. PUBLIC COMMENTS

None.

D. REGULAR AGENDA – ACTION ITEMS

Review 1. FYTD 2018 Financial Statements

Reviewed overall financial performance of the airport as of May 31, 2018

June 2018 combined airport operating revenues are \$789.0K which is \$50.3K (6.8%) higher than budget (\$738.7K) and FYTD revenues are \$9.26M which is \$439.2K (5.0%) higher than budget (\$8.8M). The June favorable revenue variance is attributed to higher Commercial Aviation landing fees, GA Landing and Fuel Fees, Terminal Concessions, TNC fees, Outside-Storage Rents and Miscellaneous Other Operating Revenues. These higher revenues offset a decrease in Taxi fees and Parking fees.

June operating expenses are over budget by \$82.8K (13.0%). June's net unfavorable expenses variance resulted from the following:

Salary & Wage and Employer Payroll Tax Expenses are under budget (\$1.6K), Employer Benefit Expenses are under budget (\$3.2K), Personnel Related Expenses are under budget (\$3.0K), Business Related Expenses are under budget (\$5.4K), Expendable / Consumable Supplies & Materials are over

budget by (\$6.8), Repair & Maintenance expenses are over budget (\$71.2K), Outside Services are materially on budget, Professional Services are over budget (\$14.0K), Marketing related expenses are over budget (\$14.1K) and Utilities expenses are under budget (\$3.0K).

June FYTD Operating Expenses are \$8,02M which is \$112.4K lower than budget (\$8.14M). This favorable variance is attributed to lower Employee and Related expenses (\$206.6K), Business Related expenses (\$39.2), Supplies and Materials expenses (\$4.5K) and Repairs and Maintenance expenses (\$30.3K). The favorable FYTD expense variances are offset by unfavorable variances in Professional Services (-\$59.2K), Marketing (-\$31.3K) and Utilities (-\$85.2K).

With higher than budget operating revenues and despite higher operating expenses, June's Operating Income is \$69.5K which is \$32.5K lower than budget (\$102.0K). FYTD operating income is \$1.24M which is \$552.6K or 80.3% higher than budget (\$687.8K).

Review 2. June 2018 Financial Statement Variance Analysis

Revenues:

CA Landing Fee

Commercial Landing Fees for June exceeded budget by \$2.7K. In June American Airlines (AA) continued its daily service of 3 flights per day using CRJ 900 aircraft which resulted in a \$1K favorable landing fee variance to budget. United added a fifth flight to Los Angeles and is using the EMB 175 heavier and exceeded budget by \$12.5K. Both Alaska and Allegiant slightly exceeded budget.

GA Landing Fees

*Terminal Concessions
Taxi Operators Permits and Trip Fees
TNC Permit and Trip Fees
Rental Car Concessions*

In June all rental car companies except Budget were over budget - Avis (\$0.7K), Budget (-\$1.1K), Enterprise (\$3.8K), Hertz, (\$0.8K) and National (\$4.3K). Go Rentals which arrived at the airport this spring paid June concession fees of \$11.6K which represent more than 50% of the favorable variance.

Parking Concession

In June parking concessions vehicle counts were below budget by 1,659 cars with a daily favorable rate variance of \$0.05per day (\$6.05 Bud vs \$6.10 Act). FYTD cars parked at the airport shows an unfavorable volume variance of 6.9K cars with an average favorable rate variance of \$0.02 per day. The average rate paid by customers parking at the airport is the approximately the same as budget.

*Fuel Flow
Facility / Space Rents
Outside Storage
Self-Storage*

Miscellaneous Other Operating Revenue

Expenses:

Finance & Administration:

Annual Audit / Accounting

MGO the District's financial auditor had planned to be onsite for preliminary test work in June—temporary savings \$5.9K. Field work has been delayed until August 2018.

District Legal Counsel

The June budget for District Legal Counsel is \$1.0K. In June District counsel provided a new F&K property appraisal (\$7.5K) and billed for DRO related projects (\$2.8K)

Public Relations

Air Service Development

The Air service Development budget for June is \$4.2K. Mead and Hunt billed for services totaling \$15.0K for the American Airlines and United meetings in June.

Planning & Development:

Salary & Wage Reimbursement

CalPERS Health Insurance

Computer / LAN & IT

In June the Airport purchase enhanced support services for the SonicWall Firewall hardware and software. This was an unbudgeted expense.

Maintenance & Custodial Services:

District Vehicle Supplies & Materials

In June Maintenance received the new service truck. To place the vehicle in service lights, racks, wiring and other accessories were purchased and installed from Johnson and Associates (\$3.4K)

Terminal Repairs & Maintenance

The June \$7.6K unfavorable Terminal Maintenance budget to actual variance resulted from the purchase of a new gate counter for United Airlines (\$9.9K). The District paid for the shell and United paid for the inserts.

Rental Space Repair & Maintenance

Airport Operations:

Salaries & Wages

CalPERS Health Insurance
Office Supplies & Materials

The June variance is from the purchase of new Operations office furniture from Place Stationary.

General Repairs & Maintenance

The variance came from the purchase and installation of new security access controllers and various gate controls from First Alarm (\$10.4K).

Environmental

Police Department:

Salaries & Wages
Overtime (OT) Pay
CalPERS Health Insurance

In April the Airport received notice that a police officer was determined to be eligible for 4850 pay which includes benefits. April's health benefits were already paid and CalPERS provide correct invoices in June. All of the \$6.5K unfavorable variance is the result of this retroactive adjustment.

ARFF / Fire Services:

General Vehicle Repairs & Maintenance

In April the Airport determined that its only ARFF vehicle required approximately \$100K of repairs to its transmission and transfer case. In May a \$27K deposit for parts was paid to A1 Transmission and Marine. June invoices from A1 include the balance of the parts and some labor. Part of the work will be completed in FY18 and the balance will crossover into FY19.

Board of Directors:

None

Other Income and Expense:

Grants – FAA
Passenger Facility Charges
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 June 30, 2018 is \$392K. This balance is 19.9% higher than the May 31, 2018 balance and 11.9% lower than the balance on June 30, 2017. This increase in accounts receivables is attributed to timing of collections from June.

The net accounts receivable balance over 60 days old on June 30, 2018 is \$7.5K. The outstanding June accounts receivable invoices on July 26, 2018 total \$94.7K. Included in this July 26 balance are three June airline invoices totaling approximately \$61K, United Ground Service invoice \$6.2K and two taxi companies' May invoices \$10.2K. The remaining balance is a mix of other small accounts.

Review 4. Investment Policy and Finance and Accounting Policy

Revised District Investment Policy and Finance and Accounting Policy was presented by Scott Huber District Counsel to the Finance Committee. With modifications the Finance Committee Directors agreed with the revised policies.

Discussion 5. Future Agenda Items/Finance Committee Schedule

The next meeting was scheduled for September 10, 2018 at 10:00 AM. In the Board of Directors Conference Room.

E. ADJOURNMENT

The meeting adjourned at 1:30 PM.

Minutes Approved at the
Meeting of September 12, 2018


Carl M. Miller, Chair

ATTEST



Michael La Pier, AAE
District Secretary