Metropolitan Airports Commission

Minneapolis-St. Paul, Minnesota

Comprehensive Annual Financial Report

Year Ended December 31, 1986

Minneapolis-St. Paul, Minnesota
Metropolitan Airports Commission 1986

Chairman: Raymond G. Glumack*

Commissioners:

Precinct 1	Sam Grais
Precinct 2	Virginia Johnson
Precinct 3	Ronald Jerich
Precinct 4	Robert S. Peterson
Precinct 5	Tim Lovaasen
Precinct 6	Wilfred Viitala
Precinct 7	Donald E. Benson
Precinct 8	Burton M. Joseph
City of Minneapolis	Jan DelCalzo
City of St. Paul	Barbara Ashley

Executive Director: Jeffrey W. Hamiel

*On January 5, 1987, Harold W. Greenwood was appointed Chairman.

Metropolitan Airports Commission

Minneapolis-St. Paul, Minnesota

Comprehensive Annual Financial Report

Year Ended December 31, 1986

Prepared by

The Finance Department

Lynn D. Richardson, Jr.

Director of Finance

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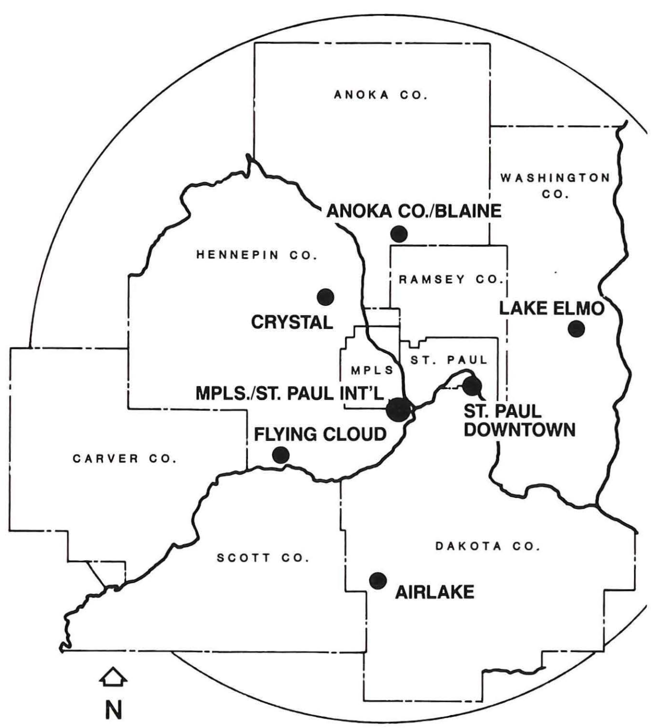
MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Airport Locations

Commission Jurisdiction 36 Mile Radius



Certificate of Achievement

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Minneapolis-St. Paul Metropolitan Airports Commission, Minnesota

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 1985

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to governmental units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) are judged to substantially conform to program standards.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Betty Jo Harker
President

Jeffrey L. Esser
Executive Director

Letter of Transmittal

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Minneapolis • Saint Paul
METROPOLITAN AIRPORTS COMMISSION
P. O. BOX 11700 • TWIN CITY AIRPORT • MINNESOTA 55111
OFFICE OF EXECUTIVE DIRECTOR • PHONE (612) 726-1892

March 6, 1987

Dear Commissioners:

We are pleased to present the Comprehensive Annual Financial Report of the Metropolitan Airports Commission (MAC) for the year ended December 31, 1986. This report was prepared by the Commission's Finance Department. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Commission as measured by the financial activity of its enterprise fund. In addition, all disclosures necessary to enable the reader to gain the understanding of the Commission's financial affairs have been included.

BACKGROUND

The Metropolitan Airports Commission was created in 1943 by the Minnesota Legislature to provide for efficient development of air transportation facilities in the Metropolitan Area. The purpose of MAC is to promote air navigation and transportation, international, national and local, in and through the State of Minnesota. In addition to promoting the efficient, safe and economical handling of air commerce, MAC has the responsibility of assuring residents of the Metropolitan Area of the minimum environmental impact from air navigation and transportation.

MAC jurisdiction is throughout the Minneapolis-St. Paul Metropolitan Area extending 35 miles out all directions from the Minneapolis and St. Paul City Halls, and including Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties. The Commission owns and operates seven airports in the Metropolitan Area including Minneapolis/St. Paul International Airport (MSP) serving as the primary air carrier facility and the following Reliever Airports serving general aviation:

St. Paul Downtown Airport
Flying Cloud Airport
Crystal Airport
Anoka County/Blaine Airport
Lake Elmo Airport
Airlake Airport

OFFICE LOCATION—6040 28th AVE. SO.—WEST TERMINAL AREA—MINNEAPOLIS-SAINT PAUL INTERNATIONAL AIRPORT

Letter of Transmittal (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

The MAC may, under the Airport Law, (Minn. Stat. §473.667) borrow money and issue General Obligation Bonds for the purpose of acquiring property, constructing and equipping new airports, acquiring and equipping existing airports and making capital improvements to any airport constructed or acquired by the Commission. Other powers delegated to the Commission include power to levy taxes against property of the Metropolitan Area in order to pay debt service on bonds issued by the Commission. In addition, the Commission can levy taxes, not in excess of one-third mill in each year, upon the valuation of all taxable property in the Metropolitan Area to meet operation and maintenance costs of airport facilities. The Commission is governed by eleven commissioners. Eight commissioners are appointed by the Governor of the State of Minnesota from designated districts within the Metropolitan Area. The mayors of St. Paul and Minneapolis also have seats on the Commission with the option to appoint a surrogate to serve in their place. The Chairperson of the Commission is appointed by the Governor and may be from anywhere in the state. These appointing authorities, however, do not exercise direct financial oversight; and thus, the Commission is independent for financial reporting purposes.

MAC provides a variety of services at each of its airports. At Minneapolis/St. Paul International (MSP) MAC is responsible for providing buildings and facilities for air carrier activity as well as police, fire protection, maintenance, administrative and planning services, as well as other related services and facilities that are deemed to be necessary.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

For financial reporting purposes, in conformance with the Governmental Accounting Standards Board pronouncements, MAC is defined as an enterprise fund. Accounting records are maintained on an accrual basis in accordance with generally accepted accounting principles.

Internal accounting controls being used are designed to provide reasonable assurance regarding: a) the safekeeping of assets against loss, unauthorized use or disposition and b) the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of control procedures are weighed against expected benefits to be derived, and that the evaluation of costs and benefits requires estimates and judgements by management.

All internal control evaluations occur within the above framework. We believe that the Commission's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The MAC annually adopts an Operating Budget which is organized by functional responsibility according to costs centers assigned to each airport. A Monthly Budget Variance analysis, as required by Commission by-laws, reports significant variations from the adopted plan and directs management action for correction as required. A system of Purchase Requisitions, Purchase Orders and authorized signature approvals provide the basis for positive management responsibility and control for each of the budget line items.

Significant elements of the Commission's accounting, budgeting and reporting system are established and described in the lease/use agreement between the MAC and the air carriers serving MSP, that was signed in 1962 and amended in 1968. The agreement provides for the definition of eligible costs and methodology for determining rates and charges to be paid by the airlines that are parties to the agreement.

Letter of Transmittal (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

REVENUES AND EXPENDITURES

Operating revenues for the MAC come entirely from user fees that are established for various services and facilities that are provided at all Commission airports. While the Commission has the power to levy taxes to support its operations, it has adopted policies to provide adequate revenues for the system to operate since the late 1960's without general tax support. Revenue sources have been grouped into the following categories in the Statement of Revenues and Expenses:

Traffic—Aircraft landing and parking fees
Commercial:
Concessions—Revenue from food & beverage sales, merchandise sales, auto parking, etc.
Rentals—Fees for ground and building rentals
Utilities—Charges for tenants use of water and sewer
Miscellaneous—Charges for other services provided by MAC

During 1986 MAC operating revenues increased by 12.7% to $56,053,733 from $49,756,771 in 1985. Changes in major categories are summarized below:
(In Thousands)

	1986 $	1986 %	1985 $	1985 %	DOLLAR CHANGE	PERCENTAGE CHANGE
TRAFFIC	$12,213	21.8%	$11,330	22.8%	$ 883	7.8%
COMMERCIAL						
CONCESSIONS	23,425	41.8	21,555	43.3	1,870	8.7
RENTALS	18,854	33.6	15,649	31.5	3,205	20.5
UTILITIES	1,275	2.3	942	1.9	333	35.4
MISCELLANEOUS	287	.5	281	.5	6	2.1
OPERATING REVENUES	**$56,054**	**100%**	**$49,757**	**100%**	**$6,297**	**12.7%**

The largest increases in operating revenues occurred in the traffic and commercial categories. The traffic category of revenue increased by 7.8% between the two years due to increased collections for landing fees and ramp charges. Landing fees are calculated on a breakeven basis, with revenue and expense being equal. Between 1985 and 1986, increases in noise abatement and snow removal costs resulted in higher revenues from landing fees. Ramp charges increased due to the construction of additional ramp area adjacent to the terminal building. The project was complete in late 1985 and a full year's rental was received in1986 for the newly completed area.

Concession revenue increased by $1,870,000 between the two years. This is due to continued upward trends in activity in the parking and auto rental concessions which increased $1,300,000 and $500,000 respectively over 1985. Finally, rentals increased because a full year's rent was received on two terminal building expansion projects that were both completed late in 1985.

Major investments in facilities for MSP are secured by lease agreements with the airlines using the facilities. Major sections of the agreements include definitions of eligible costs to be included in the formula for determining rates to be charged and procedures for the adjustment or collection of fees due to the Commission. Certain of these agreements which began in the 1960's and 1970's will expire in 1989 requiring new agreements to be negotiated.

Letter of Transmittal (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

In order to promote and encourage the efficient use of facilities at all MAC airports as well as attempting to minimize the environmental impact of MSP on the surrounding community, MAC has implemented a policy of subsidizing its reliever airports by establishing relatively low user charges as an incentive for pilots to use these facilities rather than MSP. In order to maintain this subsidy MAC sets its rates and charges to assure that total system revenues will be sufficient to pay total system expenses.

In 1986 and 1985, net revenues for each airport were as follows: (In Thousands)

	OPERATING REVENUE	OPERATING EXPENSE	1986 NET REVENUE	1985 NET REVENUE
MSP	$55,441	$38,895	$16,546	$11,239
ST. PAUL DOWNTOWN	279	1,096	(817)	(663)
FLYING CLOUD	141	383	(242)	(265)
CRYSTAL	67	285	(218)	(232)
ANOKA	69	283	(214)	(224)
LAKE ELMO	29	167	(138)	(147)
AIRLAKE	28	165	(137)	(131)
TOTAL	**$56,054**	**$41,274**	**$14,780**	**$ 9,577**

As established by the State of Minnesota, the MAC is limited in its activities to creating, maintaining and operating airport facilities in its jurisdiction. This definition of its activities results in three uses of its funds: a) payment of debt service; b) payment of costs of operations and c) remodeling or construction of new facilities. In order to disclose the uses of net revenues generated by operations, MAC includes on its Statement of Revenues, Expenses and Changes in Retained Earnings, the amount of interest earned on investments in the Debt Service account that is applied towards the payment of principal and interest on outstanding bonds. Also disclosed is the amount transferred to the MAC special construction account, in order to provide the necessary funds and/or to decrease the amount of additional bond sales.

In 1986 MAC operating expenses increased by 2.7% to $41,273,714 from $40,179,774 in 1985. Changes in major categories are summarized below: (In Thousands)

	1986 $	1986 %	1985 $	1985 %	DOLLAR CHANGE	PERCENTAGE CHANGE
SALARIES, WAGES AND EMPLOYEE BENEFITS	$12,187	29.5%	$12,412	30.9%	$ (225)	(1.8%)
OPERATING SUPPLIES	1,513	3.7	1,842	4.6	(329)	(17.9)
UTILITIES	2,225	5.4	2,129	5.3	96	4.5
MAINTENANCE AND REPAIRS	4,297	10.4	4,348	10.8	(51)	(1.2)
PARKING MANAGEMENT	2,468	6.0	2,446	6.1	22	.9
DEPRECIATION	14,517	35.2	13,244	33.0	1,273	9.6
OTHER	4,067	9.8	3,759	9.3	308	8.2
OPERATING REVENUES	**$41,274**	**100%**	**$40,180**	**100%**	**$1,094**	**2.7%**

The major change in salaries, wages and benefits was a decrease in the amount of overtime worked by the Maintenance Department. Due to reductions in fuel rates and consumption, operating supplies decreased. Charges for depreciation increased by $1,273,000 between the two years because of a number of construction projects that were completed in 1986. These projects included the Stage I, Phase II of the St. Paul Downtown Airport Development, and various runway, taxiway, and apron improvements and modifications.

Letter of Transmittal (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

In carrying out its responsibilities MAC has maintained a philosophy of using specialists and consultants to provide some of the wide variety of services that are needed rather than hire additional employees. Most of the concessions facilities at MSP are leased to professional operators who manage the daily activities. MAC has entered into a management agreement to operate its parking facilities in order to maintain control over the service, rates and expenses. Costs of all parking facilities and the management fee paid are shown under the Parking Management category of expense.

DEBT ADMINISTRATION

The Metropolitan Airports Commission has issued two forms of indebtedness: Airport Revenue Bonds and General Obligation Revenue Bonds. From 1943 to 1975 MAC issued Airport Revenue Bonds to provide funds for its capital improvement program. Since 1976 General Obligation revenue bonds which are backed by Commission revenues and the authority to levy any required taxes on the assessed valuation of the seven county metropolitan area have been used. The MAC is required by law to maintain Debt Service funds sufficient to bring the balance on hand in the Debt Service Account on October 10 of each year to an amount equal to all principal and interest to become due on all Airport Improvement Bonds and General Obligation Revenue Bonds payable therefrom to the end of the second following year. The required balance as of October 10 in the Debt Service Account for the next five years is as follows:

1987	$30,860,570
1988	$29,702,075
1989	$28,495,213
1990	$28,174,065
1991	$27,885,993

MAC last sold bonds ($30 million) in December, 1986 at which time it received AAA rating from both Moody's and Standard & Poor's rating services. Authority for issuing bonds is obtained from the Minnesota State Legislature. Currently the authorization permits the issuance of an additional $62 million of bonds.

CAPITAL PROJECTS

Each year the MAC approves capital projects that will start within the next 12 months, and a Capital Improvement Program which covers all projects which are to be started during the second calendar year. In addition, a Capital Improvement Plan which covers an additional 5 years is adopted. These serve as a basis for determining funding requirements, and other operational planning decisions. Certain projects which have a metropolitan significance are also submitted to the Metropolitan Council for review and approval. The Metropolitan Council is a regional planning agency responsible for coordination and planning of certain governmental services for the metropolitan area.

Funds required for completion of all capital projects come from three sources: a) General Obligation Revenue Bonds, b) state or federal grants and c) internally generated funds from operations. In order to limit the cost of facilities at the reliever airports, MAC uses only grant funds or retained earnings to finance all construction projects at these airports. Capital improvements at MSP are financed from all three sources as appropriate.

Letter of Transmittal (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Anticipated projects planned for 1987 and 1988 as well as the extended period 1989-1993 are summarized as follows: (The amounts shown represent the estimated total costs for projects planned to be initiated, but not necessarily completed during that period.)

	1987	1988	Total 1989-93
MINNEAPOLIS/ST. PAUL INTERNATIONAL:			
FIELD AND RUNWAYS	$ 4,300,000	$18,300,000	$20,450,000
ENVIRONMENTAL	6,500,000	0	0
SELF-LIQUIDATING	47,000,000	12,000,000	0
TERMINAL BUILDING AND OTHERS	35,945,000	7,975,000	10,650,000
ST. PAUL DOWNTOWN AIRPORT	3,625,000	1,400,000	750,000
FLYING CLOUD AIRPORT	475,000	0	450,000
CRYSTAL AIRPORT	375,000	125,000	300,000
ANOKA COUNTY AIRPORT	3,400,000	2,200,000	600,000
LAKE ELMO AIRPORT	0	0	1,000,000
AIRLAKE AIRPORT	300,000	0	0
	$101,920,000	$42,000,000	$34,200,000

CASH MANAGEMENT

Cash temporarily idle during the year is invested according to legal requirements established by the legislature of the State of Minnesota. In accordance with state law, investments are restricted to various United States government securities, certificates of deposits, commercial paper and repurchase agreements. All securities must mature within three years from the date of purchase.

In addition to the legal requirements, the MAC has an investment policy to further enhance the safety of its investments. In accordance with this policy, securities with a maturity of over 7 days are safekept at one institution and purchases can be made only from dealers located in the State of Minnesota. To ensure competitive prices on all purchases, the policy requires bids to be taken from several different dealers.

The Government Accounting Standards Board requires disclosure of types of investments and the safekeeping arrangement in the notes to the financial statements. This requirement is new and is effective for years ended December 31, 1986. Custodial agreements are disclosed as three levels of risk. At year end 1986, the majority of the MAC's investment portfolio was being held by a third party agent of the Commission. There were, however, several securities held by brokers that were not in the Commission's name. In accordance with Commission policy, these were investments that matured within seven days from the date of purchase. Because of their short maturity, we do not feel this arrangement exposes our investment portfolio to unnecessary risk.

Total investment earnings for 1986 were $7,589,280. The average yield on investments during the year was 9.5%.

Letter of Transmittal (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

FUTURE PROSPECTS

Consolidation in the air transportation industry continues to have a major impact on the Commission. Mergers, acquisitions and new forms of competition in air services place new demands on the services and facilities provided by the Commission.

During 1986, Northwest Airlines completed the acquisition of Republic Airlines. Combined NWA activity at Minneapolis/St. Paul Int'l Airport now represents approximately 75 percent of the total passengers and 60 percent of total commercial operations. A review of the facilities required by NWA and other carriers also undergoing similar combinations is being done in 1987 in order to improve the allocation and use of all Commission facilities.

The commitment of Northwest Airlines to the Twin Cities metropolitan area continues to grow as they complete plans for additional office facilities off the airport and begin discussions with the Commission for new hangar and maintenance facilities to be located on their property at the airport.

A major focus of the Commission during 1987 and beyond is work on implementing a 27-point program of noise attenuation. As a result of continued high levels of operations at Minneapolis/St. Paul Int'l Airport, Commission attention has been focused on the impact of aircraft noise on surrounding communities. This impact on the environment must be balanced with the economic benefits created as a result of the increased activity. The Commission program, which is currently under analysis, includes a variety of measures such as operational procedures, economic incentives, and a "noise budget" concept which could, if implemented, restrict the total noise generated on the airport. The Commission has and will continue to commit substantial amounts of resources and attention to finding creative ways to improve the noise impact on surrounding communities.

Several of the major lease agreements between MAC and its airport tenants will expire during the next five years, and MAC is completing a thorough review and analysis of changes necessary in these leases to assure that the Commission can maintain and improve its strong financial position and operating flexibility. Providing all of the needed financial resources from users of the airports without tax support remains a prime objective of the Commission.

INDEPENDENT AUDIT

The financial records of the MAC are audited annually by a firm of independent certified public accountants. The audits for the year ended December 31, 1986 and 1985 were performed by Ernst & Whinney. Their opinion on the financial statements is presented in this report.

In conjunction with the annual audit, Ernst & Whinney performs procedures consistent with Single Audit Act of 1984 (The Act) guidelines in relation to grant award agreements between the MAC and the Federal Aviation Administration (FAA), in progress at year end. Reports are issued as required by the Act. The reports are intended for the use of the MAC and the FAA, and do not change in any way the financial statements and have not been included in this report.

In accordance with Minnesota State Law, the Legislative Auditor may conduct a financial audit of the MAC or allow this service to be contracted. The 1986 financial audit has been performed by the firm of Ernst & Whinney. In addition, the Legislative Auditor does conduct a separate audit to examine the Commission's compliance with applicable laws, policies and procedures, as he determines it is necessary.

Letter of Transmittal (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the MAC for its Comprehensive Annual Financial Report for the year ended December 31, 1985.

In order to be awarded a Certificate, which is valid for one year, a governmental unit must publish an easily readable and efficiently organized report, the contents of which conform to the program's standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

We believe that this current report continues to conform to the Certificate of Achievement program's requirements. We are, therefore, submitting it to the GFOA so that they may determine its eligibility for a certificate.

ACKNOWLEDGEMENTS

The preparation of this report, on a timely basis, could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We express our appreciation to all members of the department who assisted and contributed to its preparation. Appreciation is also extended to each Commissioner for their interest and support in planning and conducting the financial affairs of the MAC in a responsible manner.

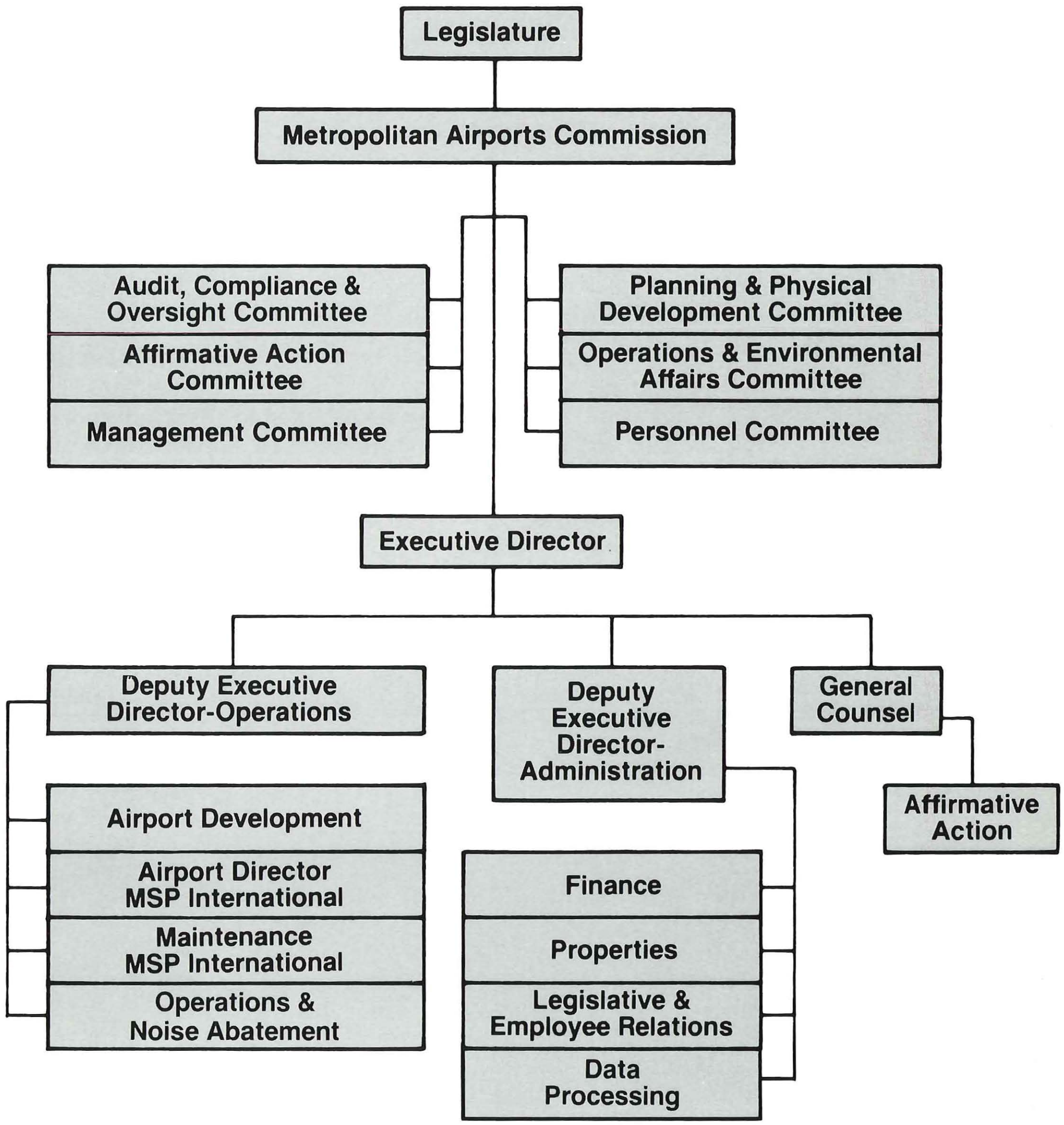
Respectively submitted,

Jeffrey W. Hamiel
Executive Director

Lynn D. Richardson, Jr.
Director of Finance

Organizational Chart

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION



Auditors' Report

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Report of Ernst & Whinney, Independent Auditors

1200 Town Square
445 Minnesota Street
Saint Paul, Minnesota 55101
612/291-1822

Members of the Commission
Minneapolis-Saint Paul Metropolitan
Airports Commission
Saint Paul, Minnesota

We have examined the balance sheets of Minneapolis-Saint Paul Metropolitan Airports Commission as of December 31, 1986 and 1985, and the related statements of revenues, expenses and changes in retained earnings, and changes in cash and investments for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Minneapolis-Saint Paul Metropolitan Airports Commission at December 31, 1986 and 1985, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Saint Paul, Minnesota
March 6, 1987

Balance Sheets

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

(Dollars in Thousands)

	December 31 1986	December 31 1985
ASSETS		
Cash and investments—Note B:		
Unrestricted	$ 8,923	$ 7,674
Restricted—Notes C and F:		
Debt Service	24,390	21,293
Construction:		
Regular	30,015	6,999
Special	47,281	50,164
	101,686	78,456
	110,609	86,130
Accounts receivable	5,267	2,855
Government grants in aid of construction receivable	6,188	414
Airports and facilities—Notes E and F	218,866	201,416
Other—Note J	2,356	1,404
TOTAL ASSETS	**$343,286**	**$292,219**

Balance Sheets (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

(Dollars in Thousands)

	December 31 1986	December 31 1985
LIABILITIES AND FUND EQUITY		
Accounts payable and accrued expenses	$ 1,594	$ 2,591
Payables from restricted assets:		
Debt service—Note F	24,390	21,293
Construction	3,606	2,665
Employee compensation and payroll taxes—Note H	1,367	1,361
Deferred revenue	6,599	6,757
Deferred compensation benefits—Note J	1,880	1,210
Bonds payable—Note F	104,397	85,297
TOTAL LIABILITIES	**143,833**	**121,174**
FUND EQUITY		
Contributed capital	57,916	48,638
Retained earnings:		
Reserved—Note C	73,690	54,498
Unreserved	67,847	67,909
TOTAL FUND EQUITY	**199,453**	**171,045**
Contingent liability—Note K		
TOTAL LIABILITIES AND FUND EQUITY	**$343,286**	**$292,219**

See notes to financial statements.

Statements of Revenues, Expenses and Changes in Retained Earnings

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

(Dollars in Thousands)

	Year Ended December 31 1986	1985
OPERATING REVENUES		
Traffic	$ 12,213	$ 11,330
Commercial:		
Concession	23,425	21,555
Rentals	18,854	15,649
Utilities	1,275	942
Miscellaneous	287	281
TOTAL OPERATING REVENUES	**56,054**	**49,757**
OPERATING EXPENSES		
Salaries, wages and employee benefits	12,187	12,412
Operating supplies	1,513	1,842
Utilities	2,225	2,129
Maintenance and repairs	4,297	4,348
Parking management	2,468	2,446
Depreciation	14,517	13,244
Other	4,067	3,759
TOTAL OPERATING EXPENSES	**41,274**	**40,180**
OPERATING INCOME	**14,780**	**9,577**
OTHER REVENUES (EXPENSES)		
Interest income	7,589	9,827
Loss on building dispositions		(451)
Bond interest expense	(6,013)	(5,889)
NET INCOME	**16,356**	**13,064**
Add depreciation of facilities provided by government grants—Note A	2,774	2,658
INCREASE IN RETAINED EARNINGS	**19,130**	**15,722**
Retained earnings—beginning of year	122,407	106,685
RETAINED EARNINGS—END OF YEAR	**$141,537**	**$122,407**
Distribution of net income:		
Net income designated for debt service	$ 2,009	$ 2,390
Net income designated for construction	14,347	10,674
	$ 16,356	**$ 13,064**

See notes to financial statements.

Statements of Changes in Cash and Investments

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

(Dollars in Thousands)

	Year Ended December 31 1986	1985
CASH AND INVESTMENT FROM OPERATIONS		
Net income	$ 16,356	$ 13,064
Add items not requiring cash:		
Depreciation	14,517	13,244
Amortization of bond premium and discount	27	25
TOTAL CASH AND INVESTMENTS FROM OPERATIONS	**30,900**	**26,333**
OTHER OPERATING ACCOUNTS		
Accounts receivable	(2,412)	(2,176)
Other assets	(282)	(49)
Accounts payable and accrued expenses	(997)	1,349
Employee compensation and payroll taxes	6	228
Deferred revenue	(158)	(169)
	(3,843)	**(817)**
FACILITIES		
Additions to airports and facilities	(31,631)	(37,890)
Net book value of disposals of airports and facilities	605	605
	(31,026)	**(37,285)**
FINANCING ACTIVITIES		
Payments on bonds payable	(7,268)	(7,327)
Issuance of bonds	29,438	
Receipts of government grants in aid of construction	6,266	3,432
Asset donation	12	3
	28,448	**(3,892)**
INCREASE (DECEASE) IN CASH AND INVESTMENTS	**24,479**	**(15,661)**
Cash and investments—beginning of year	86,130	101,791
CASH AND INVESTMENTS—END OF YEAR	**$110,609**	**$ 86,130**

( ) Indicates use of cash and investments.

See notes to financial statements.

Notes to Financial Statements

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

December 31, 1986

NOTE A SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Minneapolis-Saint Paul Metropolitan Airports Commission (Commission) was created by an act of the Minnesota State Legislature in 1943 as a public corporation. Its purpose is to promote air navigation and transportation, international, national and local, in and through the State of Minnesota. In addition to promoting the efficient, safe and economical handling of air commerce, it has the responsibility of assuring residents of the Metropolitan Area of minimal environmental impact from air navigation and transportation.

The area over which the Commission exercises its jurisdiction is the Minneapolis-Saint Paul Metropolitan Area which includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties. The Commission controls and operates seven airports within the Metropolitan Area, including the Minneapolis-Saint Paul International Airport, which services scheduled air carriers, and six reliever airports, serving general aviation.

The Commission is governed independently by an eleven member Board of Commissioners that is directly responsible to the State Legislature. Eight commissioners are appointed by the Governor of the State of Minnesota from designated districts within the Metropolitan Area. The mayors of Saint Paul and Minneapolis also have seats on the Commission with the option to appoint a surrogate to serve in their place. The Chairperson of the Commission is also appointed by the Governor.

The Commission submits certain construction projects to the Metropolitan Council for review and approval. The Metropolitan Council is a regional planning agency of certain governmental services for the Metropolitan Area. Only projects having metropolitan significance and requiring more than $5,000,000 at Minneapolis-Saint Paul International Airport or more than $2,000,000 at the other airports are reviewed and approved by the Council.

The Commission is separate from the State and the Metropolitan Council. Neither is responsible for financing deficits, is entitled to retained earnings or guarantees the payment of debt for the Commission.

Basis of Accounting

The system of airports operated by the Commission is accounted for as an Enterprise Fund and reported on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Cash

In accordance with Minnesota Statutes, the Commission maintains deposits at those depository banks, which are members of the Federal Reserve System, as authorized by the Commission.

Minnesota Statutes require that all Commission deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% of mortgage notes pledged). Authorized collateral includes allowable investments as discussed below, certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Commission or in a financial institution other than that furnishing the collateral.

Notes to Financial Statements (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTE A
SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

Investments

Investments are recorded at cost plus accrued interest and unamortized purchase discounts or premiums.

The Commission invests funds as authorized by Minnesota Statutes in direct obligations or obligations guaranteed by the United States or its agencies, general obligations of the State of Minnesota or any of its municipalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial paper record, certificates of deposit issued by official depositories of the Commission, and repurchase agreements with financial institutions.

Government Grants in Aid of Construction

Government grants in aid of construction represent the estimated portion of construction costs incurred for which airport aid grants are expected to be paid to the Commission by the United States Government and the State of Minnesota. These amounts are recorded as an account receivable and as contributed capital. As assets acquired with grants in aid are depreciated, the related contributed capital is transferred to retained earnings (Note D).

Airports and Facilities

As required under Chapter 500, Laws of Minnesota 1943—the law under which the Commission was created—certain properties, classified as airports and facilities, were contributed by the cities of Minneapolis and Saint Paul. Fee title to the land and improvements remains with the two cities.

Land contributed to the Commission from the cities has been recorded at the cost reported by the cities. Airport improvements and buildings acquired from the cities at the time of the takeover, and similar facilities acquired since that time from United States Government Agencies, have been recorded principally on the basis of replacement cost, less allowance for depreciation, to reflect sound value as of the date of acquisition. Subsequent additions to the property accounts have been recorded at cost.

It is the Commission's policy to amortize the carrying amount of the properties, including those acquired using government grants in aid, over their estimated useful lives on a straight line basis by annual depreciation charges to income. Estimated useful lives on depreciable assets are as follows:

Airport improvements and buildings	20-40 years
Moveable equipment	3-10 years

For facilities constructed and leased under self-liquidating arrangements, depreciation is recorded equal to the bond principal payments.

Costs incurred for major improvements are carried in projects in progress until disposition or completion of the related projects. Costs relating to projects not pursued are expensed, while costs relating to completed projects are capitalized as properties.

Leases

Substantially all airport improvements and buildings are leased or charged to users under various agreements. Certain facilities are leased under self-liquidating lease agreements which require the lessee to pay annual rentals equal to the debt service requirements of the bonds issued to construct the facilities, or the debt service requirements which would have been required if bond funds were used.

Other facilities at Minneapolis-Saint Paul International Airport are charged to user airlines under lease agreements which provide for compensatory rental rates designed to recover agreed upon portions

Notes to Financial Statements (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTE A
SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

of costs incurred, including depreciation and interest in the terminal building, ramp and runway areas as allocated to and used by the airlines. Other facilities, to the extent they are leased, are leased under conventional agreements, primarily percentage leases. Revenues above costs recovered are used to defray the costs of maintaining reliever airports and public areas at Minneapolis-Saint Paul International Airport.

Capitalized Interest

Interest capitalized on projects funded by internally generated funds is based on the weighted average borrowing rate of the Commission and actual project expenditures during the period of construction. Interest capitalized on projects funded from bond proceeds is the interest cost of the borrowing less interest earned on undisbursed invested funds during the construction period. Interest is not capitalized on project costs that are reimbursed by government grants in aid of construction.

NOTE B
CASH AND INVESTMENTS

Cash

Cash deposits are as follows at December 31, 1986 (in thousands):

Carrying value	$ 845
Bank balances:	
Insured or collateralized by securities held in the Commission's name by a financial institution other than that furnishing the collateral	$ 607
Uncollateralized	1,279
	$1,886

On December 31, 1986, balances at two of the four depositories of the Commission were undercollateralized. In one instance this was due to the effects of an unusual daily cash flow fluctuation. At the other depository, the under-collateralization occurred at various times

Notes to Financial Statements (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTE B
CASH AND INVESTMENTS—
CONTINUED

during the year when the institution failed to increase pledged collateral as required. The institution has subsequently pledged adequate additional collateral in order to prevent recurrence of this situation.

Investments

The Commission's investments at December 31, 1986 are categorized below to give an indication of the level of credit risk assumed. Category 1 includes investments that are insured or registered or for which the securities are held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Commission's name. In accordance with Commission policy, Category 3 amounts are only securities with a maturity less than seven days from the purchase date.

	Carrying Amount				
	Credit Risk Category				Market
Type of Security	1	2	3	Total	Value
			(In Thousands)		
U.S. Government and agencies	$ 96,235	$ 1,555		$ 97,790	$ 96,953
Commercial paper	8,611		$ 3,095	11,706	11,630
Repurchase agreements			268	268	268
	$104,846	$1,555	$3,363	$109,764	$108,851

Notes to Financial Statements (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTE C
RESTRICTED CASH AND INVESTMENTS AND RESERVED RETAINED EARNINGS FOR FUTURE DEBT SERVICE AND CONSTRUCTION

Minnesota Statutes require the Commission to have a balance on hand in a Debt Service Account on October 10 of every year equal to the total amount of principal and interest due on all outstanding bonds for the next 27 months. Cash and investments to meet this requirement plus interest earned thereon are restricted.

Cash and investments segregated as regular construction funds include amounts received from issuance of Commission bonds, government grants in aid of construction, rental receipts on assets purchased with grants in aid not utilized for aviation, and cumulative interest earned from the investment of such funds. These amounts are used principally for construction at Minneapolis-Saint Paul International Airport.

The Commission also segregates certain amounts from operating cash flows which it designates as restricted in special construction funds for use at secondary airports or additional Minneapolis-Saint Paul International Airport projects that are not funded by bond issues. Cash and securities segregated and restricted are as follows:

	December 31 1986	December 31 1985
	(In Thousands)	
Debt service	$ 24,390	$21,293
Construction:		
Regular	30,015	6,999
Special	47,281	50,164
TOTAL RESTRICTED CASH AND INVESTMENTS	**101,686**	**78,456**
Less payables to be paid from restricted cash and investments:		
Debt service	24,390	21,293
Construction	3,606	2,665
RESERVED RETAINED EARNINGS	**$ 73,690**	**$54,498**

Notes to Financial Statements (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTE D CHANGES IN FUND EQUITY

Changes in fund equity are as follows (in thousands):

	Contributed Capital	Retained Earnings Reserved	Retained Earnings Unreserved	Total
Balance January 1, 1985	**$ 48,196**	**$ 69,328**	**$ 37,357**	**$ 154,881**
Government grants in aid of construction	3,097			3,097
Net income for the year			13,064	13,064
Depreciation of facilities provided by government grants	(2,658)		2,658	
Asset donation	3			3
Net change in restricted assets and liabilities		(14,830)	14,830	
Balance December 31, 1985	**48,638**	**54,498**	**67,909**	**171,045**
Government grants in aid of construction	12,040			12,040
Net income for the year			16,356	16,356
Depreciation of facilities provided by government grants	(2,774)		2,774	
Asset donation	12			12
Net change in restricted assets and liabilities		19,192	(19,192)	
Balance December 31, 1986	**$ 57,916**	**$ 73,690**	**$ 67,847**	**$ 199,453**

Notes to Financial Statements (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTE E
AIRPORTS AND FACILITIES

Changes in airports and facilities by major classification are as follows (in thousands):

Airports and Facilities	Balance January 1, 1985	Additions	Transfers In (Out)	Deductions	Balance December 31, 1985
Land	$ 13,161		$ 26		$ 13,187
Airport improvements and buildings	271,380	$ 36	33,548	$ (642)	304,322
Moveable equipment	9,447	1,879		(338)	10,988
Projects-in-progress	14,123	35,662	(33,574)	(42)	16,169
TOTAL AIRPORTS AND FACILITIES	**308,111**	**37,577**	**—**	**(1,022)**	**344,666**
Accumulated depreciation	(130,423)	(13,244)		417	(143,250)
NET AIRPORTS AND FACILITIES	**$ 177,688**	**$ 24,333**	**$ —**	**$ (605)**	**$ 201,416**

Airports and Facilities	Balance January 1, 1986	Additions	Transfers In (Out)	Deductions	Balance December 31, 1986
Land	$ 13,187		$ 161		$ 13,348
Airport improvements and buildings	304,322	$ 61	26,864		331,247
Moveable equipment	10,988	2,384	795	$ (540)	13,627
Projects-in-progress	16,169	30,127	(27,820)	(601)	17,875
TOTAL AIRPORTS AND FACILITIES	**344,666**	**32,572**	**—**	**(1,141)**	**376,097**
Accumulated depreciation	(143,250)	(14,517)		536	(157,231)
NET AIRPORTS AND FACILITIES	**$ 201,416**	**$ 18,055**	**$ —**	**$ (605)**	**$ 218,866**

Notes to Financial Statements (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTE F
LONG-TERM DEBT

The acquisition and construction of facilities at the airports operated by the Commission have been substantially financed by the issuance of Airport Improvement Bonds and General Obligation Revenue Bonds. Airport Improvement Bonds are repaid from Commission revenue; however, if the principal and interest cannot be paid from revenue, a tax can be levied on property within the cities of Minneapolis and Saint Paul, Minnesota for debt service. Series 6 of the Airport Improvement Bonds is secured by a Deed of Trust which provides for a mortgage of all of the Commission's property lying within an area at Minneapolis-Saint Paul International Airport leased to Northwest Airlines, Inc. for their main base facilities (approximate original cost $18,000,000).

General Obligation Revenue Bonds are general obligations of the Commission, payments of which are secured by the pledge of all operating revenues of the Commission, subject to the prior pledge of such revenues for the payment of outstanding Airport Improvement Bonds. The Commission has the power to levy property taxes upon all taxable property in the seven county Metropolitan Area in order to pay debt service on outstanding General Obligation Revenue Bonds.

The Commission has not levied taxes for the payment of debt service since 1969. Since then, Commission revenues have been sufficient to pay principal and interest due on Airport Improvement Bonds and General Obligation Revenue Bonds.

General Obligation Revenue Bond Series 6 was issued December 23, 1986 in the face amount of $30,000,000. The proceeds are to be used for the construction of a multi-level parking structure adjacent to the Lindbergh Terminal Building at the Minneapolis-Saint Paul International Airport.

Bonds payable, due serially:

	Final Payment In	Outstanding—December 31 1986	1985
		(In Thousands)	
Airport Improvement Bonds:			
Series 5—2.8%	1988	$ 955	$ 1,440
Series 6—2.7%	1988	955	1,440
Series 7—3.7%	1989	650	865
Series 11—3.2%	1987	160	315
Series 12—3.7%	1986		250
Series 13—3.9%	1989	1,005	1,315
Series 14—3.5 to 4.0%	1997	8,810	9,450
Series 15—3.5 to 4.0%	1997	520	555
Series 16—4.25 to 4.5%	1998	9,185	9,760
Series 17—5.5 to 7.0%	1999	3,300	3,465
Series 18—6.25%	1988	1,490	2,170
Series 19—5.5 to 6.3%	1999	8,210	8,610
Series 20—4.5 to 5.0%	2002	3,660	3,805
Series 21—4.6 to 4.8%	1989	1,165	1,515
		40,065	44,955
General Obligation Revenue Bonds:			
Series 1—6.0 to 7.0%	2005	8,465	8,685
Series 2—4.8 to 5.2%	2002	8,025	8,350
Series 3—5.2 to 5.75%	2000	12,300	12,825
Series 4—6.2 to 6.5%	2002	13,300	13,800
Series 5—8.9 to 9.1%	2002	21,500	22,500
Series 6—5.7 to 6.25%	2006	30,000	
Net unamortized discount		(919)	(385)
		132,736	110,730
Accrued interest due		2,995	3,019
		135,731	113,749
Less:			
Prepayments		(6,944)	(7,159)
Payable from restricted cash and investments—debt service		(24,390)	(21,293)
		$104,397	$ 85,297

Notes to Financial Statements (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTE F
LONG-TERM DEBT—CONTINUED

Future debt service requirements after December 31, 1986 are as follows:

Year(s)	Principal	Interest	Total
		(In Thousands)	
1987	$ 7,530	$ 7,235	$ 14,765
1988	7,545	7,586	15,131
1989	8,035	7,135	15,170
1990	7,295	6,689	13,984
1991	7,700	6,250	13,950
1992-1996	42,645	23,950	66,595
1997-2001	38,435	10,702	49,137
2002-2006	14,470	1,780	16,250
	$ 133,655	$ 71,327	$ 204,982

Rental agreements between the Commission and its tenants including the compensatory rental agreement, the self-liquidating agreements and other arrangements, provide for revenues which allow for the above required principal and interest payments. The current compensatory lease agreement with the major airlines expires in 1989. Negotiations are currently in process to arrive at a new agreement. Other Commission revenue to be received under minimum rental revenue provisions are not significant in the aggregate.

NOTE G
CAPITALIZATION OF INTEREST

Total interest costs incurred were $6,470,000 and $6,812,000 for 1986 and 1985, respectively, from which interest costs capitalized as part of the costs of constructed assets were $457,000 and $923,000 in 1986 and 1985, respectively.

Notes to Financial Statements (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTE H
ACCRUED COMPENSATED ABSENCES

The estimated liability for compensated absences is accrued and accounted for in accordance with Financial Accounting Standards Board Statement No. 43, "Accounting for Compensated Absences".

Sick leave with pay earned but unused may accumulate at a rate not to exceed 12 days per year. There is no maximum for cumulative accrual of sick leave. Upon retirement, employees with the minimum of 10 years service and 60 days of earned and unused sick leave are paid an amount equal to one-half of up to 200 days of earned and unused sick leave.

Employees can earn vacation at the rate of 12 days per year for the first seven years of service increasing thereafter to a maximum of 26 days per year after 20 years of service. Each employee may carry over 10 days of unused, earned vacation into the succeeding calendar year. At termination, employees are paid for unused vacation.

NOTE I
PENSION AND RETIREMENT PLANS

All the employees of the Commission are covered by either the basic Minneapolis Municipal Employees Retirement Fund (MERF) or Public Employees Retirement Association (PERA). Each plan requires contributions by both the Commission and employees. Pension expense of the Commission for the years ended December 31, 1986 and 1985 was $970,000 and $1,092,000, respectively.

MERF is a multiple employer fund. Contributions to it are based on percentages set by the plan and include amounts to retire the actuarially determined unfunded pension liability of the Commission by the year 2017. Retired and disabled participants' accounts in

Notes to Financial Statements (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTE I
PENSION AND RETIREMENT PLANS—CONTINUED

MERF are fully funded at actuarially determined amounts and the assets are transferred from the active pool at retirement. Accumulated plan benefit information for the active employees, as estimated by consulting actuaries, and plan net assets for the Commission's portion of MERF, both as of the latest valuation date are as follows:

	June 30	
	1986	1985
	(In Thousands)	
Actuarial present value of vested and non-vested accumulated plan benefits	$ 15,322	$ 14,835
Net assets available for benefits.......	8,747	8,415
Excess of liability over plan assets.....	$ 6,575	$ 6,420

The assumed rate of return used to determine the actuarial present value of accumulated plan benefits is 5%.

Contributions to PERA are based on statutory percentages determined by the plan and include amounts to retire the actuarially determined unfunded liabilities of PERA by the year 2010. PERA is a statewide contributory retirement plan having annual actuarial valuations and for purposes of local governmental audits is a defined contribution plan. The Commission's portion of the unfunded liability is not available because no participating organization is directly liable for any unfunded liability under Minnesota law.

Employees retired under either plan are covered by the Commission's normal health benefits program. Costs related to retired employees are not significant.

NOTE J
DEFERRED COMPENSATION PLAN

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Commission employees, permits employees to defer up to 25% of salary, limited to $7,500 per year. Amounts deferred are available to employees or beneficiaries only at termination, retirement, death or unforeseeable emergency. Amounts deferred are placed with a trustee for investment purposes. Investments deposited for deferred compensation benefits, valued at fair market value totaling $1,880,000 and $1,210, 000 at December 31, 1986 and 1985, respectively, are classified as other assets of the Commission.

All amounts of compensation deferred under the plan, property and rights purchased with those amounts, and income attributable to those amounts, property, or rights are solely the property and rights of the Commission (without being restricted to the provisions of the benefits under the plan), subject only to the claims of the Commission's general creditors (until paid or made available to the employee or other beneficiary). The Commission is responsible only for the prudent administration of the plan and is not responsible for market losses from investments that may result. Participants' rights under the paln are equal to those of general creditors of the Commission in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the Commission's legal counsel that the Commission has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Commission believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Notes to Financial Statements (continued)

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTE J
DEFERRED COMPENSATION PLAN—CONTINUED

The balance sheet at December 31, 1985 has been restated to reflect the equal asset and liability related to this plan, in accordance with Statement No. 2 of the Government Accounting Standards Board, "Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of Internal Revenue Code Section 457".

NOTE K
CONTINGENT LIABILITY

The Commission is a defendant in actions by certain property owners claiming damages arising from taking of plaintiffs' property through intrusion of noise-effective aircraft passing over and near their properties. The State of Minnesota Supreme Court originally upheld a district court's ruling that class action treatment was not to be accorded the suit. At the same time the Court established the authority and the responsibility of the Commission to pay damages to landowners affected as claimed by these plaintiffs.

To date, only one case has gone to trial, resulting in findings denying plaintiff's claim for damages. On appeal, the State of Minnesota Supreme Court reversed that decision on the grounds that plaintiff was entitled to a jury trial and ordered that a new trial be granted. The Supreme Court has since reaffirmed the denial of class action treatment and three cases are scheduled to go to trial in late 1987.

Liability of the Commission, if any, which may result from these actions is not determinable at this time. In the opinion of the Commission, liability, if any, arising from these claims will not have a significant effect on the operations of the Commission.

Total Annual Revenues 1977-1986

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

	1977	1978	1979	1980
Traffic—2	$ 5,043,613	$ 5,660,037	$ 6,575,127	$ 6,433,993
Concessions—1, 2	7,475,696	9,164,421	10,258,154	11,121,850
Rentals—2	7,119,807	7,493,238	7,746,978	9,107,390
Other—2	1,025,979	1,052,206	1,043,160	1,214,026
Total Operating Revenues	**$20,665,095**	**$23,369,902**	**$25,623,419**	**$27,877,259**
Add: Interest Income	2,346,444	3,898,636	6,302,980	8,001,770
Total Revenues	**$23,011,539**	**$27,268,538**	**$31,926,399**	**$35,879,029**

Source: Audit reports for the last ten years.

1—Prior to 1983 the parking management was netted against parking revenue. Beginning in 1983, it was recorded as a separate expense item. Prior years have been restated to reflect this change.

2—Prior to 1984 certain reclassifications of reported amounts have been made to conform with current year presentation.

Total Annual Expenses 1977-1986

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

	1977	1978	1979	1980
Salaries, Wages & Benefits	$ 5,568,598	$ 6,567,688	$ 7,071,158	$ 7,969,138
Operating Supplies	675,844	790,616	916,329	1,117,695
Utilities	950,387	1,083,877	1,017,592	1,282,741
Maintenance & Repairs	1,407,984	1,711,137	1,997,777	2,176,115
Parking Management—1	1,125,851	1,351,265	1,906,443	2,101,204
Depreciation	6,667,312	6,842,132	7,020,083	7,771,924
Other	797,858	1,052,110	1,795,673	1,261,876
Total Operating Expenses	**$17,193,834**	**$19,398,825**	**$21,725,055**	**$23,680,693**
Add: Interest Expense—2	4,372,936	4,659,948	4,447,712	5,345,750
Loss on Building Disposition	0	0	0	0
Total Expenses	**$21,566,770**	**$24,058,773**	**$26,172,767**	**$29,026,443**

Source: Audit reports for the last ten years.

1—Prior to 1983 the parking management was netted against parking revenue. Beginning in 1983, it was recorded as a separate expense item. Prior years have been restated to reflect this change.

2—Beginning in 1979, Interest Expense is net of capitalized interest.

1981	1982	1983	1984	1985	1986
$ 6,671,105	$ 6,850,095	$ 7,774,814	$ 9,175,762	$11,329,510	$12,213,329
12,805,922	13,537,913	15,713,054	18,582,583	21,555,429	23,424,563
10,400,101	11,419,158	14,863,178	14,797,868	15,648,645	18,853,612
1,328,795	1,310,443	1,648,818	1,138,856	1,223,187	1,562,229
$31,205,923	**$33,117,609**	**$39,999,863**	**$43,695,069**	**$49,756,771**	**$56,053,733**
9,231,999	10,514,138	10,699,709	11,222,880	9,827,413	7,589,280
$40,437,922	**$43,631,747**	**$50,699,573**	**$54,917,949**	**$59,584,184**	**$63,643,013**

1981	1982	1983	1984	1985	1986
$ 8,654,114	$ 9,459,467	$10,156,550	$10,649,333	$12,412,199	$12,186,971
1,256,396	1,558,909	1,560,478	1,654,362	1,841,897	1,513,276
1,466,542	1,676,683	1,670,390	1,947,092	2,128,995	2,224,378
2,585,336	3,002,448	3,401,662	3,422,719	4,348,294	4,297,351
2,085,192	2,011,730	2,028,580	2,472,786	2,445,593	2,467,942
9,167,866	9,661,208	11,304,417	12,257,349	13,243,924	14,516,539
1,214,631	1,135,906	1,583,307	2,050,379	3,758,872	4,067,257
$26,430,077	**$28,506,351**	**$31,705,384**	**$34,454,020**	**$40,179,774**	**$41,273,714**
5,588,855	5,538,540	7,443,385	6,931,911	5,889,079	6,013,628
0	0	0	0	451,723	0
$32,018,932	**$34,044,891**	**$39,148,769**	**$41,385,931**	**$46,520,576**	**$47,287,342**

Ratio of Annual Debt Service to Total Expenses 1977-1986

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

	1977	1978	1979	1980
Principal	$ 4,560,000	$ 4,860,000	$ 4,680,000	$ 5,155,000
Interest	4,372,936	4,659,948	5,264,312	6,018,745
Total Debt Service	$ 8,932,936	$ 9,519,948	$ 9,944,312	$11,173,745
Total Expenses	$21,566,770	$24,058,773	$26,172,767	$29,026,443
Ratio of Debt Service to Total Expenses	**41%**	**40%**	**38%**	**38%**

Revenue Available for Debt Service 1977-1986

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

	1977	1978	1979	1980
Operating Revenue	$20,665,095	$23,369,902	$25,623,419	$27,877,259
Interest Income	2,346,444	3,898,636	6,302,980	8,001,770
Operating Expense—1	(10,526,522)	(12,556,693)	(14,704,972)	(15,908,769)
Revenue available for debt service	$12,485,017	$14,711,845	$17,221,427	$19,970,260
Debt service	$ 8,932,936	$ 9,519,948	$ 9,944,312	$11,173,745
Coverage of debt service	**1.40**	**1.55**	**1.73**	**1.79**

1—Operating expense excludes depreciation.

1981	1982	1983	1984	1985	1986
$ 5,190,000	$ 5,190,000	$ 6,415,000	$ 6,830,000	$ 7,080,000	$ 7,460,000
8,011,577	7,821,673	7,510,573	7,166,764	6,812,091	6,469,781
$13,201,577	$13,011,673	$13,925,573	$13,996,764	$13,892,091	$13,929,781
$32,018,932	$34,044,891	$39,148,769	$41,385,931	$46,520,576	$47,287,342
41%	**38%**	**36%**	**34%**	**30%**	**29%**

1981	1982	1983	1984	1985	1986
$31,205,923	$33,117,609	$39,999,863	$43,695,069	$49,756,771	$56,053,733
9,231,999	10,514,138	10,699,709	11,222,880	9,827,413	7,589,280
(17,262,211)	(18,845,143)	(20,400,967)	(22,196,671)	(26,935,850)	(26,757,175)
$23,175,711	$24,786,604	$30,298,606	$32,721,278	$32,648,334	$36,885,838
$13,201,577	$13,011,673	$13,925,573	$13,996,764	$13,892,091	$13,929,781
1.76	**1.90**	**2.18**	**2.34**	**2.35**	**2.65**

Activity Statistics for Minneapolis St. Paul International Airport 1977-1986

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

	1977	1978	1979	1980
Total Passengers—1	8,382,510	9,357,998	9,982,510	8,938,487
Aircraft Operations—2	263,709	263,461	284,764	282,027
Mail and Cargo Volumes (Tons)	135,014	124,883	143,084	118,811

1—Statistical reporting requirements were revised as follows:
—In 1981, non-revenue passengers were no longer included in the totals. (Non-revenue passengers are airline employees and their relatives who fly for a minimal charge.)
—In 1986, on-line connecting passengers were included in the totals. 1982-1985 were restated to reflect this change. (On-line connecting passengers are passengers that change to another flight on the same carrier.)

2—Aircraft operations represents the total number of takeoffs and landings at the airport.

Aircraft Operations at the Reliever Airports 1977-1986

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

	1977	1978	1979	1980
St. Paul Downtown Airport	146,646	145,551	154,871	134,286
Flying Cloud Airport	256,022	246,767	244,243	218,975
Crystal Airport	166,070	200,896	192,717	183,840
Anoka County/Blaine Airport	155,000	190,000	190,000	190,000
Lake Elmo Airport	95,000	100,000	95,000	100,000
Airlake Airport				
Total Aircraft Operations at the Reliever Airports	**818,738**	**883,214**	**876,831**	**827,101**

1—Due to the FAA/PATCO labor dispute, FAA control tower hours varied greatly. The reduction in hours has had a significant effect on the recording of operations data.

2—Aircraft operations represents the total number of takeoffs and landings at the airport.

Schedule of Airline Rates and Charges 1977-1986

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

	1977	1978	1979	1980
Landing Fee/1000 lbs.	$ 0.35	$ 0.47	$ 0.44	$ 0.44
Ramp Fees/Lineal Foot	$131.85	$120.83	$124.40	$122.92
Terminal Building Rentals:				
Common Use/Square Foot	$ 7.75	$ 8.80	$ 8.96	$ 10.09
Finished/Square Foot	7.06	8.16	8.12	8.67
Finished Janitored/Square Foot	9.51	10.46	10.64	12.11
Unfinished/Square Foot	6.58	7.70	7.67	8.22

1981	1982	1983	1984	1985	1986
7,732,828	9,727,913	11,134,919	12,039,411	14,803,833	17,073,605
264,914	252,151	307,801	337,838	372,911	389,012
120,691	117,698	129,345	154,200	159,785	219,756

1981[1]	1982	1983	1984	1985	1986
107,305	77,509	97,118	103,118	112,019	124,786
194,229	145,718	166,266	165,542	176,246	191,350
154,436	123,577	136,314	140,704	143,665	152,773
150,000	150,000	140,000	145,000	160,000	165,000
90,000	90,000	90,000	92,000	82,000	70,000
		20,000	23,000	35,000	40,000
695,970	**586,804**	**649,698**	**669,364**	**708,930**	**743,909**

1981	1982	1983	1984	1985	1986
$ 0.46	$ 0.47	$ 0.47	$ 0.47	$ 0.57	$ 0.55
$135.13	$152.26	$169.15	$185.07	$185.64	$178.83
$ 11.08	$ 13.16	$ 13.35	$ 13.10	$ 14.13	$ 13.79
9.47	11.36	11.61	11.39	12.30	11.84
13.44	15.78	15.92	15.57	16.89	16.68
8.98	10.83	11.08	10.90	11.82	11.38

Scheduled and Commuter Airline Service

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

At the end of 1986 major scheduled airlines serving the Twin Cities were:

American Airlines
Continental Airlines
Delta Airlines
Eastern Airlines
Jet America
Midway Airlines
Northwest Orient Airlines
People Express
Piedmont Airlines
TWA
United Airlines
USAir
Western Airlines

Commuter service offers an extensive feeder route system to MSP International for connecting flights. Regional/Commuter airlines serving Minneapolis/Saint Paul the end of 1986 were:

Austin Airways
Bemidji Airlines
Great Lakes Aviation
Mesaba Airlines
Midwest Aviation
Norcanair
Express Air I (formerly Republic Express)
Simmons

Three branches of the United States Armed Forces are represented at Minneapolis/Saint Paul International Airport; the Air Force Reserve 934th Tactical Airlift Group, the Marine Air Reserve Training Detachment, and the Naval Air Reserve—Twin Cities Center. Also at MSP is the Minnesota Air National Guard 133rd Tactical Airlift Group. At Saint Paul Downtown the Army maintains a dozen support helicopters and the National Guard bases its Fixed Wing Squadron. Training flights, servicing, and simulated emergencies are conducted on a regular basis.

Insurance Coverage

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Policy Number	Insurer	Inception	Expiration	Coverage	Policy Limits (Thousands of Dollars)
PL024701	Agricultural Excess and Surplus Insurance Co.	11-3-86	11-3-87	Directors' and Officers' liability insurance	$1,000
Binders	Lloyds/various	1-1-87	1-1-88	Blanket fire and extended coverage on building and contents 90% co-insurance	215,000
Self-insured	Fred S. James Third Party Administration	3-1-86	3-1-87	Statutory workers' compensation	100/500/100
Binder	Fidelity & Deposit Co. of Maryland	3-1-86	3-1-87	Comprehensive crime employee bond	1,000
Binder	Southern Marine	12-23-86	12-23-87	General aviation liability including personal injury	200,000
SXM03682000	Kemper	12-1-84	12-1-87	Comprehensive boiler and machinery on all premises locations	31,000
BA8777483187	Chubb	1-1-87	12-31-87	Auto liability and physical coverage and hired automobiles	1,000 Per Occurance
BA8777483187	Chubb	1-1-87	12-31-87	Garage keepers liability	120
I6386	Builders Risk	7-2-86	7-2-87	Property, labor and materials	13,700

Metropolitan Airports Commission

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