

BUDGET SUMMARY

Category	2021 Actual	2022 Actual	2023 Budget	2024 Requested Budget	2023/2024 Variance
Expenditures					
Personnel Costs	23,497,550	24,070,065	27,351,009	28,959,433	1,608,424
Operations Costs	23,645,406	27,647,615	33,344,438	35,976,210	2,631,772
Debt & Depreciation	21,416,103	24,688,613	21,580,316	17,706,016	(3,874,300)
Capital Outlay	161,498	55,000	1,609,500	924,500	(685,000)
Interdepartmental Charges	14,355,155	15,206,599	15,169,092	17,371,036	2,201,944
Total Expenditures	\$83,075,712	\$91,667,893	\$99,054,355	\$100,937,195	\$1,882,840
Revenues					
Other Direct Revenue	81,767,703	77,187,204	83,154,751	95,251,090	12,096,339
State & Federal Revenue	1,016,279	14,169,629	15,563,564	5,325,295	(10,238,269)
Indirect Revenue	291,730	311,060	336,040	360,810	24,770
Total Revenues	\$83,075,712	\$91,667,893	\$99,054,355	\$100,937,195	\$1,882,840
Tax Levy	\$0	\$0	\$0	\$0	\$0
Personnel					
Full Time Pos (FTE)	241.00	246.00	234.00	234.00	0.00
Overtime \$	785,630	791,444	858,093	860,845	2,752
Seasonal/Hourly/Pool	10,763	297,880	308,279	312,785	4,506

Department Mission:
DOT - AIRPORT

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

- Due to timing and availability of information as of the submittal of the 2024 Requested Budget, the Airport will need to work with the Strategy, Budget, and Performance (SBP) further to reflect any debt related costs to be inserted into the Airport budget to ensure it is captured in airline rates and charges. The Airport will also need to work with SBP to distribute airline rates and charges by cost center as there was insufficient time to do so before submittal of the 2024 Requested Budget. Finally, the Airport along with other divisions of the Milwaukee County Department of Transportation, would like to gain a further understanding of the changes and expenditure increases to the Central Service Allocation (CSA) proposed to be crosscharged to the Airport in 2024 as the Airport did not include the additional costs in its 2024 Requested Budget submittal for the CSA crosscharge object. It should however be noted the crosscharge to the Airport from the Office of the Sheriff does include the additional CSA related costs as these were indirectly passed through to the Airport in the Sheriff's crosscharge.
- For 2024 nonaeronautical revenues continue to make recovery gains in tandem with passenger recovery from COVID-19. The 2024 Budget includes an increase in parking rates for the parking structure and all surface lots. The last parking rate increase at the Airport was in 2018.

- Staffing Changes: Create 1.0 Director of Project Management position at an average expected salary cost of \$130,000.
- The Airport expects to have a long-term Airline Use and Lease Agreement (AULA) and Capital Improvement Plan (CIP) in place with the signatory airlines for a January 1, 2024 effective date covering 2024-2028. The overall structure of the AULA remains the same as the prior agreement. The execution of this longer-term agreement follows a series of temporary extensions undertaken during the COVID-19 global health pandemic (COVID-19). The Airport continues to make recovery gains from 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 with passenger traffic dipping to 38 percent of pre-pandemic levels. For 2021 passenger traffic began to recover totaling 4,524,345 or 66 percent of pre-pandemic levels. For 2022 passenger traffic continued recovering totaling 5,439,055 or 79 percent of pre-pandemic. As stated in the prior budget, significant passenger demand has returned for air travel led by the leisure market with the business market segment continuing to lag. On the supply side, airlines have not yet returned to serving the number of destinations or frequencies flown pre-pandemic for many US airports. Nationally, airlines have cited factors such as staffing and equipment shortages due to older aircraft retirement and delays in delivery of newly ordered aircraft. Despite the challenges, passenger traffic recovery at MKE is expected to continue. The passenger traffic forecast for 2023 and 2024 was updated in April 2023 utilizing actual activity levels for January and February of 2023 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 2023 are estimated at 5,956,271 or 86 percent of pre-pandemic levels. Annualized passenger levels for the 2024 Budget are estimated at 6,524,640 or 94 percent of pre-pandemic levels. The latest traffic forecast, subject to change, estimates full recovery to pre-pandemic levels on an annualized basis to occur in approximately 2026. With many of the Airport's costs being fixed in nature and as a facility that must remain open continuously, COVID-19 federal stimulus revenue has been used since the onset of the pandemic to supplement lower nonaeronautical revenues that are directly linked to levels of passenger traffic. The federal stimulus revenue has assisted the Airport to maintain attractive aeronautical rates charged to airlines serving the Airport's passengers as recovery has continued. The 2024 Budget includes \$4.9 million of federal stimulus funds geared toward mitigation/lowering of airline rates and charges. The remaining federal stimulus funds available for lowering airline rates and charges are expected to be exhausted during 2024. By comparison, the 2023 Budget included \$14.9 million toward lowering airline rates and charges. However, the exhaustion of federal stimulus funds causing higher aeronautical rates and charges is partially offset by the continued rebounding of passenger traffic which is directly linked to nonaeronautical revenue recovery. Furthermore, all airports either have already exhausted federal stimulus funds or will be in the same timeframe as the Airport. Even with the exhaustion of the federal stimulus funds the Airport is well within the competitive ranges for charges to the traveling public and airlines serving MKE. As stated in prior budgets, reduced passenger traffic levels due to COVID-19 have resulted in a corresponding reduction of revenue to undertake 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 revenue streams continue their recovery as passenger traffic recovery continues. Pre-pandemic PFC revenues totaled \$13.5 million annually. During 2020, PFC revenues totaled \$5.2 million. For 2021 PFC revenues totaled \$8.2 million. For 2022 PFC revenues totaled \$10.8 million. For 2023 PFC revenues are estimated at \$11.8 million. For 2024 PFC revenues are estimated at \$12.8 million. Even though PFC revenue collection levels are rebuilding over time, the overall amount that can be charged is set by federal regulation and has not been adjusted for inflation. Most airports like MKE collect a \$4.50 per enplanement fee less an \$0.11 handling charge that is retained by the airlines. When adjusted for inflation the purchasing power of the PFC revenue has substantially eroded over time. Looking at the time horizon of 2000 through 2022, the \$4.39 net collection per enplanement is estimated to be worth an inflation adjusted \$2.62. Per the agreement with the airlines, the ADF reserve revenue is 10 percent of revenue derived from parking, rental car, restaurant, retail, and other sources. Pre-pandemic ADF revenues totaled \$4.9 million annually. For 2020, ADF revenues totaled \$2.3 million. For 2021, ADF revenues totaled \$3.2 million. For 2022 ADF revenues totaled \$4.2 million. For 2023, ADF revenues are estimated at \$4.6 million. For 2024 ADF revenues are estimated at \$5.0 million. A substantial component of the ADF increase from 2023 to 2024 is based on the proposed increase to parking rates. The Airport's expenditures from the 2023 Budget to the 2024 Budget increased modestly due primarily to lower costs for Debt and Depreciation due to the Series 2019 B Revenue Bonds maturing in 2023. This reduction is only temporary as the Airport expects to issue new Revenue Bond debt over the next several years. The Airport has not issued new debt since 2013 and debt financing is a necessary component of long-term Airport capital infrastructure renewal. 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. MKE was awarded \$8.9 million in both federal fiscal year 2022 and 2023 and LJT was awarded \$0.3 million. Given the regulatory framework for BIL, these funds are typically eligible to only be used for airfield projects. Further, the BIL funds require a local matching contribution from the Airport's stretched local Airport discretionary dollars for capital infrastructure. In general, Airport local discretionary dollars are needed to cover not only the local share of federally eligible projects but also projects that are either partially or fully ineligible for federal or state dollars. Overall capital needs exceed local discretionary dollars available to handle all of these needs which could mean the Airport may not be able to match on drawing down all available BIL funds. The Airport like all other areas continues to experience upward

cost pressures in general operating and maintenance expenditures due to a climate of both rising prices and inflation. According to the United States Department of Labor Federal Reserve Economic Database Consumer Price Index for all Urban Consumers: All Items (CPI) was 4.1 percent over the period May 2022 to May 2023. While inflation has fallen from the 40-year high of 9.1 percent in June 2022, it still remains elevated over the Federal Reserve Bank target of 2 percent. In addition, large and medium hub commercial service airports throughout the United States (MKE is a medium hub as classified by the Federal Aviation Administration) are experiencing additional costs in the form of unfunded mandates being passed on to airports by federal agencies. In the area of security, recent unfunded mandates from for example the Transportation Security Administration (TSA) include additional employee security screening measures requiring an increase in the contractual staffing for unarmed security services. The TSA also introduced in March 2023 an unfunded emergency amendment with no advanced notice requiring airports provide plans and make additional investments aimed at increasing cybersecurity resilience of US critical infrastructure. To that end, the Airport is partnering with IMSD in 2024 wherein the Airport is funding a dedicated cybersecurity resource within IMSD to further enhance the Airport's cybersecurity profile.

Strategic Program Area: General Mitchell International Airport

Service Provision: Discretionary

How We Do It: Program Budget Summary

Category	2021 Actual	2022 Actual	2023 Budget	2024 Budget	2023/2024 Variance
Expenditures	80,505,793	90,273,631	97,179,349	99,089,901	1,910,552
Revenues	82,092,390	90,761,085	98,361,736	100,232,532	1,870,796
Tax Levy	(\$1,586,597.41)	(\$487,453.74)	(\$1,182,387.00)	(\$1,142,631.00)	\$39,756.00
Full Time Pos (FTE)	238.00	242.00	230.00	231.00	1.00

What We Do With It: Activity Data

Activity	2021 Actual	2022 Actual	2023 Target	2024 Target
Airport Cost Per Enplanement	\$36	\$33	\$33	\$30
Enplanements	2,259,674	2,720,768	2,956,271	3,262,320
Landed Weight (total) 000 lb. unit	3,456,394	3,682,933	3,922,320	4,187,760
Total Passengers	4,524,345	5,439,055	5,912,542	6,524,640

How Well We Do It: Performance Measures

Performance Measure	2021 Actual	2022 Actual	2023 Target	2024 Target
Customer Satisfaction Survey	4.5	4.5	4.5	4.5
Non-Airline Revenue as a Percent of Airport Revenue	55.70%	76.21%	72.60%	0.00%

Strategic Overview:

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

Administration is responsible for general administration, accounting, budget, debt service expense, purchasing, contracts, and business intelligence.

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, intergovernmental process coordination, certain required statistical reporting, and reviewing/forecasting passenger demand over the long term. This area also oversees noise compliance.

Parking Operations is responsible for operation of the public parking structure and all other parking locations. 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.

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 FAA, 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 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:

Revenue Changes

The 2024 Budget includes \$4,907,091 of federal stimulus funds geared toward mitigation/lowering of airline rates and charges. This is down from \$14,833,221 million included in the 2023 Budget. The federal stimulus funds for lowering airline rates and charges are expected to be exhausted during 2024.

Federal stimulus funds aside, overall nonairline/nonaeronautical revenues continue to make recovery gains in tandem with passenger recovery from COVID-19.

Parking revenue increases \$3,133,468 from \$28,350,000 to \$31,483,468 due to a combination of the parking rate increase and continued passenger recovery.

The fee increase for parking is as follows:

Hourly Structure - \$24 to \$26 per day

Daily Structure - \$14 to \$17 per day

Surface Lot - \$15 to \$17 per day

Saver Lots - \$8 to \$10 per day

Rail Lot - \$8 to \$10 per day

Car Rental revenue increases \$1,738,182 from \$9,507,777 to \$11,245,959.

Food and Beverage Concession revenue decreases \$1,361,279 from \$4,461,108 to \$3,099,829. While Food and Beverage revenue continues to recover on an actual basis, the decrease from the 2023 to 2024 Budget is correcting a prior budget error.

Terminal Retail (Non-Food and Beverage) revenue increases \$133,960 from \$1,866,040 to \$2,000,000.

Significant Expenditure 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.

Personnel Costs increase \$1,608,424 from \$27,351,009 to \$28,959,433. The increase is the result of lowering the vacancy and turnover rate from 7 to 5 percent and for wage increases. In the current labor market, the Airport continues to experience retention challenges as well as challenges around general compensation competitiveness.

Operation Costs increase \$2,631,772 from \$33,344,438 to \$35,976,210 primarily due to the following:

Utilities increase \$1,090,507 from \$5,824,600 to \$6,915,107. This includes multiple utility related fees from the City of Milwaukee that began during 2022.

Housekeeping contractual costs increase \$552,561 from \$2,808,000 to \$3,360,561. The expense is based on the costs from the County-wide RFP and contract that began in 2023.

Costs for Unarmed Security Services increases \$900,181 from \$965,000 to \$1,865,181. The is primarily due to unfunded mandates being passed on from federal agencies to airports to conduct employee screening and staffing functions previously staffed by the TSA. TSA also introduced an emergency amendment for cybersecurity in March 2023 with no advanced notice to airports that require additional investments aimed at increasing cybersecurity resilience of US critical infrastructure.

Crosscharges from other Milwaukee County departments for services provided to the Airport increase \$2,201,944 from \$15,169,092 to \$17,371,036. The Fleet Management crosscharge to the Airport increased \$744,530 from \$2,375,644 to \$3,120,174 based primarily on expected labor charges and significant increases in repair parts costs. The Office of the Sheriff crosscharge to the Airport increased \$1,263,562 from \$8,093,706 to \$9,357,268. The single largest component of the increase is related to the increase in the Central Service Allocation that is being indirectly passed through to the Airport in the Sheriff's crosscharge.

Strategic Program Area: MKE Regional Business Park

Service Provision: Committed

How We Do It: Program Budget Summary

Category	2021 Actual	2022 Actual	2023 Budget	2024 Budget	2023/2024 Variance
Expenditures	2,210,655	522,139	1,124,314	769,928	(354,386)
Revenues	665,265	597,807	429,641	423,192	(6,449)
Tax Levy	\$1,545,389.64	(\$75,668.06)	\$694,673.00	\$346,736.00	(\$347,937.00)
Full Time Pos (FTE)	1.00	1.00	1.00	0.00	(1.00)

Strategic Overview:

The MKE Regional Business Park (Business Park) is the former 440th Air Reserve Base. The Business Park is located in the City of Milwaukee adjacent to MKE at the intersection of South Howell Avenue and East College Avenue. The Business Park is responsible for the rental and maintenance of existing facilities for aviation, Airport use, and related business services.

Strategic Implementation:

There is a continued focus on removing aged buildings and structures within the Business Park and redeveloping the campus to ensure its highest and best aviation use. This includes a proposal to redevelop a substantial portion of the campus with direct airfield access into a new air cargo facility as announced in February 2023.

For 2024, the estimated airline subsidy for the Business Park decreases from \$694,673 to \$346,736.

The decrease in the estimated airline subsidy is primarily the result of expenditure decreases. As a substantial portion of the Business Park campus is proposed for redevelopment into an air cargo facility, Capital Outlay expense for demolition of existing buildings in the redevelopment footprint are eliminated as an operating budget expense as demolition is expected to occur as part of the broader redevelopment initiative.

In addition, Personnel Costs for the Business Park decrease as one position of Airport Business Manager was previously transferred from the Business Park to the Milwaukee Mitchell International Airport Strategic Program Area. The transfer of this existing position reflects broader responsibilities that are not confined solely to the Business Park.

Strategic Program Area: LJ Timmerman General Aviation

Service Provision: Committed

How We Do It: Program Budget Summary

Category	2021 Actual	2022 Actual	2023 Budget	2024 Budget	2023/2024 Variance
Expenditures	359,264	872,123	750,692	1,077,366	326,674
Revenues	318,056	309,001	262,978	281,471	18,493
Tax Levy	\$41,207.77	\$563,121.80	\$487,714.00	\$795,895.00	\$308,181.00
Full Time Pos (FTE)	2.00	3.00	3.00	3.00	0.00

What We Do With It: Activity Data

Activity	2021 Actual	2022 Actual	2023 Target	2024 Target
Number of Based Aircraft	105	105	105	101

How Well We Do It: Performance Measures

Performance Measure	2021 Actual	2022 Actual	2023 Target	2024 Target
Aircraft Takeoffs/Landings	36,695	31,171	36,695	34,203

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. The Airline Use and Lease Agreement (AULA) governs the treatment of 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 2024 Budget results in a subsidy to operate LJT of \$795,895 from airlines serving MKE.

The increase in the subsidy to operate LJT from 2023 to 2024 results from higher expenditures with revenues remaining relatively constant. The higher expenditures are due to increased need for general repairs and maintenance and to more appropriately reflect the true cost of snow removal chemicals for LJT which in the past had been blended with MKE.