

## B U D G E T S U M M A R Y

Category	2018 Actual	2019 Actual	2020 Budget	2021 Budget	2021/2020 Variance
<b>Expenditures</b>					
<b>Personnel Costs</b>	\$24,572,102	\$24,890,315	\$28,738,330	\$27,245,882	(\$1,492,448)
<b>Operation Costs</b>	\$25,680,254	\$27,091,466	\$30,010,621	\$26,458,674	(\$3,551,947)
<b>Debt &amp; Depreciation</b>	\$24,002,580	\$26,501,780	\$23,812,132	\$23,352,966	(\$459,166)
<b>Capital Outlay</b>	\$247,808	\$621,701	\$480,000	\$431,650	(\$48,650)
<b>Interdepartmental. Charges</b>	\$10,635,636	\$11,019,504	\$14,747,438	\$15,087,952	\$340,514
<b>Total Expenditures</b>	<b>\$85,138,380</b>	<b>\$90,124,767</b>	<b>\$97,788,521</b>	<b>\$92,577,125</b>	<b>(\$5,211,396)</b>
<b>Revenues</b>					
<b>Direct Revenue</b>	\$84,245,784	\$89,747,167	\$97,304,581	\$92,045,395	(\$5,259,186)
<b>Intergovernmental Revenue</b>	\$345,640	\$201,840	\$240,000	\$240,000	\$0
<b>Indirect Revenue</b>	\$546,955	\$175,760	\$243,940	\$291,730	\$47,790
<b>Total Revenues</b>	<b>\$85,138,380</b>	<b>\$90,124,767</b>	<b>\$97,788,521</b>	<b>\$92,577,125</b>	<b>(\$5,211,396)</b>
<b>Tax Levy</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Personnel</b>					
<b>Full-Time Pos. (FTE)*</b>	265.0	257.0	242.0	241.0	(1.0)
<b>Seasonal/Hourly/Pool \$</b>	5.7	9.2	9.2	9.2	0
<b>Overtime \$</b>	\$1,340,018	\$1,146,709	\$1,249,308	\$1,037,592	(\$211,716)

NOTE: Actual revenues have been restated to remove the year-end entries made by the Comptroller's Office for the annual CAFR.

\* FTEs for 2019, 2020, and 2021 are adjusted due to the changes in the FTE calculation where one position, regardless of the number of hours worked beyond the standard employee schedule, now equals one FTE within the Fire Protection area.

**Department Mission:**

The Airport Division will plan, enhance, operate and maintain efficient, cost-effective air transportation facilities that meet the current and future needs of the region, airlines and tenants while remaining responsive to the concerns of the Airport's neighboring residents.

**Department Description:**

The Airport Division provides the administration and manages all activities necessary for the efficient day-to-day operation of MKE Mitchell and Lawrence J. Timmerman Field (LJT or Timmerman). Airport operations are divided into the following strategic program areas: MKE, MKE Regional Business Park, and LJT.

**Major Changes in FY 2021**

The global impact of the novel coronavirus known as COVID-19 is expected to have a continuing effect on Airport operations in 2021. COVID-19 has significantly impacted the aviation and tourism industry including temporary international travel bans and state-to-state travel restrictions including quarantine periods.

Forecasting for travel demand by passengers for both business and leisure purposes and the corresponding restoration of service by airlines is impossible to predict at this time with any degree of accuracy. In consultation with the airlines that serve Milwaukee, the 2021 Budget assumes reduced levels of estimated activity. In trying to account for a possible resurgence of COVID-19 and the potential negative effects upon travel demand, the 2021 Budget assumes enplanements and passenger levels that are approximately 67% of the 2019 actual activity. With a significant reduction in passenger activity levels nonaeronautical revenues generated from passenger activity (e.g. parking revenue, rental car revenue, food and beverage revenue, etc.) is decreasing. With most of the Airport's operating budget costs being fixed, while the Airport has reduced expenditures, the reduction in nonaeronautical revenue has shifted more of the cost burden for operating the Airport in 2021 onto the airlines serving MKE in order to maintain a \$0 property tax levy for operation of the Airport per the master use and lease agreement with the airlines.

If during the course of 2021 the 67% forecasted activity levels begin to show significant variance it may be necessary for the airport to seek an appropriation transfer to realign the budget.

In consultation with the airlines serving MKE and given the volatility from COVID-19, the master use and lease agreement that was set to expire on December 31, 2020 has been extended an additional year through December 31, 2021 in the interest of continued, uninterrupted air service.

For 2021 capital projects include:

- MKE Parking Structure Decorative Metal Panels Construction - \$2,963,190
- MKE Taxiway A Extension Construction - \$10,072,067\*
- MKE South Maintenance Facility Air Handling Unit Replacement Design - \$259,575
- MKE Parking Structure Repair and Major Maintenance Design and Construction - \$1,465,476

*\*Implementation in 2021 contingent upon receipt of Federal and State grant funding*

For 2021, the staffing levels change as follows:

One vacant position of Assistant Chief Airport Rescue and Firefighting is abolished.

This action is taken to complete the alignment with the organizational restructuring adopted by county policy makers associated with the contract ratification in March 2020 between the County and the International Association of Fire Fighters Local 1072. Abolishing this vacant position is intended to cover the additional marginal cost of three Firefighter Equipment Operator positions that became Shift Captains through the approved contract ratification.

**Strategic Program Area 1: MKE – Milwaukee Mitchell International Airport**

Service Provision: Discretionary

How We Do It: Program Budget Summary					
Category	2018 Actual	2019 Actual	2020 Budget	2021 Budget	2021/2020 Variance
<b>Expenditures</b>	\$83,675,525	\$88,390,417	\$95,953,249	\$91,053,942	(\$4,899,307)
<b>Revenues</b>	\$84,290,312	\$89,361,565	\$96,615,958	\$91,566,822	(\$5,049,136)
<b>Tax Levy*</b>	(\$614,787)	(\$971,148)	(\$662,709)	(\$512,880)	\$149,829
<b>FTE Positions</b>	262.0	254.0	239.0	238.0	(1.0)

\* Although tax levy is shown in this service area, no tax levy is actually received. This amount reflects the subsidy paid by airport users to operate the Lawrence J. Timmerman Airport and the MKE Business Park. Any surplus or deficit is settled annually with the airlines per the terms of the airline lease agreements resulting in an overall \$0 property tax levy for the County's Airport System.

What We Do With It: Activity Data				
Activity	2018 Actual	2019 Actual	2020 Target	2021 Target
Airport Cost Per Enplanement	\$23.99	\$26.12	\$27.01	\$45.25
Enplanements <sup>1</sup>	3,548,817	3,449,987	3,620,148	2,045,899
Total Passengers	7,096,714	6,894,894	7,240,296	4,091,798
Landed Weight (total) 000 lb. unit	4,692,523	4,582,582	4,739,596	2,942,083

<sup>1</sup> Enplanement means "a person boarding in the United States in scheduled or nonscheduled commercial service on aircraft in intrastate, interstate, or foreign air transportation."

How Well We Do It: Performance Measures				
Performance Measure	2018 Actual	2019 Actual	2020 Target	2021 Target
Customer Satisfaction Survey	4.29	4.39	4.5	4.5
Non-Airline Revenue as a % of Airport Revenue	59.6%	63.3%	58.5%	53.5%

\* Airport Customer Satisfaction is measured by a third-party vendor. The Airport changed vendors, which resulted in a new measurement scale.

**Strategic Overview:**

MKE is broken down into the following operating sections to fulfill its mission.

**Administration** is responsible for general administration, accounting, budget, and purchasing.

**Airport Information Technology** is responsible for maintaining the complex airport network, voice communications, fire protection system, stand-alone security system, and the security surveillance network on a 24/7 basis.

**Air Service Development** is responsible for both maintaining existing and attracting additional commercial air carrier service to the Airport.

**Marketing and Public Relations** is responsible for the branding and marketing of the airport, including maintaining existing and attracting additional passengers to the Airport. This area is also responsible for community, media, and social media relations.

**Airport Planning** is responsible for developing the airport's long-term planning efforts and reviewing/forecasting passenger demand over the long term. This area also oversees noise compliance as well as certain required statistical reporting.

**Parking Operations** records the various expenses of operating the parking structure, debt service and associated interest expense on the parking structure. This group also oversees all MKE ground transportation activities including taxi, shuttle, limousine, transportation network companies (TNCs) and off-airport operators providing services to and from MKE. This includes ensuring transportation operators are properly licensed and compliant with the standards set forth in Milwaukee County General Ordinances. This section collects and accounts for parking revenue fees.

**Properties** is responsible for oversight of tenants occupying airport leased space for both commercial and general aviation leaseholders, as well as food and beverage and retail concessionaires.

**Operations and Maintenance** is responsible for airfield movement and operations, building and ground maintenance, fire protection, security, and environmental.

**Operations** is responsible for keeping the airfield and ramp areas open for business at all times. This area coordinates and oversees aircraft operating at the airport and ensures compliance with Federal Aviation Administration (FAA), and state and local regulations as well as coordinating emergency responses, construction activities, special events and snow removal. In addition, this section oversees day-to-day operations of the terminal that include addressing passenger safety issues, terminal construction activities, special events, and signage.

**Maintenance** is responsible for the Airport's structures and grounds. This includes custodial, HVAC, electrical services, snow plowing and grass cutting.

**Fire Protection** maintains 24/7 staffing and handles emergencies on the airfield, within the terminal, parking structure and parking lots. This section responds to emergency needs involving airlines, patrons, tenants and airport staff.

**Safety and Security** is responsible for the safety and security functions within the airfield perimeters by working closely with other agencies and taking necessary actions to keep the Airport in compliance with FAA and TSA standards and regulations.

**Environmental and Safety** is responsible for activities related to workplace safety, compliance with governmental safety requirements, glycol recovery programs and wastewater treatment programs.

#### **Strategic Implementation:**

The Major Changes in FY 2021 section above addresses the impact of COVID-19 on the Airport budget.

#### **Revenue changes:**

Non Airline/Non Aeronautical Revenue changes are as follows:

- Parking revenue decreases \$10,557,384 from \$30,000,000 to \$19,442,616
- Car Rental revenue decreases \$1,967,756 from \$10,800,000 to \$8,832,244
- Metered Taxicab and Transportation Network Company (TNC) revenue decreases \$188,526 from \$700,000 to \$511,475
- Food and Beverage Concession revenue decreases \$210,180 from \$3,800,000 to \$3,589,820
- A one-time reduction occurs in an airport liability account dedicated to historical overcollection on airline rates and charges due back to the signatory airlines serving the airport. The budgetary impact serves to partially mitigate increases in airline rates and charges and serves to support more efficient recovery of the airport during and beyond the COVID-19 Pandemic.

#### **Expenditures changes:**

Given the Airport's large infrastructure footprint to be maintained and that the facility must be open and available to the traveling public on a continuous basis many of the Airport's costs to operate are fixed in nature. However, the 2021 Budget includes significant reductions in expenditures across all series, with the exception of cross charges to the

Airport, in an effort to mitigate the significant decrease in forecasted passenger activity levels. The 2021 budgeted expenditures overall represent the minimum necessary for continued operations.

Major Expenditure reductions are as follows:

- Personnel Services decrease \$1,492,448 from \$28,738,330 to \$27,245,882. The Airport has significantly increased vacancy and turnover savings holding multiple vacant positions from 2020 over into 2021 adjusting to reduced passenger and air service levels. Within the overall decrease for personnel services there is included a partial-year wage increase of 1 percent for non-represented employees, except whose pay range midpoint is greater than \$100,000 where the increase will be 0.5%.
- Commodities and Services decrease \$3,260,401 from \$29,646,776 to \$26,386,374. This represents across the board cost reductions including a minimum level for break/fix maintenance and also reducing expenditures that are to some degree driven by passenger activity levels (e.g. reduced parking contractor expenses, reduced credit card transaction fees associated with parking, etc.). In addition, the budget includes a temporary discontinuation of the airline incentive program that has been offered to qualifying airlines in past years to provide new or additional service to unserved or underserved cities from MKE.
- Debt and Depreciation decrease \$459,166 from \$23,812,132 to \$23,352,966 primarily due to savings from a Fall 2019 refunding that achieved lower interest costs on the repayment of long-term Airport revenue bond debt.
- Crosscharges from other Milwaukee County departments for services provided to the Airport increase \$340,514 from \$14,747,438 to \$15,087,952. The increase is primarily for countywide Insurance Services procured through the Department of Administrative Services Risk Management Division.

The Airport continues to procure vehicles and/or equipment through Milwaukee County Department of Transportation Fleet Management Division. The Airport continues to coordinate with the Milwaukee County Highways Division for street and curb repairs. These partnerships have proven effective in managing costs.

#### Contracts\*

- Enterprise Project Management. Establish and implement an Airport-wide enterprise project management framework for the ongoing management of Airport capital and operating projects and initiatives. The initial term of the contract is expected to be one (1) year beginning in 2021 with one (1) optional one-year extension at an estimated annual cost of \$258,000.
- Advertising and Marketing Agency Contract. For Airport media campaigns including online, social, print, outdoor and broadcast advertising and marketing services. The initial term of the contract is expected to be two (2) years with two (2) optional one-year extensions at an estimated annual cost of \$250,000.
- Air Service Development Consultant. For airline marketing, data, forecasting and analysis services aimed at increasing air service frequencies and destinations from MKE. The initial term of the contract is expected to be three (3) years with three (3) optional one-year extensions. For 2021 this cost is estimated at \$100,000 and \$200,000 annually thereafter.
- In and Out of County Shuttle Services. For Airport shuttle services within and beyond the borders of Milwaukee County available for purchase by the traveling public. This is a revenue contract between the provider and the Airport where the Airport earns a per trip concession revenue fee. The initial term of the contract is expected to be three (3) years with two (2) optional one-year extensions.

\* Multi-year contracts requiring the expenditure of funds from future fiscal years or contracts that cannot be fully encumbered by a currently adopted budget(s) must be approved by the County Board. Contracts that provide for options to extend into future fiscal years using funds from adopted fiscal years may be extended if the option to extend the contract vests in the County, either jointly or in its sole discretion, the authority to exercise the option. The exercise of such options can only occur if funds for the extension can be fully encumbered in the currently adopted budget(s).

**Strategic Program Area 2: MKE Regional Business Park**

Service Provision: **Committed**

<b>How We Do It: Program Budget Summary</b>					
<b>Category</b>	<b>2018 Actual</b>	<b>2019 Actual</b>	<b>2020 Budget</b>	<b>2021 Budget</b>	<b>2021/2020 Variance</b>
<b>Expenditures</b>	\$911,304	\$1,117,249	\$973,631	\$803,519	(\$170,112)
<b>Revenues</b>	\$582,851	\$500,312	\$910,000	\$773,000	(\$137,000)
<b>Tax Levy</b>	\$328,453	\$616,937	\$63,631	\$30,519	(\$33,113)
<b>FTE Positions</b>	1.0	1.0	1.0	1.0	0.0

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<b>What We Do With It: Activity Data</b>				
<b>Activity</b>	<b>2018 Actual</b>	<b>2019 Actual</b>	<b>2020 Target</b>	<b>2021 Target</b>
Leased Buildings	24	23	28	27
Occupied Buildings	43	42	43	45
Vacant Buildings	17	18	9	3
Vacancy Percentage	28.3%	30.0%	17.3%	6.3%

<b>How Well We Do It: Performance Measures</b>				
<b>Performance Measure</b>	<b>2018 Actual</b>	<b>2019 Actual</b>	<b>2020 Target</b>	<b>2021 Target</b>
Occupancy Rate	71.7%	70.0%	82.7%	93.8%

**Strategic Overview:**

The MKE Regional Business Park is the former 440th Air Reserve Base. By the end of 2021 the MKE Business Park will consist of 48 buildings on 102 acres. The property is located in the City of Milwaukee adjacent to MKE Airport, at the intersection of South Howell Avenue and East College Avenue. The MKE Regional Business Park Service Area is responsible for the rental and maintenance of existing facilities for aviation, Airport use and related business services.

**Strategic Implementation:**

For 2021 the estimated airline subsidy for this service area decreases \$33,112 from \$63,631 to \$30,519 due primarily to expenditure savings from anticipated completion of the MKE Regional Business Park Electrical Infrastructure project in 2020.

**Strategic Program Area 3: LJ Timmerman General Aviation**

**Service Provision: Committed**

<b>How We Do It: Program Budget Summary</b>					
<b>Category</b>	<b>2018 Actual</b>	<b>2019 Actual</b>	<b>2020 Budget</b>	<b>2021 Budget</b>	<b>2021/2020 Variance</b>
<b>Expenditures</b>	\$551,551	\$617,101	\$861,641	\$719,664	(\$141,977)
<b>Revenues</b>	\$265,217	\$262,890	\$262,563	\$237,303	(\$25,260)
<b>Tax Levy</b>	\$286,334	\$354,211	\$599,078	\$482,361	(\$116,717)
<b>FTE Positions</b>	2.0	2.0	2.0	2.0	0.0

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<b>What We Do With It: Activity Data</b>				
<b>Activity</b>	<b>2018 Actual</b>	<b>2019 Actual</b>	<b>2020 Target</b>	<b>2021 Target</b>
Number of Based Aircraft	107	99	105	105

<b>How Well We Do It: Performance Measures</b>				
<b>Performance Measure</b>	<b>2018 Actual</b>	<b>2019 Actual</b>	<b>2020 Target</b>	<b>2021 Target</b>
Aircraft Takeoffs/Landings	26,818	33,992	25,544	22,774*

*2021 – Set at 67% of 2019 actual of 33,992\*.67 =22,774*

**Strategic Overview:**

Timmerman is located on the northwest side of Milwaukee and is the General Aviation (GA) reliever airport in Milwaukee County's airport system. Airline lease agreements govern revenues and expenditures associated with the operation of LJT.

**Strategic Implementation:**

A long-term master plan process for LJT is anticipated to begin in late 2020. At the conclusion of the Timmerman Master Plan, future qualifying Timmerman based projects will be eligible for federal and state funding. The 2021 budget results in a subsidy to LJT of \$482,361 from airlines serving MKE.