

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

Category	2019 Actual	2020 Actual	2021 Budget	2022 Budget	2022/2021 Variance
Expenditures					
Personnel Costs	\$24,890,315	\$23,392,214	\$27,245,882	\$27,564,881	\$318,999
Operation Costs	\$27,091,466	\$22,137,671	\$26,458,674	\$27,322,752	\$864,078
Debt & Depreciation	\$26,501,780	\$23,075,208	\$23,352,966	\$22,613,327	(\$739,639)
Capital Outlay	\$621,701	\$195,580	\$431,650	\$551,307	\$119,657
Interdepartmental. Charges	\$11,019,504	\$13,726,822	\$15,087,952	\$15,309,481	\$221,529
Total Expenditures	\$90,124,766	\$82,527,494	\$92,577,124	\$93,361,748	\$784,623
Revenues					
Direct Revenue	\$89,260,647	\$59,544,147	\$92,045,395	\$82,062,132	(\$9,983,263)
Intergovernmental Revenue	\$201,840	\$22,739,407	\$240,000	\$10,988,556	\$10,748,556
Indirect Revenue	\$662,278	\$243,940	\$291,730	\$311,060	\$19,330
Total Revenues	\$90,124,766	\$82,527,494	\$92,577,125	\$93,361,748	\$784,623
Tax Levy	\$ 0	\$ 0	\$0	\$ 0	\$ 0
Personnel					
Full-Time Pos. (FTE)*	257.0	242.0	241.0	246.0	5.0
Seasonal/Hourly/Pool \$	9.2	9.2	\$295,218	\$297,880	\$2,662
Overtime \$	\$1,146,709	\$612,159	\$1,037,592	\$1,037,929	\$337

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, 2021, and 2022 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 administration and manages all activities necessary for the efficient day-to-day operation of Milwaukee Mitchell International Airport (MKE or the Airport) 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 2022

The global impact of the novel coronavirus known as COVID-19 is expected to have a continuing effect on Airport operations and revenues in 2022.

COVID-19 significantly impacted the aviation and tourism industry driving airport passenger traffic to record lows globally during 2020. Passenger traffic for the Airport totaled 2,627,215 in 2020 compared to 6,894,894 in 2019, a 62 percent decrease. Although the Airport made significant expenditure reductions during 2020 these were outstripped by much larger revenue deficits. To achieve financial breakeven by the end of 2020, the Airport used over \$20.8 million in federal stimulus funds for the year.

Passenger demand is rebuilding, and an overall recovery is slowly occurring. Aviation industry forecasts are generally predicting a prolonged recovery with passenger volumes possibly returning to pre-pandemic levels between 2023 and 2024. Forecasting for travel demand by passengers for both business and leisure purposes and the corresponding restoration of service by airlines continues to be difficult to predict. The 2022 Budget relies upon published airline schedule information to the extent it is available, reliable, and a predictive demand model from the Airport's financial consultant, Unison Consulting, to arrive at a best estimate of 2022 passenger levels. Annualized passenger levels for the 2022 Budget are estimated at 5,903,987, which is 86 percent or 990,907 fewer passengers than pre-pandemic passenger levels in 2019.

Airport revenues are directly linked to passenger activity levels. A prolonged recovery means a prolonged return to a normal revenue environment to support the Airport's budget. However, many of the Airport's costs are fixed in nature and traffic has already begun to rebuild. With the rebuilding of passenger traffic that continues to occur, it is necessary to reduce the Airport vacancy and turnover level from 2021 to 2022 and fill previously held vacant positions to meet demand and passenger expectations. Therefore, to supplement lower nonaeronautical revenues, maintain attractive rates charged to airlines serving the Airport's passengers in an effort to spur a faster recovery, and to maintain a \$0 property tax levy for the Airport's operating budget, the 2022 Budget relies on and includes approximately \$10.7 million of federal stimulus funds.

Federal stimulus funds have been and will continue to be critical in bridging the financial gap to recovery of airports nationally. The federal policy framework around these funds has been heavily geared toward utilizing the funds to supplement airport operating budgets. However, reduced passenger traffic levels also have a direct impact upon the Airport's ability to undertake needed capital infrastructure improvements, many of which rely upon Passenger Facility Charge (PFC) revenues and the Airport Development Fund (ADF) reserve to fund projects. For example, the PFC per eligible passenger enplanement (boarding) generated \$13.5 million of revenue in 2019 compared to \$5.2 million in 2020. The ADF reserve, which is a percentage of revenue derived from parking, rental car, restaurant, retail, and other sources, generated almost \$4.9 million in 2019 compared to approximately \$2.3 million in 2020. These foregone PFC and ADF revenues due to lower passenger volume, particularly during 2020, have resulted in deferral of needed capital improvement projects. These funding streams will continue to be lower until a full passenger recovery is realized leading to additional possible capital project deferrals. The need for more funding to invest in aging capital infrastructure is generally a well-known national issue. Unfortunately, the passenger related funding shortfalls for airports that are being experienced as a result of the COVID-19 pandemic have further highlighted these capital infrastructure funding needs.

In consultation with the airlines serving MKE, the master use and lease agreement that was set to expire on December 31, 2020 was extended to cover 2021 and will be extended an additional year to cover 2022.

2022 staffing levels include the net addition of 5 new positions:

- Create 3 Firefighter Apprentice positions at a budgeted total salary cost of \$127,065.
- Create 1 Assistant Administrative position at a budgeted total salary cost of \$45,121.
- Create 1 Business Intelligence and Performance Manager at a budgeted total salary cost of \$88,930.
- Create 1 Senior Financial Performance Analyst at a budgeted total salary cost of \$71,402. The cost of this position is partially offset by abolishing 1 vacant Accountant II for a net total cost increase of approximately \$26,000.

DOT — AIRPORT (5040) BUDGET

Department: **Department of Transportation — Airport**

UNIT NO. **5040**

FUND: **Enterprise — 0076**

The increased expenditures in 2022 for filling positions that were previously held vacant and the addition of new positions is substantially offset by the reduction in fringe costs.

Strategic Program Area 1: MKE – Milwaukee Mitchell International Airport

Service Provision: Discretionary

How We Do It: Program Budget Summary					
Category	2019 Actual	2020 Actual	2021 Budget	2022 Budget	2022/2021 Variance
Expenditures	\$88,390,417	\$80,911,669	\$91,053,942	\$91,343,798	\$289,856
Revenues	\$89,361,565	\$81,482,330	\$91,566,822	\$92,504,365	\$937,543
Tax Levy*	(\$971,148)	(\$570,661)	(\$512,880)	(\$1,160,567)	(\$647,687)
FTE Positions	284.2	239.0	238.0	242.0	4.0

* 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	2019 Actual	2020 Actual	2021 Target	2022 Target
Airport Cost Per Enplanement	\$25.62	\$61.77	\$38.83	\$30.90
Enplanements ¹	3,449,987	1,309,967	2,345,115	2,951,994
Total Passengers	6,894,894	2,627,215	4,690,230	5,903,987
Landed Weight (total) 000 lb. unit	4,582,582	2,880,033	3,306,757	4,101,141

¹ 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	2019 Actual	2020 Actual	2021 Target	2022 Target
Customer Satisfaction Survey	4.39	4.50	4.50	4.50
Non-Airline Revenue as a % of Airport Revenue	63.3%	65.1%	53.7%	63.0%

* 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, 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 includes 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 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 2022 above addresses the impact of COVID-19 on the Airport budget.

Revenue changes:

Significant Changes in Non-Airline/Non Aeronautical Revenue are as follows. It should be noted that although multiple revenue streams are showing an increase, the revenues budgeted for 2022 are still not back to pre-pandemic levels. In general, most of the revenues listed below are based on annualized 2022 passenger activity levels that are estimated at 86 percent of 2019 actual levels.

- Parking revenue increases \$5,195,884 from \$19,442,616 to \$24,638,500.
- Car Rental revenue increases \$311,872 from \$8,832,244 to \$9,144,116.
- Metered Taxicab and Transportation Network Company (TNC) revenue increases \$281,525 from \$610,475 to \$892,000.
- Food and Beverage Concession revenue decreases \$326,820 from \$3,589,820 to \$3,263,000.

Federal revenue increases \$10,748,556 from \$240,000 to \$10,988,556. This increase represents COVID-19 related federal stimulus funds. The use of these funds serves to partially mitigate increases in airline rates and charges due to expected lower passenger traffic. The goal of adding stimulus funds is to help the Airport maintain competitive rates (when compared to other airports) charged to the airlines serving MKE to further stimulate air service at MKE as passenger activity continues to rebuild 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. Within that framework, there were expenditure reductions in the 2021 Budget. As passenger traffic has begun to rebound and continues to rebuild, many expenditure reductions implemented in the 2021 Budget now need to be restored in the 2022 Budget.

Significant Major Expenditure changes are as follows:

- Personnel Services increase \$318,999 from \$27,245,882 to \$27,564,881. With the rebuilding of passenger traffic that continues to occur, it is necessary to reduce the Airport vacancy and turnover level from 2021 to 2022 and fill previously held vacant positions to meet demand and passenger expectations. The increased expenditures in 2022 for filling positions that were previously held vacant and adding new positions is substantially offset by the reduction in budgeted fringe costs.
- Operation Costs increase \$864,078 from \$26,458,674 to \$27,322,752. This represents restoration of expenditure cuts implemented in 2021 mainly in contractual services such as bringing repair and maintenance levels back up, and restoring expenditures for multiple professional services contracts. Two notable additional areas of contractual services for 2022 are purchasing up to \$250,000 of supplemental engineering support in addition to the services offered through the Department of Administrative Services – Architecture and Engineering and Environmental Services (DAS AE&ES). The other area of contractual spend is for environmental and legal services related to Per and Polyfluoroalkyl Substances (PFAS) for approximately \$325,000.
- Debt and Depreciation decreases \$739,639 from \$23,352,966 to \$22,613,327 based on a combination of expected depreciation expense and debt service principal and interest for the repayment of long-term Airport revenue bond debt.
- Crosscharges from other Milwaukee County departments for services provided to the Airport increase \$221,529 from \$15,087,952 to \$15,309,481. The increases are primarily for Sheriff Services, Fleet Management, and Insurance Services procured through the Department of Administrative Services Risk Management Division.

The Airport continues to procure vehicles and/or equipment through the 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*

- Wildlife Mitigation Services. The Airport must provide for wildlife mitigation services in the vicinity of MKE to ensure the safety of the traveling public from animals that could interfere with flight. This is also a component of federal regulatory compliance. The Airport intends to enter into a multi-year contract with the United States Department of Agriculture (USDA) for provision of wildlife mitigation and related services. The expected length of this contract is three years at an approximate annual cost of \$200,000.

* 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

How We Do It: Program Budget Summary					
Category	2019 Actual	2020 Actual	2021 Budget	2022 Budget	2022/2021 Variance
Expenditures	\$1,117,249	\$1,084,328	\$803,519	\$1,325,904	\$522,385
Revenues	\$500,312	\$799,874	\$773,000	\$602,250	(\$170,750)
Tax Levy	\$616,937	\$284,454	\$30,519	\$723,654	\$693,135
FTE Positions	1.0	1.0	1.0	1.0	0.0

" 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	2019 Actual	2020 Actual	2021 Target	2022 Target
Leased Buildings	23	28	27	27
Occupied Buildings	42	43	45	39
Vacant Buildings	18	9	3	7
Vacancy Percentage	30.0%	17.3%	6.3%	15.2%

How Well We Do It: Performance Measures				
Performance Measure	2019 Actual	2020 Actual	2021 Target	2022 Target
Occupancy Rate	70.0%	82.7%	93.8%	84.8%

Strategic Overview:

The MKE Regional Business Park is the former 440th Air Reserve Base. By the end of 2022, the MKE Business Park will consist of 46 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 2022, the estimated airline subsidy for this service area increases \$693,135 from \$30,519 to \$723,654. Expenditures increase for the MKE Regional Business Park due primarily to the following: increasing repair and maintenance costs for buildings and grounds, additional depreciation expense for capitalized improvements for occupied buildings, and building demolition. At the same time, expected revenues from building rental are decreasing.

For future years, there will be a continued focus on removing aged buildings and structures within the MKE Regional Business Park. Many of the facilities are at the end of or beyond their useful life and require substantial investment. Rebuilding these facilities is expected to be far more costly than any income that would be generated from renting them and is not considered a high priority use of the Airport's limited financial resources.

Strategic Program Area 3: LJ Timmerman General Aviation

Service Provision: Committed

How We Do It: Program Budget Summary					
Category	2019 Actual	2020 Actual	2021 Budget	2022 Budget	2022/2021 Variance
Expenditures	\$617,101	\$531,497	\$719,664	\$692,046	(\$27,618)
Revenues	\$262,890	\$245,290	\$237,303	\$255,133	\$17,830
Tax Levy	\$354,211	\$286,207	\$482,361	\$436,913	(\$45,448)
FTE Positions	2.0	2.0	2.0	3.0	1.0

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What We Do With It: Activity Data				
Activity	2019 Actual	2020 Actual	2021 Target	2022 Target
Number of Based Aircraft	99	105	105	105

How Well We Do It: Performance Measures				
Performance Measure	2019 Actual	2020 Actual	2021 Target	2022 Target
Aircraft Takeoffs/Landings	33,992	25,544	22,775	30,593*

2022 – Set at 90% of 2019 actual of 33,992.90 =30,593*

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 began in mid-2021. At the conclusion of the Timmerman Master Plan, future qualifying Timmerman based projects will be eligible for federal and state funding. The 2022 Budget results in a subsidy to LJT of \$436,913 from airlines serving MKE.