

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

Category	2020 Actual	2021 Actual	2022 Budget	2023 Budget	2023/2022 Variance
<b>Expenditures</b>					
<b>Personnel Costs</b>	\$23,392,214	\$23,497,550	\$27,564,881	\$27,496,909	(\$67,972)
<b>Operation Costs</b>	\$22,137,671	\$23,645,406	\$27,322,752	\$33,344,438	\$6,021,686
<b>Debt &amp; Depreciation</b>	\$23,075,208	\$21,416,103	\$22,613,327	\$21,580,316	(\$1,033,011)
<b>Capital Outlay</b>	\$195,580	\$161,498	\$551,307	\$1,609,500	\$1,058,193
<b>Interdepartmental. Charges</b>	\$13,726,823	\$14,355,155	\$15,309,481	\$15,209,592	(\$99,889)
<b>Total Expenditures</b>	<b>\$82,527,495</b>	<b>\$83,075,712</b>	<b>\$93,361,748</b>	<b>\$99,240,755</b>	<b>(\$5,879,007)</b>
<b>Revenues</b>					
<b>Direct Revenue</b>	\$59,544,147	\$81,767,703	\$82,062,132	\$83,341,151	\$1,279,019
<b>Intergovernmental Revenue</b>	\$22,739,407	\$1,016,279	\$10,988,556	\$15,563,564	\$4,575,008
<b>Indirect Revenue</b>	\$243,940	\$291,730	\$311,060	\$336,040	\$24,980
<b>Total Revenues</b>	<b>\$82,527,495</b>	<b>\$83,075,712</b>	<b>\$93,361,748</b>	<b>\$99,240,755</b>	<b>\$5,879,007</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>	242.0	241.0	246.0	234	(12.0)
<b>Seasonal/Hourly/Pool \$</b>	\$0	\$0	\$297,880	\$302,233	\$4,353
<b>Overtime \$</b>	\$612,159	\$1,037,592	\$1,037,929	\$858,093	(\$179,836)

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

\* FTEs for 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 2023**

The Airport continues its recovery from the novel coronavirus known as COVID-19.

Prior to COVID-19 passenger traffic totaled 6,894,894 in 2019. COVID-19 significantly impacted the aviation and tourism industry driving airport passenger traffic to record lows globally during 2020. The Airport continues to experience year over year recovery from the lows experienced in 2020. During 2020 passenger traffic for the Airport totaled 2,627,215 or 38 percent of pre-pandemic levels. For 2021 passenger traffic totaled 4,524,345 or 66 percent of pre-pandemic levels.

Significant passenger demand has returned for air travel most notably in the leisure travel market with business travel lagging as some in-person travel has not resumed for business meetings. For the first six months of 2022 however air travel recovery has not simply continued to be solely a question of passenger demand but has shifted also to airline supply. Not unlike other industries the airlines are currently experiencing issues with being able to staff flights on a national basis. Particularly during the summer months of 2022, the industry is experiencing a reduction in the number of scheduled flights and also reactive airline cancellation of flights due to flight crew staffing issues. Therefore, while the forecasting of travel has significantly improved since the extreme lows experienced during the pandemic, some forecasting volatility remains. The passenger traffic forecast for 2022 and the 2023 Budget was updated in May 2022 utilizing actual activity levels for January through April and then using limited duration airline schedule information incorporated into a demand model from the Airport's financial consultant, Unison Consulting. Annualized passenger levels for 2022 are estimated at 5,502,358 or 80 percent of pre-pandemic levels. Annualized passenger levels for the 2023 Budget are estimated at 5,912,542 or 86 percent of pre-pandemic levels.

While passenger traffic levels have recovered substantially to date, the latest traffic forecast update from May 2022 (subject to change) estimates full recovery to pre-pandemic levels on an annualized basis to occur in approximately 2025. Airport revenues are directly linked to passenger traffic and have improved substantially since the height of the pandemic but overall remain below pre-pandemic levels. With many of the Airport's costs being fixed in nature and as a facility that must remain open continuously, federal COVID-19 stimulus revenue continues to be used in 2023 to supplement nonaeronautical revenues and to maintain attractive aeronautical rates charged to airlines serving the Airport's passengers. The 2023 Budget relies on and includes approximately \$14.9 million of federal stimulus funds geared toward mitigation/lowering of airline rates and charges.

The federal policy framework around stimulus funds has been heavily oriented toward utilizing the funds to supplement airport operating budgets while recovery continues. 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 revenues to fund projects. These revenues have continued to show improvement as recovery continues but like other revenues are still not yet at pre-pandemic levels. During 2020, PFC revenues totaled \$5.2 million. For 2021 PFC revenues totaled \$8.2 million. Based on the May 2022 traffic forecast, PFC revenues are estimated for 2022 at \$10.9 million and for the 2023 Budget at \$11.7 million. These revenue figures are compared to PFC revenues of \$13.5 million pre-pandemic. The ADF reserve revenue, which is a percentage of revenue derived from parking, rental car, restaurant, retail, and other sources, generated \$2.3 million in 2020. For 2021 ADF revenues totaled \$3.2 million. Based on the May 2022 traffic forecast, ADF revenues are estimated for 2022 at \$4.3 million and for the 2023 Budget at \$4.6 million. These revenue figures are compared to ADF revenues of approximately \$4.9 million pre-pandemic. Since the start of the pandemic foregone PFC and ADF revenues due to lower passenger volume result generally in deferral of needed capital improvement projects. While the need for more funding to invest in aging capital infrastructure is generally a well-known national issue across all sectors of transportation, COVID-19 has highlighted and further exacerbated that issue.

In an effort to assist airports nationally with capital infrastructure needs, the Bipartisan Infrastructure Law (BIL) was enacted in November 2021. BIL allocated funding in each of the federal fiscal years 2022 through 2026. For federal fiscal year 2022 MKE was awarded \$8.9 million in addition to the typical Airport Improvement Program (AIP) entitlement funding of \$2.1 million and \$0.3 million for LJT in addition to the typical Airport Improvement Program (AIP) Block Grant entitlement funding of \$0.1 million. Given the regulatory framework for BIL, these funds will be used toward federally eligible airfield projects. The Airport expects to begin issuing debt in 2023 and future years to finance the local share of BIL related capital improvement projects.

## **DOT — AIRPORT (504) BUDGET**

Department: **Department of Transportation — Airport**

AGENCY NO. **504**

FUND: **Enterprise — 30076**

In consultation with the airlines serving MKE, the master Airline Use and Lease Agreement (AULA) that was set to expire on December 31, 2020 was extended to cover 2021, extended to cover 2022, and is expected to be extended for 2023 upon airline agreement of requested capital projects.

2023 staffing changes are as follows:

- Unfunding 14.0 Airport Mtce Wrk Asst Nm positions
- Create 1.0 Aviation Analyst position at a budgeted total salary cost of \$76,671.
- (Sept 2022) File 22-942 created 1.0 Manager Financial

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

Service Provision: Discretionary

How We Do It: Program Budget Summary					
Category	2020 Actual	2021 Actual	2022 Budget	2023 Budget	2023/2022 Variance
<b>Expenditures</b>	\$80,911,669	\$80,505,793	\$91,343,798	\$97,363,825	\$6,020,027
<b>Revenues</b>	\$81,482,330	\$82,092,390	\$92,504,365	\$98,548,136	\$6,043,771
<b>Tax Levy*</b>	(\$570,661)	(\$1,586,597)	(\$1,160,567)	(\$1,184,311)	(\$23,744)
<b>FTE Positions</b>	239.0	238.0	242.0	230.0	(12.0)

\* Although tax levy is shown in this service area, no tax levy was 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	2020 Actual	2021 Actual	2022 Target	2023 Target
Airport Cost Per Enplanement	\$61.77	\$35.63	\$30.69	\$32.93
Enplanements <sup>1</sup>	1,309,967	2,259,674	2,976,176	2,956,271
Total Passengers	2,627,215	4,524,345	5,952,352	5,912,542
Landed Weight (total) 000 lb. unit	2,880,033	3,456,394	4,171,835	3,922,320

<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	2020 Actual	2021 Actual	2022 Target	2023 Target
Customer Satisfaction Survey	4.50	4.50	4.50	4.50
Non-Airline Revenue as a % of Airport Revenue	65.1%	55.7%	63.0%	72.6%

\* 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** is responsible for keeping the airfield and ramp areas open 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 2023 above addresses the continued recovery from COVID-19 on the Airport budget.

#### **Revenue changes:**

Significant Changes in Non-Airline/Non-Aeronautical Revenue are as follows.

For 2023 most revenues continue to show substantial year over year improvement since their lowest point in 2020 during the pandemic.

- Parking revenue increases \$3,711,500 from \$24,638,500 to \$28,350,000.
- Car Rental revenue increases \$363,661 from \$9,144,116 to \$9,507,777.
- Food and Beverage Concession revenue increases \$1,384,508 from \$3,263,000 to \$4,647,508.
- Terminal Retail (Non-Food and Beverage) revenue increases \$247,840 from \$1,618,200 to \$1,866,040.
- Transportation Network Company (TNC) revenue decreases \$127,750 from \$751,000 to \$623,250.

Federal revenue to support the operating budget increases \$4,575,008 from \$10,988,556 to \$15,563,564. The main increase is comprised of the following. COVID-19 American Rescue Plan (ARPA) Stimulus Funds for Airline Rates and Charges increases \$4,134,665 from \$10,748,556 to \$14,883,221. The use of these funds serves to mitigate/lower airline rates and charges while passenger traffic continues to rebuild from the COVID-19 pandemic.

### Expenditures changes:

The Airport has a large infrastructure footprint to be maintained and the facility must be open and available to the traveling public on a continuous basis which means much of the Airport's costs to operate are fixed in nature.

Significant Major Expenditure changes are as follows:

- Personnel Services decrease \$67,972 from \$27,564,881 to \$27,496,909. This is due to a combination of things: increasing vacancy and turnover rate to 7 percent, expected decreases in fringe benefit costs, and unfunding of vacant custodial positions that have experienced substantial turnover and have been very difficult to fill over a prolonged period of time.
- Operation Costs increase \$6,021,686 from \$27,322,752 to \$33,344,438. Some of the major increase include the following:
  - Approximately a \$1,600,000 million increase for contractual services related to providing custodial services throughout the Airport that was part of a county-wide custodial RFP in 2022. This increase is partially offset by unfunding of vacant custodial positions that have experienced substantial turnover and have been very difficult to fill over a prolonged period.
  - A \$1,000,000 increase for providing contracted snow removal personnel and equipment on the ramp/apron areas of the airfield. Utilizing a contract for this purpose began in 2022 due to an inability to hire and retain sufficient County seasonal staff for the work to be reliably performed.
  - Approximately \$1,200,000 for a variety of consulting studies related to infrastructure analysis to inform future renewal of capital infrastructure as well as for regulatory purposes such as noise monitoring, potential expansion of electric vehicle charging in the public parking structure, gate/apron fit analysis, and terminal apron condition assessment, etc.
  - Approximately \$300,000 increase for software and software licensing/maintenance costs.
  - Approximately \$290,000 increase in the parking operator management contract. This cost increases as passenger traffic continues to rebound and the parking operator needs to staff accordingly.
  - Approximately \$265,000 increase in the cost for utilities.
  - Approximately \$250,000 for the parking structure. Parking is the largest single revenue stream for the Airport. The programmatic allocation of funding is for expected for ongoing repairs and maintenance to the parking structure, lots, and shelters.
  - Approximately \$240,000 increase for advertising to return to pre-pandemic level of spend. This includes items such as Airport media campaigns and for market research services related to measuring MKE brand recognition.
  - The remainder of the increases are spread throughout the accounts that comprise Operation Costs and include general costs increases for services and commodities as well as expected inflationary cost increases due to the current economic climate.
  - Airport continues to purchase 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 contract with Crawford, Murphy, Tilly continues in 2023 at an estimated cost of \$250,000.
- Capital Outlay costs increase \$1,058,193 from \$551,307 to \$1,609,500. This increase is primarily the result of the Airport increasing its capitalization threshold to match the Airline Use and Lease Agreement (AULA) which is substantially higher than the County threshold. For 2023 and future years, the Airport will expense operating budget assets that are less than \$50,000 and no longer follow the County standard of \$5,000.

## **DOT — AIRPORT (504) BUDGET**

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AGENCY NO. **504**

FUND: **Enterprise — 30076**

- Debt and Depreciation decreases \$1,033,011 from \$22,613,327 to \$21,580,316 based on a combination of expected depreciation expense and debt service principal and interest for the repayment of long-term Airport revenue bond debt.
- Cross charges from other Milwaukee County departments for services provided to the Airport decrease \$99,889 from \$15,309,481 to \$15,209,592. The decreases are based on expected costs for Fleet Management, Sheriff Services, and DAS Architecture and Engineering services.

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.

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

**Service Provision: Committed**

<b>How We Do It: Program Budget Summary</b>					
<b>Category</b>	<b>2020 Actual</b>	<b>2021 Actual</b>	<b>2022 Budget</b>	<b>2023 Budget</b>	<b>2023/2022 Variance</b>
<b>Expenditures</b>	\$1,084,328	\$2,210,655	\$1,325,904	\$1,124,732	(\$201,172)
<b>Revenues</b>	\$799,874	\$665,265	\$602,250	\$429,641	(\$172,609)
<b>Tax Levy</b>	\$284,454	\$1,545,390	\$723,654	\$695,091	(\$28,563)
<b>FTE Positions</b>	1.0	1.0	1.0	1.0	0.0

*" Although tax levy is shown in this service area, no tax levy was 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.*

<b>What We Do With It: Activity Data</b>				
<b>Activity</b>	<b>2020 Actual</b>	<b>2021 Actual</b>	<b>2022 Target</b>	<b>2023 Target</b>
Leased Buildings	28	27	27	15
Occupied Buildings	43	45	39	30
Vacant Buildings	9	3	7	16
Vacancy Percentage	17.3%	6.3%	15.2%	34.8%

<b>How Well We Do It: Performance Measures</b>				
<b>Performance Measure</b>	<b>2020 Actual</b>	<b>2021 Actual</b>	<b>2022 Target</b>	<b>2023 Target</b>
Occupancy Rate	82.7%	93.8%	84.8%	65.2%

**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 2023, the estimated airline subsidy for this service area decreases \$28,563 from \$723,654 to \$695,091. 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**

<b>How We Do It: Program Budget Summary</b>					
<b>Category</b>	<b>2020 Actual</b>	<b>2021 Actual</b>	<b>2022 Budget</b>	<b>2023 Budget</b>	<b>2023/2022 Variance</b>
<b>Expenditures</b>	\$531,497	\$359,264	\$692,046	\$752,198	\$60,152
<b>Revenues</b>	\$245,290	\$318,056	\$255,133	\$262,978	\$7,845
<b>Tax Levy</b>	\$286,207	\$41,208	\$436,913	\$489,220	\$52,307
<b>FTE Positions</b>	2.0	3.0	3.0	3.0	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.*

<b>What We Do With It: Activity Data</b>				
<b>Activity</b>	<b>2020 Actual</b>	<b>2021 Actual</b>	<b>2022 Target</b>	<b>2023 Target</b>
Number of Based Aircraft	105	105	105	105

<b>How Well We Do It: Performance Measures</b>				
<b>Performance Measure</b>	<b>2020 Actual</b>	<b>2021 Actual</b>	<b>2022 Target</b>	<b>2023 Target</b>
Aircraft Takeoffs/Landings	36,788	36,695	36,695	36,695

**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 and is expected to conclude in 2024. At the conclusion of the Timmerman Master Plan, future qualifying Timmerman based projects will be eligible for federal and state funding. The 2023 Budget results in a subsidy to LJT of \$489,220 from airlines serving MKE.