

Finance Department Update



Updates

- Q1 Financial Update
- Grants Receivable Update
- DAA FY 2022 Audit Update – still working to complete by month end, GASB 87
- Vacant Position Update:
 - Admin Coordinator
 - Finance Technician
 - SH Manager
 - Airport Maintenance I
- Operating Policy #10, #16, #6
 - Work to have an agreement/lease policy which incorporates missing pieces from updated purchase policy as well as the current policies in place.

Duluth Airport Authority Board Meeting Action Items

Presented by:

Joelle Bodin, C.M.
Finance Director



Resolution to Approve and Adopt Revised Operating Policy #18: Purchasing Policy

- Terms: Effective as of the date of board approval
- Overview:
 - This policy has not been formally updated since October of 2012.
 - Updates include:
 - A complete re-write of the policy to include definitions, purchase thresholds, and approval authority.
 - Removal of language relating to old paper processes.
 - Inclusion of information for compliance with Minnesota Statutes, FAA Grant Assurances, FAA Sponsor Risk Assessment and DAA Enabling legislation.
 - Inclusion of language for use of p-cards, which can then be added as a future operating policy.
 - Sync policy with City of Duluth's for better continuity and use of City purchasing department
 - Provide for clearer guidance
 - Outstanding Item: Lease agreement approval by executive director should be added as future Lease/Agreement Operating Policy.

Duluth Airport Authority

2023 Q1 Unaudited Financial Update

Presented by:

Joelle Bodin, C.M.
Finance Director



Duluth Airport Authority
DAA Board Packet Budget vs. Actual Summary

Jan - Mar 2023

UNAUDITED

Financial Row	Prior Year Actual (Jan 2022 - Mar 2022)	Current Year Actual (Jan 2023 - Mar 2023)	Budget Amount (Jan 2023 - Mar 2023)	% of Budget	Variance from Prior Year	Variance From Budget	Total Budget (Jan 2023 - Adjust 2023)
Ordinary Income/Expense							
Income							
Non-Aeronautical Revenue	490,543	815,536	710,745	114.74%	324,993	104,790	2,950,799
Non-Passenger Aeronautical Revenue	370,941	431,522	399,699	107.96%	60,581	31,823	1,643,775
Passenger Airline Aeronautical Revenue	296,698	319,822	323,627	98.82%	23,124	(3,805)	1,321,416
Total - Income	1,158,182	1,566,880	1,434,071	109.26%	408,698	132,808	5,915,990
Gross Profit	1,158,182	1,566,880	1,434,071	109.26%	408,698	132,808	5,915,990
Expense							
Miscellaneous Expenses	14,184	21,952	21,557	101.83%	7,767	394	71,436
Personnel Compensation & Benefits	532,397	669,532	614,512	108.95%	137,134	55,020	2,909,323
Services and Charges	514,981	552,941	588,243	94.00%	37,960	(35,302)	2,266,993
Supplies	179,831	284,075	303,732	93.53%	104,243	(19,657)	768,676
Total - Expense	1,241,394	1,528,499	1,528,044	100.03%	287,105	455	6,016,427
Net Ordinary Income	(83,212)	38,381	(93,973)	-40.84%	121,593	132,353	(100,437)
Other Income and Expenses							
Other Income	285,770	2,631,032	146,281	1,798.61%	2,345,262	2,484,751	496,209
Other Expense	40,108	35,491	55,491	63.96%	(4,618)	(20,000)	221,964
Net Other Income	245,661	2,595,541	90,790	2,858.84%	2,349,879	2,504,751	274,245
Net Income Exclusive of Project Expenses, Depreciation & Amortization	162,449	2,633,921	(3,183)	-82,759.27%	2,471,472	2,637,104	173,808
Projects/Grants	(863,494)	(1,901,057)	4,484,867	-42.39%	(1,037,562)	(6,385,924)	17,939,470
Depreciation & Amortization	(2,683,201)	0	(2,495,416)	0.00%	2,683,201	2,495,416	(10,007,639)
Net Income	(3,384,247)	732,865	1,986,268	36.90%	4,117,111	(1,253,404)	8,105,638

- **Overall:** At the time this report was generated for the above period, the DAA is at an overall favorable variance budget vs actual of over \$2.6M. COVID Relief Funds of \$2.4M are mainly responsible for this positive variance.
- **Operating Revenue:** Non-Aeronautical Revenue is \$104k over budget overall due to increased parking revenues of \$90k and car rental concessions of \$18k. Non-passenger aeronautical revenue is about 31k over budget due to increased concessions and rent, and Passenger Airline Aeronautical revenue is 3.8k under budget. Operating Revenues are \$132k over budget overall.
- **Operating Expenses:** All expense categories are currently under budget. Personnel Compensation and Benefits are \$55k over budget. Supplies are 19k under budget. Services and charges are 35k under budget. Operating expenses are only \$455 under budget overall.
- **Non-Operating Revenue:** Non-operating revenue is substantially over budget because we requested all remaining COVID relief in January 2023. This totaled \$2.4M. Interest income is up \$80k due to our increased cash balance. PFCs came in over budget by nearly \$4k.
- **Non-Operating Expenses:** Non-Operating Expenses are down over \$20k, as the line of credit has not been utilized.
- **Report Disclaimer:** The results of this report are expected to change slightly with delayed revenue and expense postings as well as audit adjustments.
- **OPERATING POLICY #28 MINIMUM CASH BALANCE REPORTING AS OF 5/9/23:**
 - o Minimum Cash Balance Goal: \$2,437,853
 - o Current Balance: \$7,033,040 (does not include grants receivable)
 - o Days Cash on Hand: 519 days currently vs 180 day benchmark (339 days over goal)

Executive Summary – Q1 2023

- Revenues: 109% of budget
 - Non-Aero Rev: 114%
 - Concessions: 118% excluding parking
 - Parking Lot Overall: 132% of budget
 - Non-Passenger Rev: 108% of budget
 - Concessions: 148% of budget
 - Passenger Airline Revenue: 99% of budget
 - Landing Fees: 93% of budget
 - Rent/Per Use: 100% of budget
- Expenses: 99% of budget
 - Personnel Comp & Ben (including retirees): 109% of budget
 - Communications and Technology: 72% of budget
 - Repairs & Maint Contractual: 92% of budget
 - Supplies: 93% of budget
 - Fuel: 63% of budget
 - Utilities: 122% of budget – storm water
- Non-Operating:
 - PFCs income is 84% of budget
 - Interest Income is 1,066% (\$80k up) of budget due to increased cash balance – 3.97% in March and 4.19% in April
 - Interest Expense is 63% of budget, did not utilize LOC
- COVID Relief Grant Summary:
 - DAA fully utilized 100% of COVID Relief Funding of \$2,400,321.
 - \$1.4 Million in relief was budgeted in 2023 to keep the budget at a \$0 base.
- Minimum Cash Balance Policy:
 - Cash Required: \$2,437,853
 - Current Cash Available: \$7,033,040
 - Grants Receivable Balance: \$2,283,660
 - Days Cash on Hand (Goal 180): 519 (339 days over goal)
 - We continue to have a very aggressive construction schedule which will heavily utilize cash as our grants are on a reimbursement basis. Cash will support local share of grants which do not have other sources of local reimbursement.

Grants Receivable as of 5/8/23

	<u>Grant Receivable</u>	<u>Remaining</u>	<u>Payable</u>	<u>May</u>	<u>June</u>	<u>See Comment</u>
2019 AIP-63 / 191 Noise Study	\$ (70,630.84)	\$ -		\$ -	\$ -	\$ (70,630.84)
2019 AIP-64 / 193 Master Plan	\$ 128,893.87	\$ 45,776.00		\$ -	\$ -	\$ 128,893.87
2020 AIP-65 / SP-196 Aprn, Txyw A, SRE	\$ -	\$ -		\$ -	\$ -	\$ -
2021 AIP-69 / SP-198 Taxiway A Recon P1	\$ 537,951.00	\$ 858,652.47		\$ -	\$ -	\$ 537,951.00
2022 MCCA Taxiway A Reconstruction P 1	\$ -	\$ -		\$ -	\$ -	
2022 AIP-72 / SP-204 Rnwy 321 Ltg, Blower, RA	\$ 120,608.27	\$ 29,800.00		\$ -	\$ -	\$ 120,608.27
2022 AIP-74 / SP-205 Phs 2&4 Txyw A, Phs 3 Des	\$ -	\$ 11,401,139.80		\$ -	\$ -	
2023 MCCA Taxiway A Reconstruction P 2	\$ 56,137.50	\$ -		\$ -	\$ -	\$ 56,137.50
2022 AIP-75/SP- Hangar 101 Demo	\$ 494,619.87	\$ 138,667.60		\$ -	\$ -	\$ 494,619.87
AIG-? Ranch Hangar	\$ 57,870.00					\$ 57,870.00
AIG-? Hangar 101 Phs 2	\$ 104,040.00					\$ 104,040.00
AIP-? P3 Taxiway A & (Taxiway C South) & RA	\$ 102,543.00					\$ 102,543.00
2019 AIP-14 P3 Rnwy Relgmt	\$ 438,215.68	\$ 18,504.00		\$ -	\$ -	\$ 438,215.68
2020 AIP-15 Planning Study	\$ 4,945.00	\$ 4,945.00		\$ -	\$ -	\$ 4,945.00
2022 AIP-18 Sky Harbor Apron Rehab	\$ 40,614.24	\$ 45,056.73	\$ -	\$ 40,614.24		
2022 AIG? SRE Building FD	\$ 59,697.00	\$ 18,425.00				\$ 59,697.00
2023 AIG 95% Sky Harbor Terminal	\$ 15,570.50					\$ 15,570.50
SP-A53 Seaplane Base Improvements	\$ 11,280.61	\$ 3,017.75		\$ 11,280.61		
SP-207 Pavement Maintenance	\$ 4,372.14	\$ 42,404.50				\$ 4,372.14
SP-208 Midfield Ramp Repair Construction Phs 1		\$ 1,000,000.00				
SP- 212 Taxiway C North 70/30	\$ 10,325.00	\$ 485,250.00		\$ 10,325.00		
? GA Hangar Road Repairs						
SP-? Midfield Ramp Repair Phase 1 ESA S E H	\$ 4,690.00					\$ 4,690.00
ATCT - Various funding sources (assuming 90%)	\$ 127,944.00					\$ 127,944.00
20222 2023 SM030	\$ 33,972.89			\$ 22,879.63	\$ -	\$ 11,093.27
	\$ 2,283,659.73	\$ 14,091,638.85	\$ -	\$ 85,099.48	\$ -	\$ 2,198,560.26
At withholding retainage % - Close Outs	\$ 1,159,982.98					
No Grant	\$ 1,023,111.87					
Current GR	\$ 100,564.88					

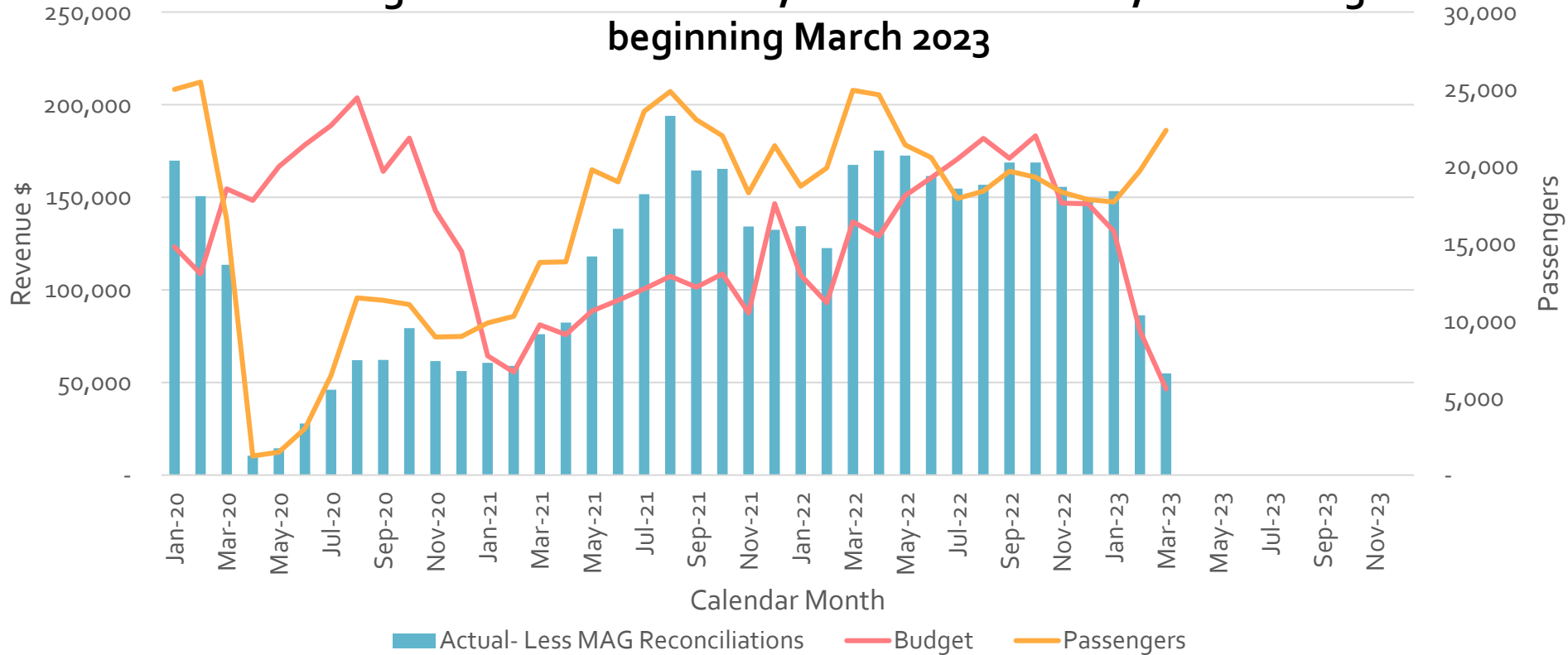
● Highlights:

- Current grants receivable is \$2.2M of which only \$100,000 is not in close-out or awaiting grant.
- Those highlighted in blue are project expenses awaiting a grant.
- Those highlighted in mauve are awaiting closeout and retainage of 5-10%.

Revenues

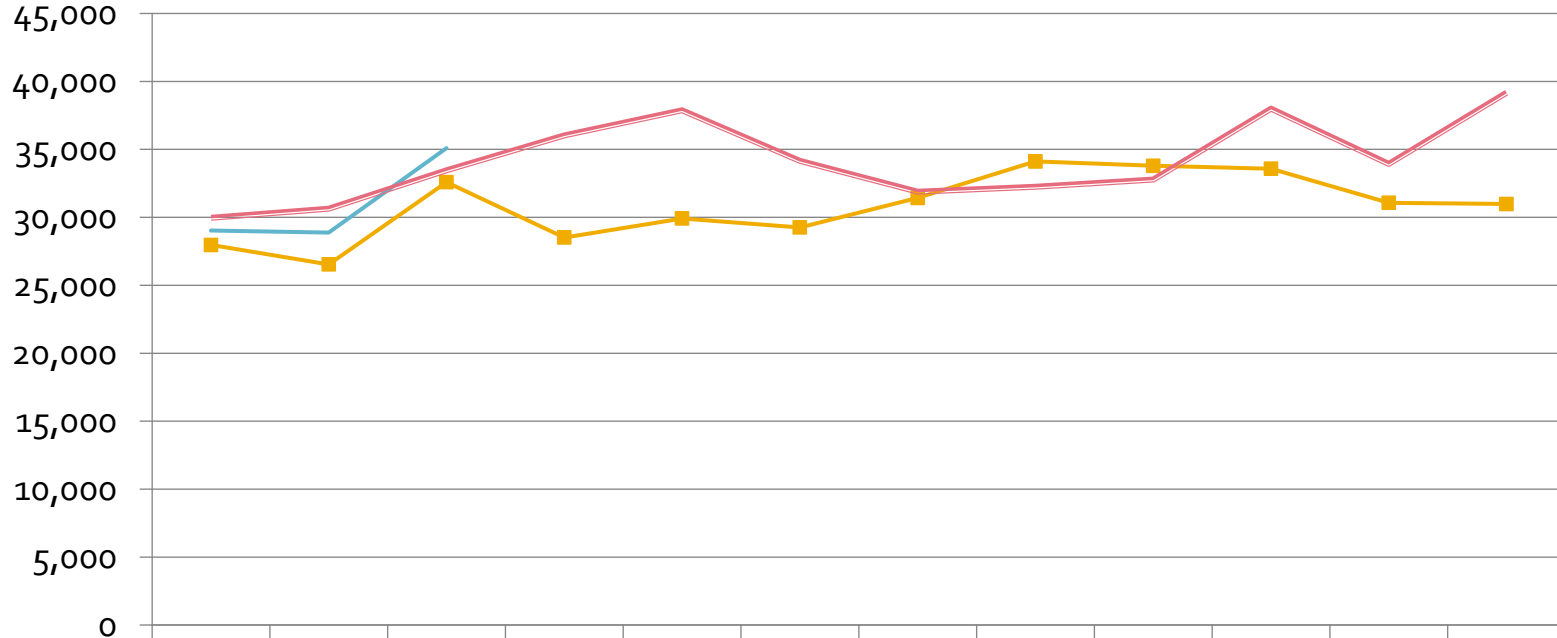
Non-Aeronautical Revenue Concessions

Excluding MAG Reconciliations, Relief & Write-Offs, and Parking beginning March 2023



Landing/Ramp Fees

7% over 5yr
average, 1%
under budget,
15% over 2022

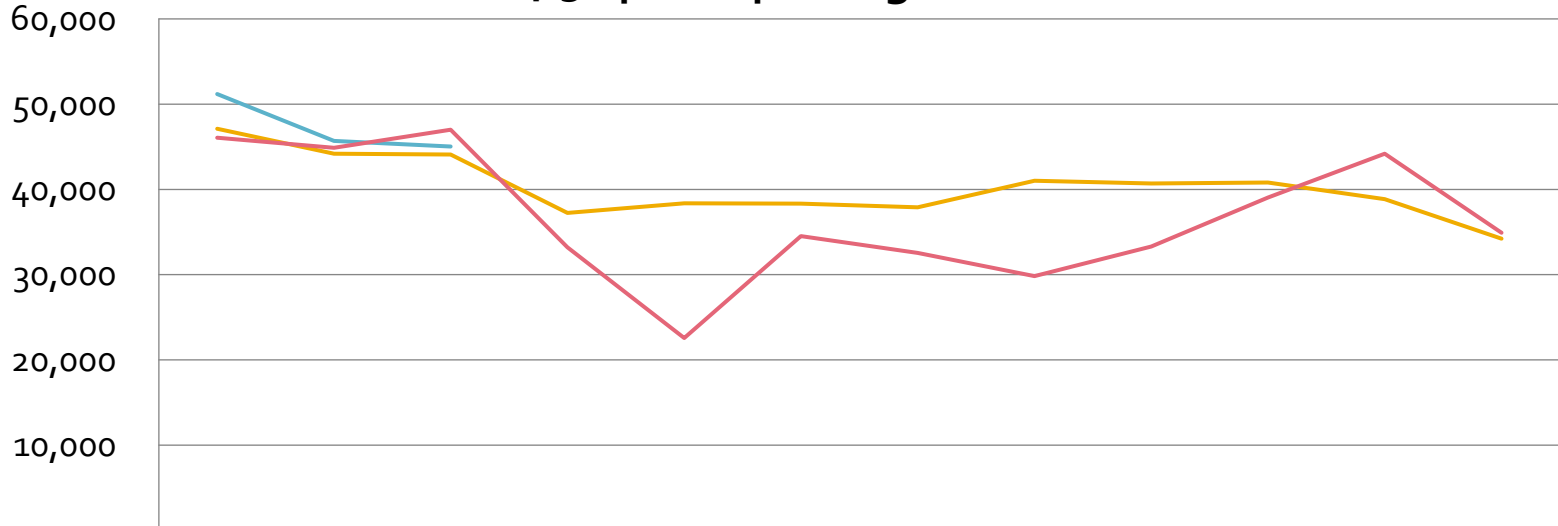


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
2018-2022	27,967	26,538	32,591	28,516	29,916	29,259	31,428	34,111	33,795	33,576	31,069	30,984	369,750
2023	29,033	28,881	35,089										93,002
Budget	29,964	30,644	33,464	36,035	37,875	34,158	31,885	32,254	32,782	38,000	33,933	39,170	410,162

Passenger Facility Charge Collection

\$4.50 per enplaning customer

5% over 5-year
average, 3%
over budget and
2% under 2022.

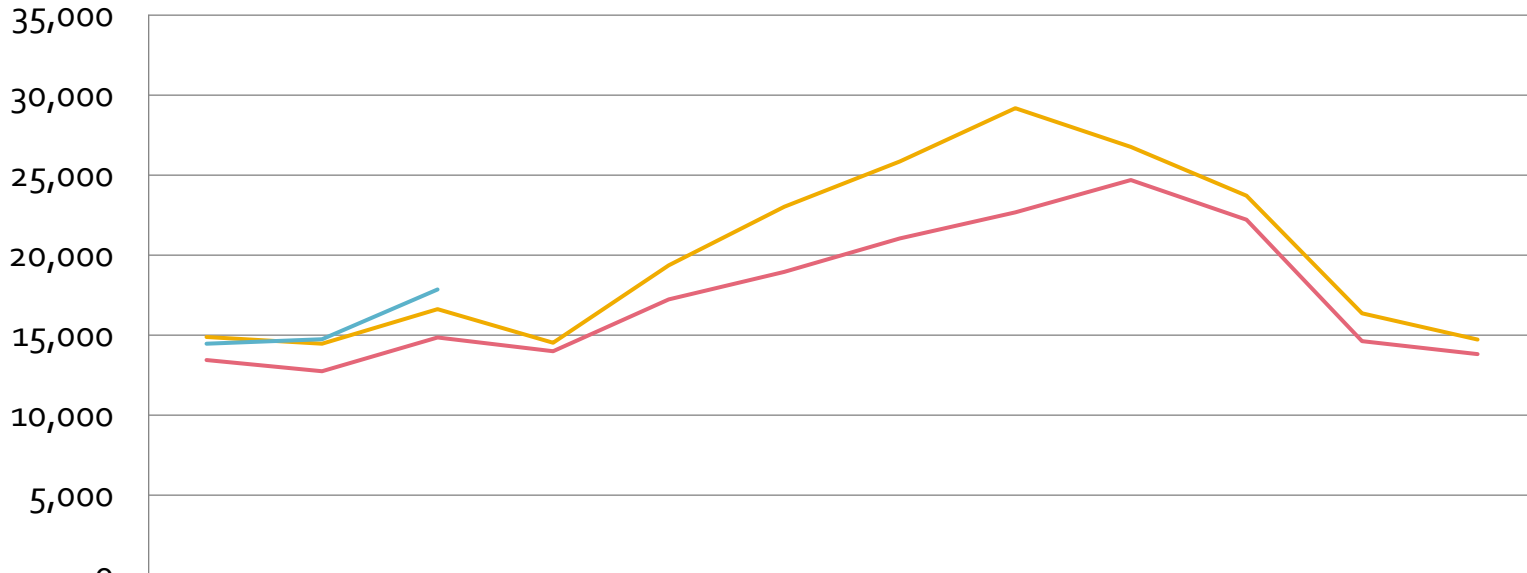


	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Totals
2018-2022	47,112	44,179	44,101	37,244	38,362	38,337	37,897	41,020	40,693	40,815	38,855	34,222	482,837
2023	51,193	45,682	45,038										141,913
Budget	46,062	44,886	47,006	33,204	22,569	34,518	32,558	29,829	33,294	39,039	44,195	34,919	442,079

Customer Facility Charge Collection

\$4/day up to 4 days on Auto Rental

2% over the 5yr avg.,
15% over budget and
14% over 2022



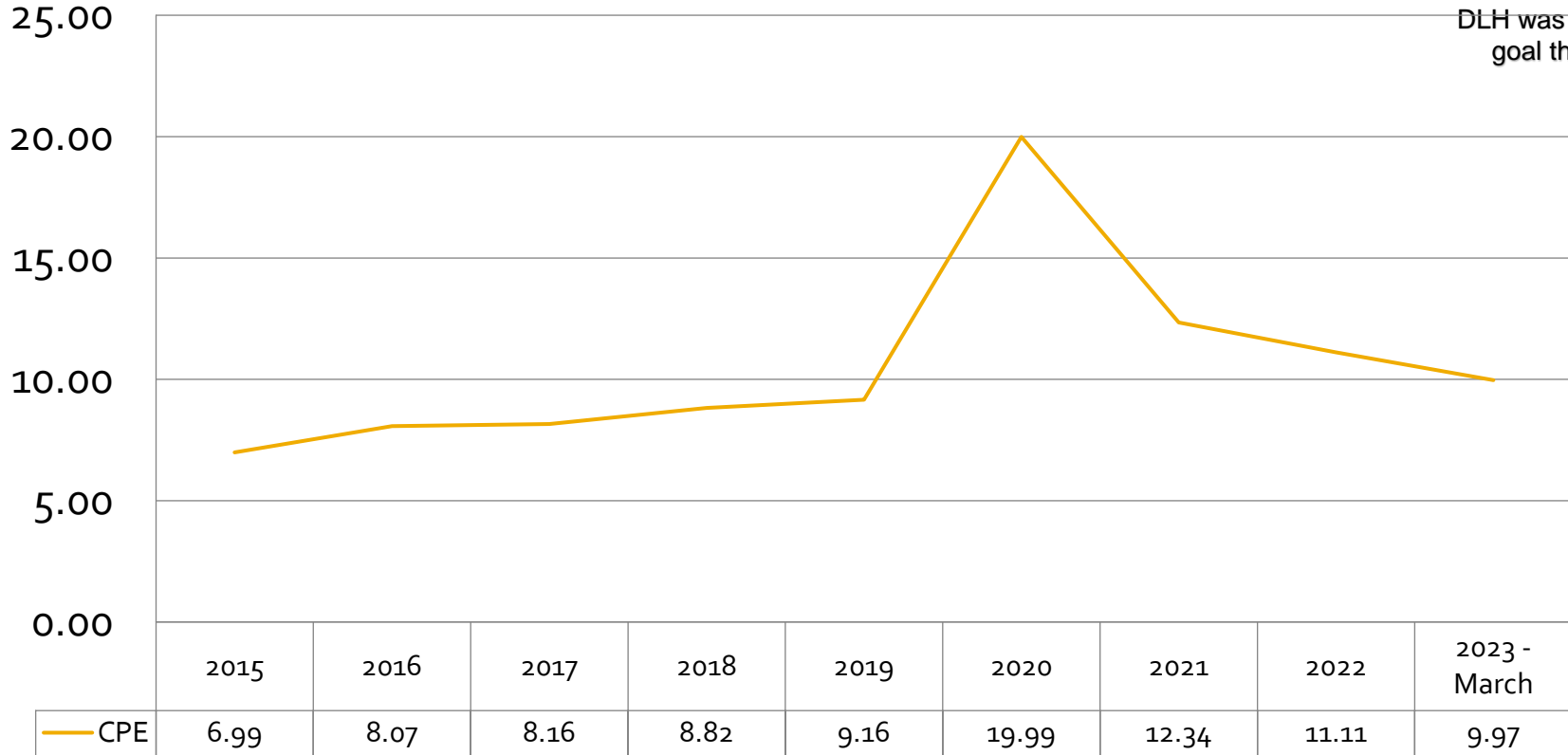
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Totals
2018-2022	14,884	14,458	16,620	14,518	19,361	23,026	25,854	29,178	26,758	23,716	16,359	14,724	239,457
2023	14,468	14,748	17,856										47,072
Budget	13,444	12,745	14,849	13,990	17,238	18,949	21,044	22,674	24,691	22,213	14,624	13,812	210,273

Cost Per Enplaned Passenger (CPE)

- The average passenger airline payments per enplaned passenger at an airport.
- Cost to an airline for operating out of an airport.
- Varies based on costs included as well as reported enplanements.
- Key metric to evaluate the financial operations of an airport.
- Provides only partial information about the financial operations of an airport and must be considered with other metrics.

DLH CPE History

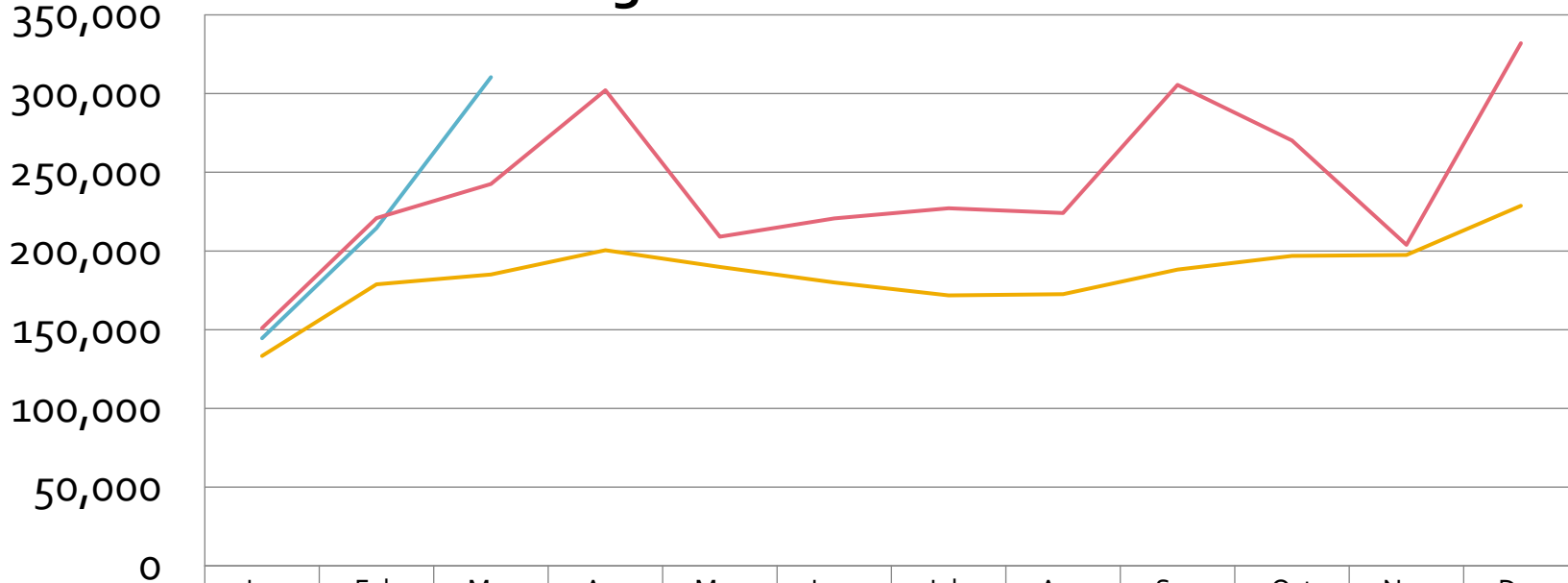
Goal had been to remain under \$10, which may be unsustainable in the future. DLH was able to meet the goal through March.



Operating Expenditures

Personnel Compensation & Benefits Including Retiree Health & Life

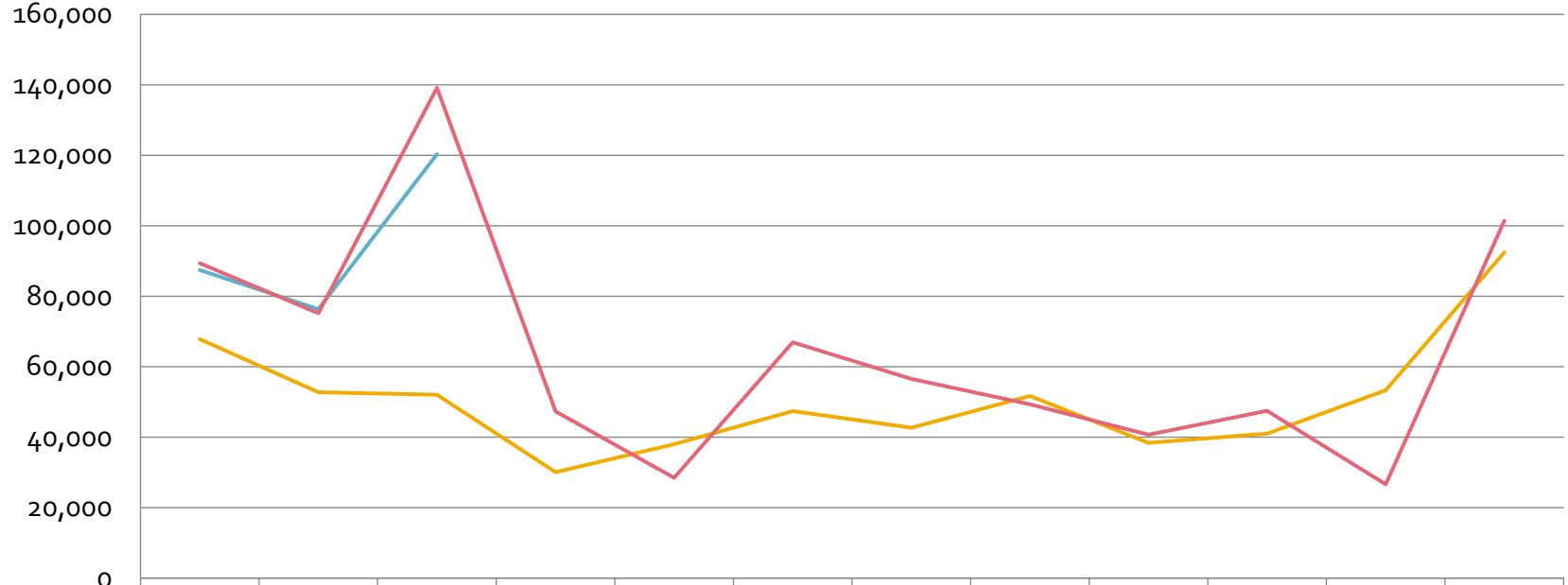
35% over 5-year average,
9% over budget and 26%
over 2022



	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Totals
2018-2022	133,374	178,798	185,051	200,529	189,881	179,963	171,823	172,536	188,234	196,888	197,481	228,740	2,223,298
2023	144,593	214,572	310,366										669,532
Budget	151,049	220,870	242,593	302,069	209,070	220,744	227,119	224,162	305,557	270,201	203,913	331,977	2,909,323

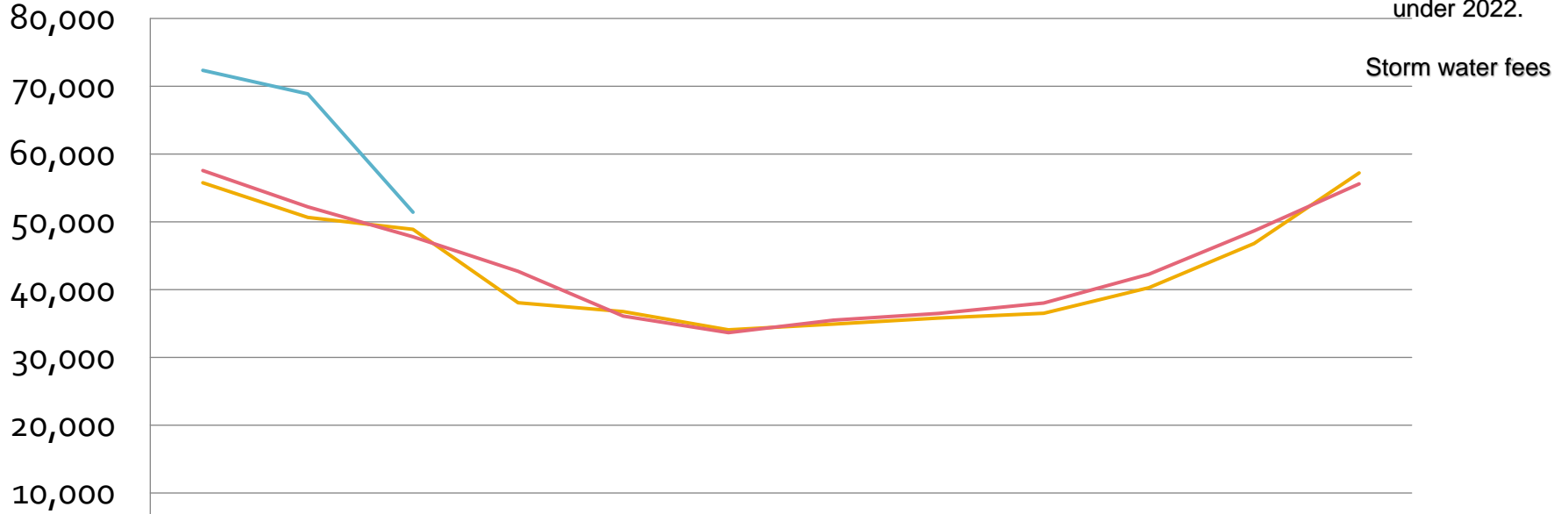
Supplies

65% over 4-year average,
6% under budget, and
58% over 2022



Utilities

24% over 5-year average,
22% over budget, and 1%
under 2022.



	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Totals
2018-2022	55,776	50,656	48,898	38,061	36,770	34,065	34,918	35,809	36,514	40,289	46,807	57,209	515,771
2023	72,355	68,866	51,420										192,641
Budget	57,567	52,199	47,804	42,707	36,099	33,654	35,504	36,488	38,014	42,273	48,672	55,600	526,585

2023 Long-Term Liability Analysis

Debt	City Loan 1 - GO Bonds Issued				City Loan 2 - GO Bonds Issued	DEDA MIF Loan	NCA Loan	City Loan 3 - GO Bonds Issued	Total of Annual Debt Service Payments
Purpose	Terminal & Parking Structure				Parking Structure	Soil Remediation	FBO Buyout	Hangar 103/LSC Rehabilitation	
Payment Source	CFC	PFC	Operating Revenues	Total	Operating Revenues - Parking	Operating Revenues	Operating Revenues - Fuel Flowage	Operating Revenues - LSC Rent	
2012	192,681.26	321,781.26	107,518.76	621,981.28	-	26,666.64	75,000.00		723,647.92
2013	189,981.26	322,281.26	111,018.76	623,281.28	-	26,666.64	75,000.00		724,947.92
2014	192,281.26	322,681.26	109,418.76	624,381.28	115,718.04	26,666.64	75,000.00		841,765.96
2015	194,481.26	322,981.26	107,818.76	625,281.28	338,981.26	26,666.64	75,000.00		1,065,929.18
2016	191,581.26	323,181.26	106,218.76	620,981.28	340,571.26	26,666.64	75,000.00	242,752.33	1,305,971.51
2017	193,681.26	323,281.26	109,618.76	626,581.28	336,071.26	26,666.64	75,000.00	247,137.50	1,311,456.68
2018	190,681.26	323,281.26	107,918.76	621,881.28	335,446.26	26,666.64	75,000.00	247,337.50	1,306,331.68
2019	192,681.26	323,181.26	106,218.76	622,081.28	338,776.26	26,666.64	37,500.00	247,387.50	1,272,411.68
2020	194,193.76	322,331.26	109,306.26	625,831.28	336,336.26	26,666.64	-	247,287.50	1,236,121.68
2021	187,301.13	310,695.11	590,000.00	1,087,996.24	338,006.26	2,222.62	-	247,037.50	1,675,262.62
2022	184,447.50	310,905.00		495,352.50	338,443.76	-	-	246,637.50	1,080,433.76
2023	178,485.00	309,282.50		487,767.50	338,108.76	-	-	246,087.50	1,071,963.76
2024	182,040.00	311,775.00		493,815.00	336,971.26	-	-	245,387.50	1,076,173.76
2025	185,115.00	308,475.00		493,590.00	340,143.76	-	-	244,537.50	1,078,271.26
2026	187,775.00	309,575.00		497,350.00	337,393.76	-	-	243,437.50	1,078,181.26
2027	-	-	-	-	339,218.76	-	-	246,877.50	586,096.26
2028								244,675.00	244,675.00
2029								246,975.00	246,975.00
2030								243,695.00	243,695.00

**City GO Bonds are not eligible for refinancing until 8 years after the origination date.

Series 2012B GO Tax Exempt - \$7,655,000. First call date February 1, 2022. - Bond refinance completed in 2021 to utilize COVID relief and pay off debt.

Series 2013B GO Tax Exempt - \$3,400,000. First call date February 1, 2024

Series 2015C GO Taxable - \$2,855,000. First call date February 1, 2026

QUESTIONS