MSP International Airport: Economic Driver and Environmental Challenges

Jeff Hamiel
Metropolitan Airports Commission
MAC Governance

- Public corporation created by Minnesota Legislature
- Narrow purpose and scope
- Owns and operates airports within 35 miles of downtown St. Paul and Minneapolis
  - MSP International Airport
  - Six general aviation airports
- User-fee based funding
- Limited property taxing authority unused since 1960s

We provide and promote safe, convenient, environmentally sound, cost-competitive aviation services for our customers.
Board Makeup

- Gov. appoints chairman and 12 commissioners (8 metro, 4 outstate)
- Minneapolis and St. Paul mayors each appoint one
Operating Revenues

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airline Rates &amp; Charges</td>
<td>$103,266,000</td>
</tr>
<tr>
<td>Concessions</td>
<td>$127,158,000</td>
</tr>
<tr>
<td>Rentals/Fees</td>
<td>$31,846,000</td>
</tr>
<tr>
<td>Utilities &amp; Other</td>
<td>$13,705,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$275,975,000</strong></td>
</tr>
</tbody>
</table>

2013 Operating Revenues

- Airline Rates & Charges: 37%
- Concessions: 46%
- Rentals/Fees: 12%
- Utilities & Other: 5%
- Totals: 100%
## Operating Expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$68,705,000</td>
</tr>
<tr>
<td>Administrative</td>
<td>$1,408,000</td>
</tr>
<tr>
<td>Professional Services</td>
<td>$4,535,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>$17,804,000</td>
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<tr>
<td>Operating Services</td>
<td>$19,264,000</td>
</tr>
<tr>
<td>Maintenance</td>
<td>$28,548,000</td>
</tr>
<tr>
<td>Other</td>
<td>$2,752,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$143,016,000</strong></td>
</tr>
</tbody>
</table>

### 2013 Operating Expenses

- Personnel: 48%
- Administrative: 14%
- Professional Services: 12%
- Utilities: 12%
- Operating Services: 12%
- Maintenance: 3%
- Other: 1%

*MAC*
Non-Operating Revenues

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Operating Revenues</td>
<td>$132,959,000</td>
</tr>
<tr>
<td>Interest Income</td>
<td>$9,631,000</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$(96,610,000)</td>
</tr>
<tr>
<td>Equipment &amp; Capital</td>
<td>$(4,666,000)</td>
</tr>
<tr>
<td>Other &amp; 6-Month Reserve</td>
<td>$(957,000)</td>
</tr>
<tr>
<td><strong>Net Revenues</strong></td>
<td><strong>$40,357,000</strong></td>
</tr>
</tbody>
</table>
Capital Budget

- $100-500 million annually
- Funding sources:
  - Passenger Facilities Charges
  - Net revenue
  - Federal Airport Improvement Program
  - State Airports Fund
  - Bonds or revolving line of credit
Conservative Financial Approach

- Conservative forecasting: nowhere to turn except reserves or short-term financing
- Financial model predicated only on originating and destination passengers
- Maintain six-month reserve
- AA- bond rating
- Airline cost per enplanement among the lowest in the nation
- Named “Most Efficiently Managed Large Airport in North America” by the Air Transport Research Society in 2013
Continued Consolidation
MSP Rankings

- 17th busiest terminal facilities in North America
- 13th busiest airfield
- Named “Best Airport in America” by Travel & Leisure Magazine in 2012
MSP Passengers

Regional Council of Mayors, August 12, 2013
Air Service Success Measures

• Major, stable Delta hub
• Enhanced competition:
  – Alaska Air, 2008
  – Southwest Airlines, 2009
  – Great Lakes, 2011
  – Spirit, 2012
  – Air France, 2013
• Competitive incentives program
Airlines Serving MSP

MSP is served by every major U.S. airline except Jet Blue.
New Air Service 2012-13

• Air France
  – Paris, France (CDG)

• Delta Air Lines
  – Liberia, Costa Rica
  – Williston, ND
  – Alpena, MI
  – Syracuse, NY
  – Dickinson, ND
  – Rhinelander, WI

• Great Lakes
  – Huron, SD
  – Ironwood, MI
  – Thief River Falls, MN

• Southwest
  – Kansas City, MO

• Spirit
  – Chicago, IL (ORD)
  – Las Vegas, NV
  – Ft. Myers, FL
  – Ft. Lauderdale, FL
  – Dallas-Fort Worth, TX
  – Denver, CO

• Sun Country
  – Huatulco, MX
  – Tampa, FL
  – Liberia, Costa Rica
  – San Juan, Puerto Rico
  – Chicago, IL (MDW)

• US Airways
  – Washington, DC (DCA)
2020 Improvement Program

Forecast: 20.9 million enplanements
484,881 operations

Demand-driven implementation

KEY FEATURES:

- Additional parking and auto rental
- Expanded baggage and ticketing facilities
- More aircraft gates and apron area
- Enhanced international arrivals facility
- Improved roadways and curbside
- Extended tramways
Economic Impacts of MSP

• Commissioned a study by InterVISTAS Consulting LLC to measure MSP’s 2012 impacts on the Twin Cities’ economy
• Measured jobs, earnings, visitor spending, tax contributions and total economic output
MSP Economic Impacts

In 2012, MSP supported...

- $10.1 billion in total economic output
- 76,340 jobs equaling $3 billion in earnings
- $1.9 billion in visitor spending
- $611 million in government tax revenues

The airport's $10.1 billion in total economic output included:
MSP Employment Impacts

MSP=76,340 Jobs

- Indirectly tied to MSP operations: 13,400
- Induced by MSP operations: 17,100
- Tied to airport capital development improvements: 1,540
- Generated by visitor spending: 24,500
- Directly tied to airport operations: 19,800
MSP Employment Earnings

MSP=$3 Billion in Employee Earnings

Residency of Employees

- Hennepin County 6,500
- Ramsey County 4,700
- Dakota County 4,000
- Washington County 1,200
- Scott County 700
- Anoka County 600
- Carver County 200
- Other: Minnesota 1,500
- Other: U.S. 400

Directly tied to airport operations $1.2 billion

Indirectly tied to airport operations $600 million

Induced by airport operations $600 million

Related to capital improvements at MSP $70 million

Direct result of visitor spending $500 million
Visitor Spending Impacts

MSP=$1.9 Billion in Visitor Spending

- Lodging: $480 million
- Gifts & Souvenirs: $450 million
- Food & Beverage: $370 million
- Transportation: $260 million
- Entertainment: $190 million
- Other: $150 million

3.8 million domestic visitors

400,000 international visitors
MSP=$611 Million in Tax Revenues Supporting Public Programs
Environmental Challenges

Air Quality
• Minnesota Pollution Control Agency (MPCA): Air quality no worse around MSP than elsewhere in the Twin Cities

Water Quality
• Invested heavily in programs to contain fuel, oil, de-icing fluid and other contaminants on-site
• Together with airlines, hold permit from MPCA for limited discharge into river
• Weather a major factor
Noise

• Have spent more than $480 million since 1992:
  – $324 million insulating 14,478 homes
  – $13.3 million insulating 3,395 multi-family units
  – More than $51 million mitigating 19 schools
  – More than $90 million for property acquisition

<table>
<thead>
<tr>
<th>City</th>
<th>Homes Insulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minneapolis</td>
<td>11,614</td>
</tr>
<tr>
<td>Richfield</td>
<td>1,626</td>
</tr>
<tr>
<td>Eagan</td>
<td>668</td>
</tr>
<tr>
<td>Bloomington</td>
<td>474</td>
</tr>
<tr>
<td>Mendota Heights</td>
<td>94</td>
</tr>
<tr>
<td>Inver Grove Heights</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>14,478</strong></td>
</tr>
</tbody>
</table>
Actual Aircraft Noise Has Decreased

- 27% fewer aircraft operations in 2012 than 2007 forecast
- 2012 hush-kitted Stage 3 daily operations 99.1% below 2007 forecast
- 2012 nighttime operations 25% below 2007 forecast
- 2012 actual 60 DNL noise contour 43% smaller than the 2007 forecast, and 2012 actual 65 DNL contour 52% smaller than the 2007 forecast
- In 2012, there were 3,373 fewer residences in the 65 DNL and 3,261 fewer in the 60 to 64 DNL contours than in the 2007 forecast contours
Complaints Remain High

Annual MSP Complaints

Note: 2013 number reflects January through June complaints.
Going Forward

• Air traffic – and presumably noise -- will increase over time whether or not MSP facilities expand
• Worked with cities on language to amend the consent decree
• The FAA will allow the additional mitigation provided it is part of an amended consent decree
• Would benefit homes moved into higher actual noise contours for 3 consecutive years
  • 1,131 homes may qualify
  • Likely cost: $21-25 million
  • Program sunsets in 2024
  • Subject to court approval

Regional Council of Mayors, August 12, 2013
RNAV/PBN

- FAA effort to enhance safety, reduce fuel burn and related environmental impacts, increase efficiency and, where possible, reduce noise impacts
- MAC endorsed only partial implementation, to the south and east of MSP
- FAA studying viability of partial implementation
- MAC working with FAA to encourage more thorough study and community engagement going forward
Why MSP Matters
More Information

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www.mspairport.com

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