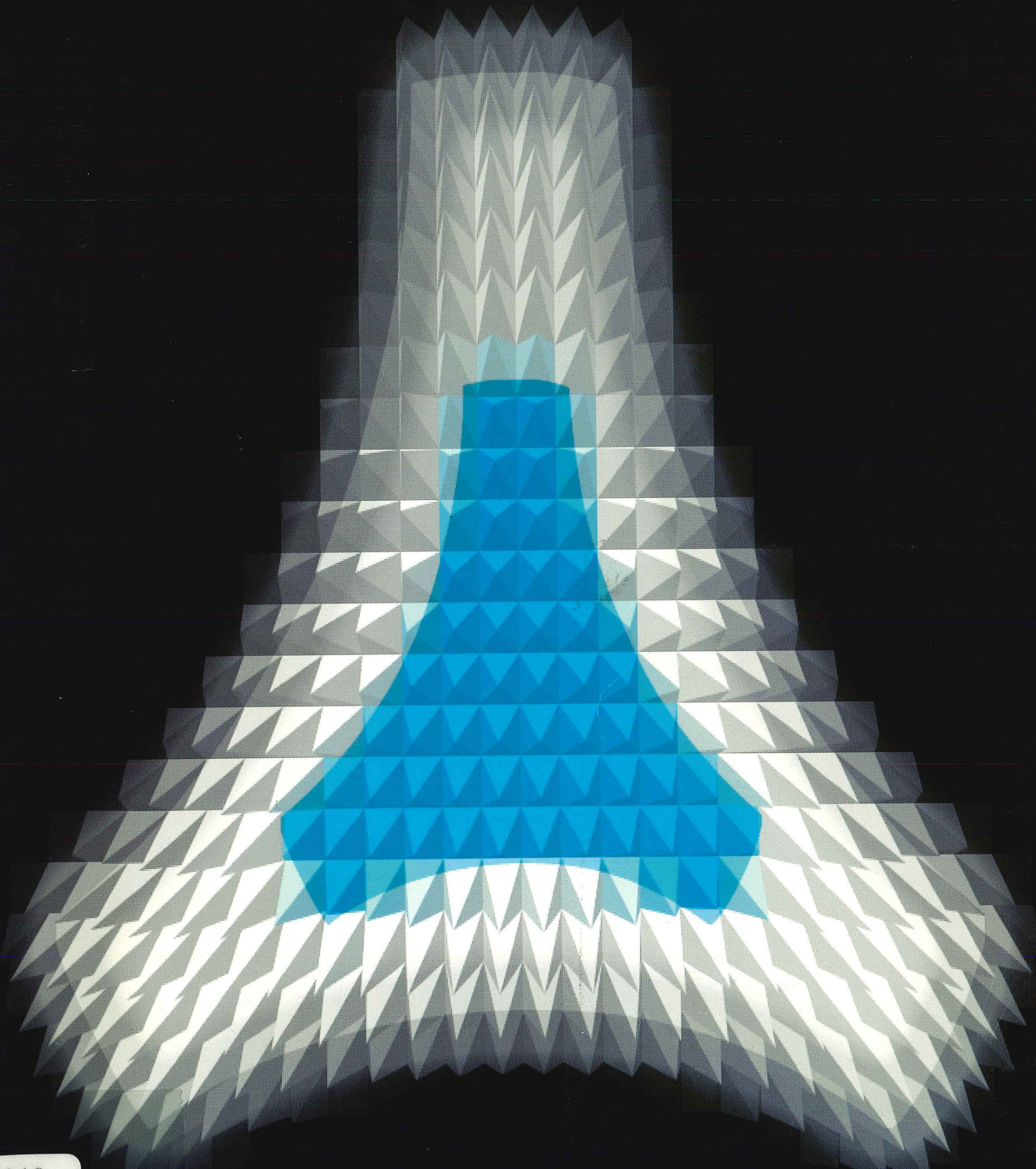
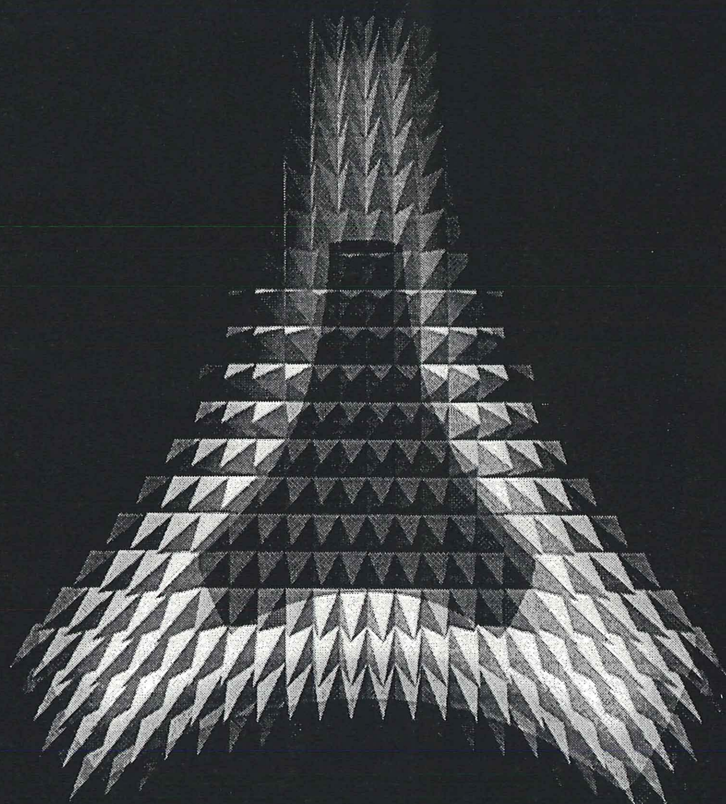


Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 1999



Prepared by

The Finance Department

Stephen L. Busch, Director of Finance

MINNEAPOLIS/ST. PAUL, MINNESOTA

METROPOLITAN AIRPORTS COMMISSION 1999

***Chairman*:**	Charles Nichols
***Commissioners*:**	
District A	Paul Weske
District B	Daniel Johnson
District C	John Himle
District D	Alton Gasper
District E	Edward Fiore
District F	Nancy Speer
District G	John Dowdle
District H	Bert McKasy
City of Minneapolis	Roger Hale
City of Saint Paul	Dick Long
Representing Greater Minnesota Area:	Carl D'Aquila
	John Kahler
	Paul Rehkamp
	Georgiann Stenerson
Executive Director:	Jeffrey Hamiel

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

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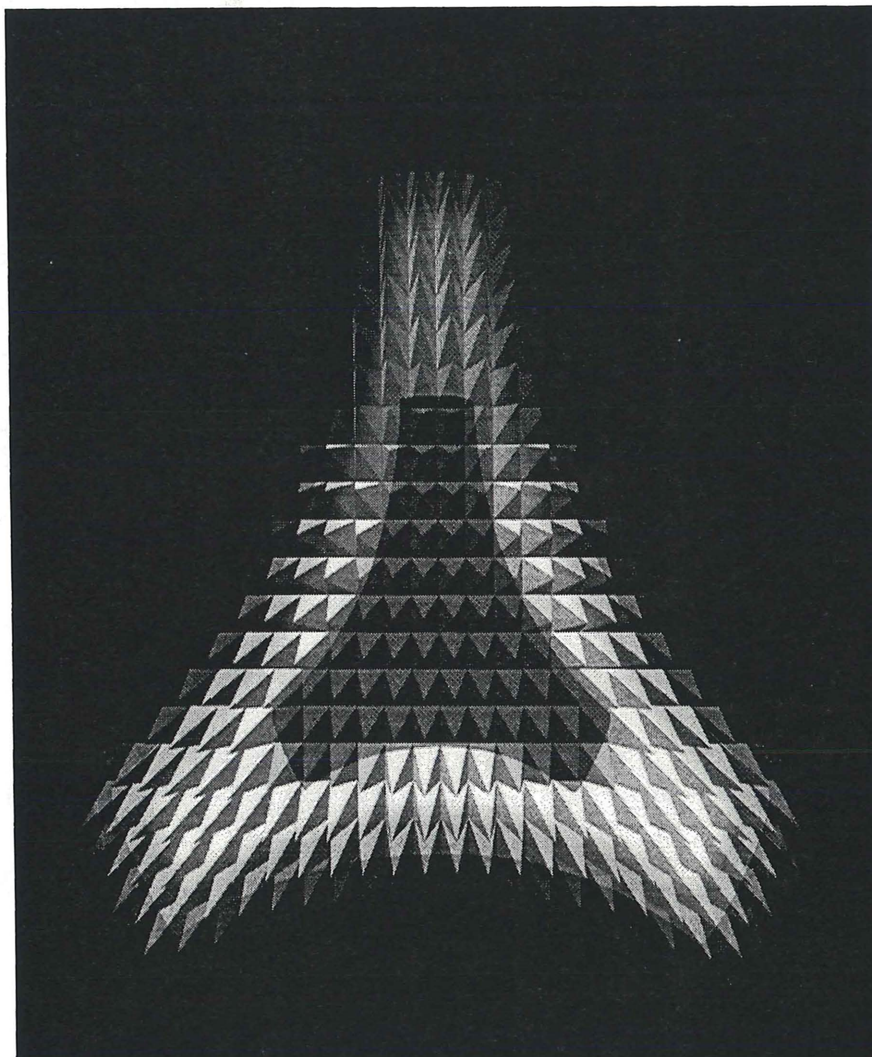
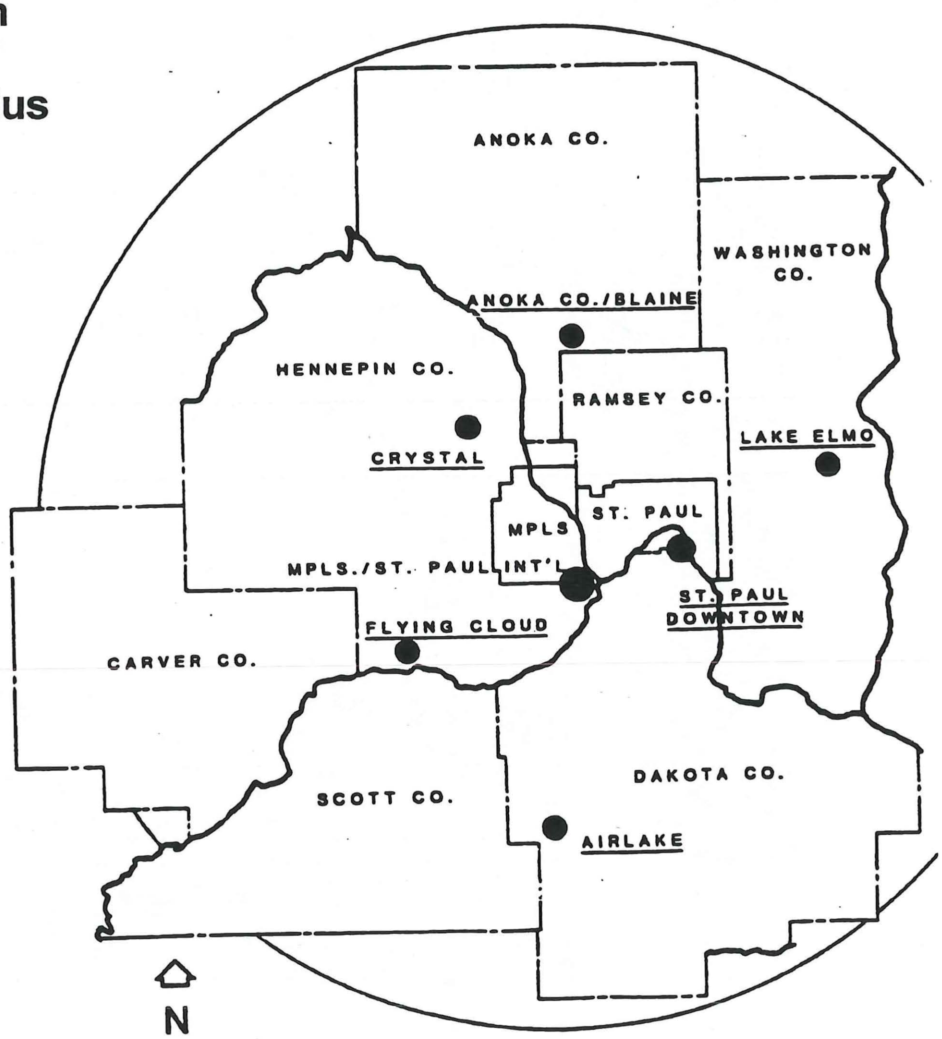


Introductory Section

Commission Jurisdiction 35 Mile Radius



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, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Gary Brubaker

President

Jeffrey L. Esser

Executive Director

METROPOLITAN AIRPORTS COMMISSION
Minneapolis–Saint Paul International Airport
6040 - 28th Avenue South • Minneapolis, MN 55450-2799
Phone (612) 726-8100 • Fax (612) 726-5296

OFFICE OF EXECUTIVE DIRECTOR

March 23, 2000

To The Public:

The Comprehensive Annual Financial Report of the Metropolitan Airports Commission, Minneapolis-St. Paul, Minnesota, for the fiscal year ended December 31, 1999, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures rests with the Commission. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of various funds and account groups of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections - Introductory, Financial and Statistical. The Introductory Section includes this Transmittal Letter, the Commission's organization chart, and a list of principal officials. The Financial Section includes the general purpose financial statements and schedules, as well as the Report of Independent Auditors on financial statements. The Statistical Section includes selected financial and activity information generally presented on a multi-year basis.

The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget, Circular A-133, Audits of States and Local Governments. Information related to this single audit including the Schedule of Federal Financial Assistance, findings and recommendation, and auditors report on the internal control structure and compliance with applicable laws and regulations are issued as a separate report. The Commission is also required to undergo an audit on the Commission's compliance with the regulations issued by the Federal Aviation Administration of the U.S. Department of Transportation to implement Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990 in relation to Passenger Facility Charge revenues and expenses. These reports are issued separately.

The Minneapolis-Saint Paul Metropolitan Airports Commission (MAC) 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, promote the efficient, safe, and economical handling of air commerce, assure the inclusion of the state in national and international programs of air transportation, and to those ends develop the full potentialities of the metropolitan area as an aviation center. It has the responsibility to assure residents of the metropolitan area the minimum environmental impact from air navigation and transportation, promote the overall goals of the state's environmental policies and minimize the public's exposure to noise and safety hazards around airports.

MAC jurisdiction is throughout the Minneapolis-St. Paul Metropolitan Area radiating 35 miles 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	Anoka County/Blaine Airport
Flying Cloud Airport	Lake Elmo Airport
Crystal Airport	Airlake Airport

The facilities at Airlake, Anoka County/Blaine, Crystal, Flying Cloud, and Lake Elmo are classified as minor use airports. Control towers are operational at Crystal, Anoka County/Blaine and Flying Cloud airports. The St. Paul Downtown airport serves as the primary corporate reliever and is classified as an intermediate airport.

MSP maintains three air-transport-type runways of concrete and bituminous concrete construction, including two northwest-southeast runways and a northeast-southwest runway. The runways provide operational facilities to cover varying wind conditions and are connected by a system of taxiways and aprons. In addition, the runways are equipped with high intensity runway lighting and instrument landing systems which permit continuous operation under almost all weather conditions. The northerly northwest-southeast runway is 8,200 feet long and 150 feet wide. The parallel northwest-southeast runway is 10,000 feet long and 200 feet wide. The northeast-southwest runway, which is provided to cover other wind conditions, is 11,000 feet long and 150 feet wide. The runways, in the opinion of the Commission engineers, have sufficient capacity and are of sufficient strength to permit the operation of the largest existing commercial aircraft. The boundaries of the airport provide sufficient clear area for runway approaches to meet the requirements of the FAA.

The airport complex at MSP consists of the Lindbergh Terminal building, the Hubert H. Humphrey International Charter Terminal, an underground parking garage, a seven-level parking structure which opened in mid 1980 and access roads. The Lindbergh Terminal building was opened for operation in 1962. Major renovations have occurred since then. Parking facilities located at the Airport provide 12,306 public automobile parking spaces. The on-Airport parking options include a valet garage, short-term and long-term parking located at the Lindbergh Terminal, and short-term and long-term parking at a remote lot located north of the Humphrey Terminal. The Commission is currently in the process of constructing two new nine-level parking structures which, when completed, will add 5,500 additional parking spaces. The two new parking structures being constructed will be connected to the existing parking ramps. The new parking structures are scheduled to be fully completed in September 2000.

The Lindbergh Terminal building at MSP is a three-story structure consisting of approximately 2.0 million square feet of space, of which approximately 1.1 million are considered rentable. The Lindbergh Terminal was designed to permit enplaning passengers to enter the main building from the second level and deplaning passengers to leave through the ground or first level. The second level contains ticket counters and concession areas, and the ground level contains baggage handling facilities as well as other office areas. The ground level also has access to ground transportation and valet parking. The concourse layouts have been designed to connect by enclosed bridges on the second floor, to four separate aircraft loading piers.

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. The MAC may also issue under the Airport Law (Minn. Stat. §473.608) Airport Revenue Bonds. The Airport Revenue Bonds are not general obligations, but are limited obligations of the MAC payable solely from and secured by a pledge of net revenues on a parity with the General Obligation Revenue Bonds. 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 .00806 percent 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 fifteen 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 Governor also appoints four Commissioners representing the Greater Minnesota Area (i.e. outside the Metropolitan Area). The Chairperson of the Commission is appointed by the Governor and may be from anywhere in the state. Only the Chairperson can be removed before their term expires. In applying Government Accounting Standards Board (GASB) 14, the MAC and the State of Minnesota have agreed that the MAC is not financially accountable to any other organization and is considered a stand-alone government unit.

MAC provides a variety of services at each of its airports. At 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.

ECONOMIC CONDITION AND OUTLOOK

MSP is classified by the FAA to be one of the large hub airports in the United States. According to Airports Council International statistics, in calendar year 1998, MSP was the 13th busiest airport in the United States in terms of passenger volume, 22rd in terms of total cargo.

Passengers

Total passengers at MSP increased 14.3% from 1998 levels. Total MSP passengers for 1999 were 33.1 million. The increase in passengers was a result of additional passengers carried by the major and regional airlines. The top five air carriers in 1999, by enplaned passengers, serving MSP are shown below. The total enplaned passengers for 1999, including connecting, was 16,457,039. The figures may differ from the passengers statistics reported by the Air Carriers to the Department of Transportation.

Carrier	Enplaned Passengers	% of Total
Northwest	11,812,036	71.8%
Mesaba	1,150,974	7.0
United	552,179	3.4
American	392,640	2.4
Delta	381,533	2.3
	14,289,362	86.9%

Operations - Aircraft operations represents the total number of takeoffs and landings at the airport.
Aircraft operations increased in 1999 to 510,421 from 483,013 the previous year, up 5.7%. A strike by Northwest Airlines pilots in 1998 contributed to a lower operation amount.

At the Reliever airports, operations decreased 1.4% from 1998 levels.

MAJOR INITIATIVES FOR THE YEAR

The Metropolitan Airports Commission completed its first strategic plan in 1997 and, beginning in 1998, utilized its strategic goals to drive department and individual planning throughout the organization. Mid-year and year-end reports were given to the Commissioners and employees to provide updates on the progress made throughout 1999. Over 100 accomplishments towards the achievement of our strategic plan were completed last year. As part of the planning cycle, developed to carry the plan forward, our first annual review of the strategic plan has been completed and the plan was revised to address future conditions. This annual planning cycle will continue as we begin to lay out plans for the year 2001 and beyond. The year-end report for 1999 is included here.

Goal 1: To Operate a Safe and Secure Airport System

Objective	*Results Achieved*
A. Develop and implement a comprehensive airport safety program on each of MAC's airports for employees, passengers and airfield users. ***Status:*** ***Year to Date Actual Completion 50%*** ***Year End Estimated Completion 100%***	✓ Hired a full-time Safety Specialist to assist in the day-to-day safety operation at MAC. ✓ Completed documentation of all Safety Programs. ✓ Developed and implemented a program addressing supervisor safety training and responsibilities. ✓ Initiated the development of a written construction safety program.
B. Maintain and upgrade the security of the airports. ***Status*** ***Year to Date Actual Completion 50%*** ***Year End Estimated Completion 75%***	✓ Provided credit card fraud training to tenants. ✓ Added an additional first aid instructor. ✓ Assisted car rental agencies in development of loss prevention programs to address the transition to the new facility. ✓ Secured the services of an independent prosecutor to eliminate dependence on the City of Minneapolis and provide timely prosecution of airport cases. ✓ Conducted three security compliance "blitzes" with 20 citations issued. ✓ Added warning signs to security card readers to increase compliance. ✓ Replaced 8000 feet of security fencing with the new enhanced version.
C. Develop strategies to minimize property and equipment damage. ***Status:*** ***Year to Date Actual Completion 50%*** ***Year End Estimated Completion 80%***	✓ Completed installation of a fleet management system at MSP. ✓ Developing an MSP Wildlife Awareness Campaign.

Goal 2: To Provide World Class, Customer-Oriented Transportation Facilities at MSP

Objective	*Results Achieved*
A. Continuously improve the customer experience. ***Status:*** ***Year to Date Actual Completion 50%*** ***Year End Estimated Completion 70%***	✓ Created a customer service department at MSP. ✓ Initiated the "MSP Service Professional Award Program" that recognizes employees who receive written compliments from the traveling public. ✓ Developing a contingency plan to accommodate stranded passengers during weather-related emergencies at MSP. ✓ Developing a customer service-training program for airport employees. ✓ Completed the implementation of the Concessions Plan: • Northstar Crossing - Opened: – 2nd half of food court including (D'Amico & Sons, Sbarro, Wok & Roll/Kyoto, Cool Planet, and Wetzel's Pretzels) – Altitunes – InMotion Pictures – Museum Co. Store – Bow Wow Meow – Renovated (Royal Zeno Shines, Minnesota!, Tie Rack) – Touch the Earth became Spirit of the Red Horse • Red Concourse – Opened: – Urban Traveler – Simply Books • Blue Concourse – Opened: – Food Court (Pizza Hut, Caribou Coffee, Burger King, TCBY Treats, Cinnabon) • Green Concourse – Minnesota! Store – Airport Barber & Stylists – Renovated Wilson's Leather

Objective	*Results Achieved*
B. Maintain and upgrade existing airside and Landside facilities. ***Status:*** ***Year to Date Actual Completion 65%*** ***Year End Estimated Completion 100%***	✓ Began implementation of the 1999 Capital Improvement Program by awarding 52 bids with a total value of $187 million. ✓ Continued construction on major projects including: • Parking-Auto Rental Expansion. • Automated People Mover. ✓ Began construction on major project still underway at mid-year including: • Runway 12R-30L Reconstruction/Taxiway W – Segment 3 • Inbound-Outbound Roadway Relocation. • Return to Terminal Loop. • North-South Runway Site Preparation. • North South Runway Storm Water • Green Concourse Extension Apron and Building. • Part 150 Residential Sound Insulation Program. • School Insulation Program. ✓ Initiated development of 2000-2007 Capital Improvement Program. ✓ Replacement of parking lot count system for Econolot is substantially complete. Short-Term, General, and Garage are scheduled for conversion Aug-Oct. ✓ Obtained Commission approval to construct a new HHH terminal.
C. Provide additional facilities through the implementation of the 2010 Plan to support growth and economic vitality. ***Status:*** ***Year to Date Actual Completion 60%*** ***Year End Estimated Completion 100%***	✓ Completed the following 1999 activities related to 2010 Plan implementation: • Exchange of the Met Center and Kelley-Lounsbury properties. • Appraisals and negotiations for other Runway Protection Zone properties. • Formation of the Low Frequency Noise Policy Committee. • Update of Runway 4-22 Extension environmental information for FAA. • Negotiations with airport tenants for lease acquisition and replacement facilities.

Goal 3: To Build and Strengthen a Productive and Rewarding Work Environment that Demonstrates Trust and Respect

Objective	Results Achieved
A. Attract and retain a qualified, diverse work force. ***Status:*** ***Year to Date Actual Completion 50%*** ***Year End Estimated Completion 95%***	✓ Implementing an employee referral program. MAC employees have referred successful candidates for nine positions in 1999.
B. Provide resources necessary for employees to do their jobs. ***Status:*** ***Year to Date Actual Completion 50%*** ***Year End Estimated Completion 85%***	✓ Enhanced the new employee orientation process and incorporated it into MAC's overall employee development program. ✓ Identified a core curriculum for supervisory and management training and development, with the assistance of a management advisory group. ✓ Developed an orientation program for supervisors and delivered it to 16 new supervisors. ✓ Established an organization-wide Internal Training Network to assist with an organizational training needs assessment, to develop an organizational training matrix and schedule, and to strengthen MAC's ability to deliver training internally. ✓ Developed and marketed a multi-media training resource library for use by all employees. ✓ Completed needs assessment and selected system for new Computer Aided Dispatch System; system went live October 6, 1999. ✓ Completed 90% Y2K compliance on critical systems throughout MAC as of July 1999.
C. Continuously improve internal customer service. ***Status:*** ***Year to Date Actual Completion 20%*** ***Year End Estimated Completion 20%***	✓ Established "In Touch" meetings as a way for the Purchasing Department to discuss mutual concerns with internal customers ✓ Completed benchmarking projects in the areas of employee satisfaction and airport performance ✓ Redesigned and updated all HR forms ✓ Cross trained HR staff to provide better generalist capability ✓ Developed HR Bulletin for more relevent and timely communications to employee from HR
D. Improve employee job satisfaction and recognition. ***Status:*** ***Year to Date Actual Completion 30%*** ***Year End Estimated Completion 50%***	✓ Increased employee participation in the 1999 Healthpath Assessment by 14.4% over the 1998 participation level.

Objective	Results Achieved
E. Review existing policies and procedures. ***Status:*** ***Year to Date Actual Completion 100%*** ***Year End Estimated Completion 100%***	✓ Development of HR Policies and Procedures Manual and Administrative Policies and Procedures Manual completed in 1998. ✓ Distributed the HR Policies and Procedures Manual to all supervisors and managers in May 1999.
F. Establish sound employee relations practices. ***Status:*** ***Year to Date Actual Completion 40%*** ***Year End Estimated Completion 70%***	✓ Implemented a performance review feedback process for senior management. Process will be rolled out to the organization in 2000. ✓ Prepared for labor negotiations by conducting surveys and indentifying internal compensation issues.

Goal 4: To Communicate Proactively and Effectively

Objective	Results Achieved
A. Strengthen internal communications. ***Status:*** ***Year to Date Actual Completion 100%*** ***Year End Estimated Completion 100%***	✓ Reformatted Tailwinds, MAC's employee newsletter. ✓ Coordinated brown bag lunches with the Executive Director and individual departments. ✓ Provided a weekly update on organizational activities and one-line messages from the Executive Director.
B. Enhance our public image. ***Status:*** ***Year to Date Actual Completion 50%*** ***Year End Estimated Completion 100%***	✓ Conducted press briefing on 1999 construction projects. ✓ Coordinated groundbreaking for new runway at MSP. ✓ Conducted media tour of new car rental facilities and parking ramp. ✓ Conducted research and focus groups regarding airport development issues, including naming and wayfinding. ✓ Developing a new web site for external audiences.
C. Provide necessary technology for improved communications. ***Status:*** ***Year to Date Actual Completion 90%*** ***Year End Estimated Completion 90%***	✓ Substantially completed the intranet infrastructure and content development. ✓ Completed server upgrades of MACNET in July. ✓ Completed assessment for remote access to Outlook via hand-held devices; Outlook is now available via the Internet connection. ✓ Expanded the capability for MACNET management with tools for monitoring Internet use. ✓ Hired a Software Application Specialist.

Goal 5: To Contribute to the Economic Vitality of the Region by Expanding and Improving Air Service

Objective	*Results Achieved*
A. Develop a strategic marketing plan for MAC's airport system. ***Status:*** ***Year to Date Actual Completion 75%*** ***Year End Estimated Completion 100%***	✓ Met with the following airlines to discuss new passenger and air cargo service for MSP: • Southwest • Midway • Midwest Express • Spirit Airlines • Air Tran • Miami Air • Atlantic Coast Air • Virgin Atlantic • British Airways • Cathay Pacific • China Airlines • Lufthansa ✓ Developed marketing promotional strategies for the following events: • Transportation Club Expo • International Air Cargo Conference and Exhibit • Oshkosh Air Show ✓ In conjunction with the Airport Task Force, planned and orchestrated two-community air service competition forums. ✓ Sun Country Airlines began scheduled service, June 1999.

Goal 6: To Meet the Capital Development, Operating and Debt Service Requirements of the Airport System while Preserving Our Financial Strength

Objective	*Result Achieved*
A. Provide creative, responsible funding for completion of the 2010 plan. ***Status:*** ***Year to Date Actual Completion 90%*** ***Year End Estimated Completion 95%***	✓ Issued $268 million of General Airport Revenue bonds to finance Capital Improvement projects. ✓ Initiated the 5th PFC application. ✓ Adapted a Special Facility Financing Policy.
B. Maximize all sources of revenue and maintain competitive rates and charges. ***Status:*** ***Year to Date Actual Completion 60%*** ***Year End Estimated Completion 100%***	✓ Reached conceptual agreement with airlines concerning the airline use lease agreement. ✓ Completed scheduled internal audits of airport tenants. • Sun Country Airlines • Anoka Flight Training ✓ Opened the Business Conference Center. ✓ Revised Ordinance #84 that established fees at the HHH Terminal. ✓ Approved the Supplemental Agreement with Sun Country Airline for use and occupancy of the HHH Terminal. ✓ Adopted a majority of the recommendations made by the Blue Ribbon Panel.
C. Provide cost effective services. ***Status:*** ***Year to Date Actual Completion 50%*** ***Year End Estimated Completion 100%***	✓ Completed scheduled consultant and vendor internal audits. • Millar Elevator Service Company • ABM Janitorial Services ✓ Submitted expiring service contracts for bidding, RFP, or extension. • Security service for Gate D at MSP – St. Paul Downtown Airport • ABM Janitorial Contract ✓ Completed a study outlining buying strategies for electricity. ✓ Established a restricted fund for medical and health care benefits. ✓ Completed preliminary work necessary to implement a purchasing card system. ✓ Evaluating an owner-controlled insurance program for ongoing construction projects.

Goal 7: To Maximize the Utilization of the Reliever Airport System

Objective	*Results Achieved*
A. Improve financial viability of the airports. ***Status:*** ***Year to Date Actual Completion 60%*** ***Year End Estimated Completion 90%***	✓ Implemented the new rate structure at the Reliever Airports. ✓ In final stages of negotiations with the Amateur Sports Commission for the development and operation of a golf course at Anoka County Airport. ✓ Conducted audits of various Reliever Airport tenants, which resulted in significant findings and will enhance compliance of current lease agreements.
B. Ensure compatible and orderly development of Airport land and establish guidelines for the use of airport facilities. ***Status:*** ***Year to Date Actual Completion 80%*** ***Year End Estimated Completion 100%***	✓ Streamlined the leasing process. ✓ Revised the leasing policy. ✓ Developed new leasing forms to be implemented 1/1/00.
C. Improving customer service. ***Status:*** ***Year to Date Actual Completion 80%*** ***Year End Estimated Completion 100%***	✓ Conducted legislative briefings on Reliever Airport issues. ✓ Updated the Beacon newsletter. ✓ Implemented construction meetings that include airport tenants. ✓ Formed Reliever Airports Advisory Committee.
D. Strengthen community relations. ***Status:*** ***Year to Date Actual Completion 100%*** ***Year End Estimated Completion 100%***	✓ Participated in various Open House functions at the Reliever Airports and represented MAC at air shows, including Oshkosh. ✓ Regular attendance by staff at community/municipal meetings as well as airport user group meetings.
E. Develop marketing plan(s). ***Status:*** ***Year to Date Actual Completion 75%*** ***Year End Estimated Completion 75%***	✓ Developed advertising for aviation trade magazines to increase the utilization of St. Paul Downtown Airport. Ads will begin early 2000. - Trade publications in which to advertise have been identified. - Preliminary ad layouts completed.

Goal 8: To Strengthen Partner and Stakeholder Relationships

Objective	Results Achieved
A. Develop specific strategies to strengthen relationships. ***Status*** ***Year to Date Actual Completion 70%*** ***Year End Estimated Completion 100%***	✓ Met with congressional members on MAC issues including PFC's, AIP funding, competition, LRT, Wildlife Refuge agreement and Navy land transfer. ✓ Presented MAC's position during the 1999 legislative session. Bills passed into law include: • Creation of an airport impact zone for the city of Richfield and the Governor's Airport Community Stabilization Funding Task Force • Surface transportation deregulation with regulatory authority language for MAC • LRT funding • Y2K liability • 911 dispatcher immunity ✓ Successfully defeated several bills/ amendments which would have: • Limited reliever airport expansion • Halted construction of north/south runway and implementation of the 2010 plan • Required airport and low frequency noise mitigation studies ✓ Provided briefings and airport tours for state and federal legislators. ✓ Negotiated all project labor agreements where beneficial to MAC on behalf of Airport Development.

Goal 9: To Continue Our Leadership in Environmental Mitigation

Objective	Results Achieved
A. Develop and maintain good working relationships with the public, affected communities and regulatory agencies. ***Status*** ***Year to Date Actual Completion 50%*** ***Year End Estimated Completion 100%***	✓ Continued meetings with community groups, specifically in Eden Prairie and in communities around Anoka County-Blaine Airport. ✓ Met with Minnesota Pollution Control Agency (MPCA) regarding water quality/air quality issues.

Objective	*Results Achieved*
B. Develop and implement a noise mitigation program for each MAC airport. ***Status*** ***Year to Date Actual Completion 50%*** ***Year End Estimated Completion 100%***	✓ Continued tracking Stage II nighttime agreements. ✓ Continued tracking Stage III aircraft utilization. ✓ Continued residential insulation program / school insulation program. ✓ Provided support to Metropolitan Area Sound Abatement Council. ✓ Completed analyses of: • Corridor compliance. • Runup Noise impacts.
C. Implement a Water Quality management program at each MAC airport in coordination with affected tenants. ***Status*** ***Year to Date Actual Completion 50%*** ***Year End Estimated Completion 100%***	✓ Monitored water quality compliance. ✓ Continued negotiations with MPCA regarding NPDES permit renewal.
D. Integrate mitigation programs/procedures with each development project. ***Status*** ***Year to Date Actual Completion 50%*** ***Year End Estimated Completion 100%***	✓ Received DNR permits for North-South Runway construction. ✓ Received Corps of Engineers permits for North-South Runway construction. ✓ Continued discussions with NDR regarding future wetland mitigation.

Goal 10: To Commit to Excellence Through Strategic Planning

Objective	*Results Achieved*
A. Develop an integrated process that ensures the implementation of strategic planning. ***Status:*** ***Year to Date Actual Completion 100%*** ***Year End Estimated Completion 100%***	✓ Completed in 1998. Improvements to the process in 1999 include the development of an Access database that enables collection and dissemination of Strategic Plan Information.

Objective	Results Achieved
B. Develop appropriate evaluation measures to track progress, review and update. ***Status:*** ***Year to Date Actual Completion 40%*** ***Year End Estimated Completion 100%***	✓ Consolidation of organizational measures in process.
C. Develop and implement an internal and external process for communicating the strategic plan. ***Status:*** ***Year to Date Actual Completion 100%*** ***Year End Estimated Completion 100%***	✓ Completed in 1998.

The updated strategic plan is provided here, as it was presented to the Commission in February, 2000. This update was prepared by obtaining input from Commissioners, senior staff, managers, supervisors and employee groups. Several changes were made to each of MAC's goals as contained in our original plan; major changes to the plan are as follows:

- Goal 8 " To strengthen partner and stakeholder relationships" was eliminated and the activities were incorporated into other goals.
- Goal 10 " A commitment to excellence through strategic planning" was eliminated because all of the objectives were achieved.
- A new Goal 8 "To implement the 2010 plan" was added to incorporate the financing and construction activities related to the 2010 plan.

This document continues to be used to help establish organizational priorities and accomplishing important tasks. Although our organization is busier than ever and our issues are more complex, we are more strategically focused as a result of our strategic planning efforts. Each year, this plan will be revisited to ensure that it addresses future conditions and issues that face the MAC.

GOAL 1. To operate a safe and secure airport.
Leader: Tim Anderson, Deputy Executive Director – Operations

Objective A. Enhance and ensure safety throughout the MAC system of airports.

1. MAC Employee Safety

    a. *Critique MAC Safety Management Program*
    b. Update the program.
    c. Measure the effectiveness of the program.

d. Modify the program, as needed.

2. Airport System Users

a. *Evaluate potential injury producing environments.*

b. *Develop and implement countermeasures to minimize injury and/or property loss.*

c. *Determine program effectiveness and modify, as needed.*

3. Contractor Safety

a. *Develop and distribute a Contractor Safety Manual.*

b. *Audit the implementation of the Contractor Safety Program.*

Objective B. Maintain and upgrade the security of the airports.

1. Monitor and influence security initiatives at the Federal level.
2. Expand airport security training.
3. Enhance access control measures.

Objective C. Prevent and control property and equipment damage.

1. Create a reporting and measurement system.
2. Ensure that safety standards and Code requirements are incorporated into facility design.

Objective D. Enhance emergency response capabilities.

1. Expand use of Incident Command System.
2. Develop Emergency Operations Center function.
3. Update Airport Emergency Plan.
4. Design and implement Emergency Operations Plan for MSP.

GOAL 2. To provide world class, customer-oriented transportation facilities at MSP.

Objective A. Continuously improve the customer experience.

1. Develop a formal partnering plan with tenants.
2. Revive "Through the Customer's Eyes" program.

Objective B. Maintain and upgrade existing airside and landside facilities.

1. Improve the aesthetic appeal of terminals.
2. Improve cleanliness of terminals and terminal complex areas.
3. Provide timely maintenance and restoration of airport facilities.

GOAL 3. **To build and strengthen a productive and rewarding work environment that demonstrates trust and respect.**
Leader: Dave Bergsven, Deputy Executive Director of Human Resources

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Objective A. Recruit, develop, and retain a qualified, diverse work force.

1. Expand recruitment and development efforts.
   Develop and conduct training in leadership, management and supervision.
2. Improve flexibility to employees on issues of compensation, benefits and working conditions that attract and retain qualified employees.
   a. Conduct a telecommuting feasibility study.
   b. Implement a Compensation Plan that includes equity adjustments necessary to recruit and retain employees in key positions.
3. Develop and adopt a MAC diversity policy statement.
4. Implement Wellness strategic plan.
5. Reengineer the employee suggestion system.

Objective B. Develop business continuation capability.

1. Apply Y2K contingency planning to business continuity.
2. Automate record retention.
3. Develop a business continuation plan, including disaster related elements.
4. Research and develop a succession planning strategy.

Objective C. Implement a performance management system.

1. Implement the two-way feedback program.

Objective D. Enhance internal communications.

1. Improve communication between MAC departments, management and employees and staff and commissioners.
2. Facilitate communication between MAC departments where there are plans that will have a wider impact than a single department.

Objective E. Implement technology improvements.

1. Complete implementation of MACNET 2000 Plan.
2. Update IS strategic plan.

GOAL 4. **To generate understanding, acceptance and support for MAC's mission.**
Leader: Wendy Burt, Public Information Officer

Objective A. Educate and inform the public of MAC's mission and the role of the airport system.

1. Inform the public about the economic impact of the MAC's airports.
2. Report to the community about noise mitigation efforts.
3. Provide timely, accurate and focused messages to the media and public.
4. Facilitate communication among MAC departments where there are potential impacts to other

departments and the public.

Objective B. Expand public affairs activities to communicate the MSP 2010 Plan.

1. Develop a print and broadcast advertising campaign to educate and generate support for the MSP 2010 development plan.
2. Create media events, signage, and updates to the website, brochures and other materials for the public explaining the terminal, airfield and landside development projects.

GOAL 5. To expand and improve air service alternatives.
Leader: Jeff Hamiel, Executive Director

Objective A. Increase domestic and international airline competition at MSP.

1. Identify and recruit new entrants.
2. Evaluate all service incentive programs.
3. Monitor service levels.
4. Evaluate the regional air transportation market.
5. Determine where there is a potential for new service.

Objective B. Increase public awareness of air service options throughout the Midwest region.

1. Generate public awareness about the number and variety of airlines serving MSP.
2. Create public understanding that consumers have a role in fostering competition.
3. Communicate with the public, business leaders, elected officials and the travel industry the benefits of being a hub.

GOAL 6. Effectively manage revenues and expenses to minimize the issuance of debt and maximize the use of operating funds to offset construction costs.
Leader: Denise Kautzer, Deputy Executive Director –Administrative Services

Objective A. Maximize all sources of revenue and maintain competitive rates and charges.

1. Review and analyze existing and potential sources of non-aeronautical revenue.
2. Renegotiate the Airline Lease.

Objective B. Limit growth in controllable expenses.

1. Review expense categories and identify potential savings.
2. Perform cost/benefit analysis on budget additions.

GOAL 7. To improve the utilization and reputation of the Reliever Airports.
Leader: Tim Anderson, Deputy Executive Director Operations

Objective A. Improve the financial viability of the airports.

1. Implement the new rate structure.
2. Revise and update cost minimization plan.
3. Develop and maximize alternative revenue sources.

Objective B. Establish guidelines and policies for the use of airport facilities.

1. Create and implement a "zoning" policy.
2. Review current use of land at St. Paul Downtown Airport for potential redevelopment.
3. Update lease policies and forms.
4. Update Commission policy on flying clubs.

Objective C. Develop marketing plans.

1. Update existing marketing plan for St. Paul Downtown Airport.
2. Develop marketing plan for the other five Reliever Airports.

GOAL 8. To implement the 2010 Plan.
Leader: Nigel Finney, Deputy Executive Director-Planning/Environment

Objective A. Provide additional facilities through the implementation of the 2010 Plan to support growth.

1. Review and refine development projects necessary to implement 2010 plan.
2. Involve partners and users in identifying and prioritizing of development projects.
3. Include support facilities, utilities and staffing needed to support new construction.
4. Maximize use of existing facilities.
5. Refine and expand public information/media program.

Objective B. Provide creative, responsible funding for completion of the 2010 Plan.

1. Refine the Capital Improvement Funding Plan.
2. Maximize the use of federal and state funding.
3. Determine the need and, if necessary, issue General Airport Revenue Bonds

Goal 9. To continue our leadership in environmental mitigation
Leader: Nigel Finney, Deputy Executive Director – Planning/Environment

Objective A. Complete negotiations for a renewed NPDES Permit with the MPCA.

1. Review history, compliance and accomplishments under the current permit.
2. Survey aviation industry and regulatory agency storm water management practices and requirements nationwide.

3. Involve tenant carriers as co-permitees.
4. Develop a permit proposal to begin negotiations with MPCA.
5. Complete negotiations with MPCA resulting in a draft NPDES permit for public review.

Objective B. Conduct Part 150 Study Update

1. Develop the purpose, goals and organization of the update process.
2. Establish the existing conditions.
3. Define future MSP conditions.
4. Recommend Noise Compatibility Program.
5. Implementation of Program.
6. Community Coordination.

Objective C. Complete Low Frequency Noise Policy Committee Analysis

1. Review existing low frequency noise information for SFO, BOS, BWI, LAX and other published studies.
2. Conduct necessary studies.
3. Convene an Expert Technical Panel.
4. Present recommendations regarding appropriate noise metric, compatibility standards, and recommended programs, measures or techniques.
5. Prepare report.

POST-RETIREMENT MEDICAL BENEFITS

In August 1996, the Commission approved the recording and funding of the post-retirement medical benefits. The cost of this 20 year program is estimated at $2,794,000 per year, beginning January 1997. Slightly over 50% of these costs will be reimbursed through airline rates and charges.

FINANCIAL INFORMATION

Management of the MAC is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Commission are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) The cost of a control should not exceed the benefits likely to be derived and 2) The evaluation of costs and benefits requires estimates by management.

For financial reporting purposes and in conformance with the Government Accounting Standards Board Pronouncements, MAC is defined as an enterprise fund. This report includes all funds and account groups of the MAC. Accounting records are maintained on an accrual basis in accordance with generally accepted accounting principles.

BUDGETING CONTROLS

The budget for the Commission is prepared on an accrual basis. Budget packages containing personnel information, equipment requests and other operational expenses are distributed to department supervisors in May. Information returned to the Finance Department by the department supervisors is reviewed in June. During July, budgeted expense is completed and the revenue portion of the budget is started. The revenue portion of the budget is based upon the lease agreement with the airlines and various other lease agreements with concessionaires. Because much of what is needed for revenue is determined by expense projections, revenue is calculated after expense.

During September presentations are prepared for the Finance Committee and senior staff. Also, supporting schedules are completed. By mid to late September budget packages are distributed to the airlines and the Finance Committee. The month of October is reserved for staff, commissioners and the airlines.

A commissioner seminar on the Operating Budget is held in early November. With the recommendation from the Finance Committee and the informational meetings held, approval is requested at the November full Commission meeting.

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 MAC and the air carriers serving MSP, which was signed in 1989. 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.

REVENUES AND EXPENDITURES

General
The Commission has entered into, and receives payment under, different agreements with various air carriers and other parties, including the airline lease agreement relating to landing fees and the leasing of space in terminal buildings, other building leases regarding the leasing of cargo and miscellaneous hangar facilities, concession agreements relating to sale of goods and services at the airport and specific project leases relating to the construction of buildings and facilities for specific tenants.

Airline Lease Agreement
The airline lease agreement relates to the use of the airport for air carrier operations, the leasing of space within the terminal buildings of the airport and the establishment of landing fees. Except for rental amounts based primarily upon the square feet rented, the terms, conditions and provisions of each airline lease agreement are substantially the same.

In the airline lease agreement, the Commission has leased to each particular air carrier a certain specified square footage portion of the terminal area in the airport. Annual rents are computed on the basis of various charges per square foot for various types of space within the existing terminal area and, in certain cases, the costs of certain improvements of the existing terminal area. The airline lease agreement also provides that each air carrier is required to pay a basic landing fee. The landing fee is calculated by dividing the cost of operations, maintenance and improvements at the air field by total landed weight of aircraft utilizing the airport. The airline lease agreement also requires each air carrier leasing gate space at Lindbergh Terminal to pay an aircraft parking ramp fee that is computed on a lineal foot basis. The ramp fee includes the cost of operations, maintenance and improvements to the ramp area surrounding the terminal building gates. The current agreement with the airlines calls for a noise surcharge for off-airport noise projects until December 31, 1999.

For the year ended December 31, 1999, the aggregate rentals received by the Commission pursuant to the airline lease agreement were approximately $50,669,000. The annual rentals due under each lease may be adjusted each year to reflect actual costs of the airport.

Other Building and Miscellaneous Leases
The other building and miscellaneous leases relate to rentals and other fees associated with the Hubert H. Humphrey International Charter Terminal, miscellaneous hangar facilities, office rentals for tenants located in the West Terminal area, and non-airline tenants in the Lindbergh Terminal. For the year ended December 31, 1999, the aggregate annual rentals under these leases were approximately $10,501,000.

Specific Project Leases
The Commission has constructed various buildings and facilities for specific tenants including a fueling facility for Signature Flight Services, and hangars and office buildings for Northwest Airlines, Mesaba and Sun Country Airlines. The specific project leases relate to the use of these buildings and facilities by Signature Flight Services, Northwest, Mesaba and Sun Country Airlines.

If bonds issued by the Commission finance the construction of a facility, the lessee is required to pay annual lease payments equal to the debt service requirements on the bonds issued to construct the facility, due in the following year. The lease remains in effect until the total debt service on the bonds has been paid. Bond funds were used to finance the United States Post Office and certain facilities for Northwest Airlines.

If the construction of a facility is financed from funds the Commission has on hand, the lessee is required to make lease payments equal to the debt service requirements, which would have been required, if bond funds were used. Commission funds were used to finance facilities for Signature Flight Services, Sun Country, Mesaba Airlines and certain facilities for Northwest Airlines including the extension of the Gold Concourse .

For the year ended December 31, 1999, the aggregate lease payments paid to the Commission under specific project leases were approximately $35,592,000.

Concession Agreements

The Commission has entered into separate concession agreements with various firms to operate concessions inside the terminal building at the airport including, among others, food and beverage services, newsstands, advertising, amusements/games, insurance, personal service shops, and telephones. For the year ended December 31, 1999, the aggregate fees paid to the Commission under the existing inside concession agreements were approximately $10,919,000. Such fees are computed on the basis of different percentages of gross sales for the various types of concessions, with the larger concessions guaranteeing a minimum payment each year.

Concession agreements for rental car agencies require such concessionaires to pay fees based on a percentage of their gross revenues and special charges such as parking fees and a per-square-foot land rental. The Commission also has a management contract with a firm for the operation of the airport parking lot and garage facilities. For the year ended December 31, 1999, the aggregate fees paid to the Commission under the existing rental car agreements and parking lot management contract were approximately $53,213,000. Of this amount, parking revenue was approximately $36,670,000 and auto rental revenue for both on and off Airport Auto Rentals was approximately $16,543,000.

Reliever Airport

The Commission has entered into various other leases and agreements with tenants at its reliever airport system. These reliever airport tenant leases include fuel flowage fees, hangar rentals, storage lots, commercial fees and other miscellaneous amounts. For the year ended December 31, 1999, revenues from these agreements were approximately $1,667,000.

Miscellaneous-Off Airport Concession Leases and Ground Transportation Fees

The Commission has entered into certain leases with off-airport concessionaires that provide off-airport advertising and auto services. Additionally, the Commission charges fees for permits and licenses to operate shuttles, vans, buses and taxis at the airport. Such fees are set by Commission ordinances. For the year ended December 31, 1999, the Commission received $2,697,000.

Miscellaneous Revenues
In addition to the above agreements, the Commission enters into various other leases and agreements. These include utility charges, ground space rentals, office rentals for commuter airlines and concessionaires, commuter and general aviation fees, employee shuttle bus fees, and other miscellaneous amounts. For the year ended December 31, 1999, the revenues from these agreements were approximately $8,318,000.

Operating Revenue
Operating revenues for the MAC come entirely from user fees that are established for various services and facilities that are provided at 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 1969 without general tax support. Revenue sources have been grouped into the following categories in the Statement of Revenues and Expenses:

Airline Rates & Charges	- Revenue from landing & ramp fees, noise surcharge and terminal building rates
Concessions	- Revenue from food & beverage sales, merchandise sales, auto parking, etc.
Other Revenues:	
Rental	- Fees for ground and building rentals
Utilities	- Charges for tenants use of water and sewer
Miscellaneous	- Charges for other services provided by MAC

For the fiscal year ended December 31, 1999, the top ten operating revenue sources and providers for the MAC are as follows:

Top Ten Operating Revenue Sources:

Source	Revenue
1. Parking	$36,670,000
2. Landing Fees	29,923,000
3. Terminal Rent-Airlines	17,011,000
4. Auto Rental (Off-and on-Airport)	11,833,000*
5. Other Building Rent	8,465,000
6. Ramp Fees	5,243,000
7. Merchandise	4,043,000
8. Food and Beverage	3,084,000
9. Ground Rent	2,374,000
10. Ground Transportation Fee	2,310,000

*Excludes Customer Facility charge

Top Ten Operating Revenue Providers:
1. Northwest Airlines
2. Host International
3. Hertz
4. Avis Rent A Car
5. Signature Flight Support
6. National Car Rental
7. United Airlines
8. Sun Country Airlines
9. Alamo Car Rental
10. Budget Rent A Car

During 1999 MAC operating revenues increased by 18.0% to $137,984,000 from $116,948,000 in 1998. Changes in major categories are summarized below (dollars in thousands):

	1999		1998		Dollar	Percent
	$	%	$	%	Change	Change
Airline Rates & Charges	$ 55,401	40.2%	$ 46,832	40.1%	$8,569	18.3%
Concessions	62,131	45.0	56,832	48.6	5,299	9.3
Other Revenue:						
Utilities	1,716	1.2	2,077	1.8	(361)	(17.4)
Miscellaneous	18,736	13.6	11,207	9.5	7,529	67.2
Operating Revenues	$137,984	100.0%	$116,948	100.0%	$ 21,036	18.0%

Airline rates and charges increased $8,569,000 or 18.3% primarily because of landing fees and building rentals. Landing fees are calculated on a breakeven basis with revenue and expense being equal, an increase in revenue, therefore, is a result of increased costs in the Field and Runway area. The increase in the Field and Runway cost center can be attributed to increased expenses, specifically in the areas of personnel (overtime and additional personnel) and depreciation costs related to capital improvement projects.

Building rentals increased as a result of the inclusion of the Green Concourse in the Airline Rates and Charges calculation. Prior to 1999, the Green Concourse was a separate lease and not included in Airline Rates and Charges.

Concessions increased $5,299,000 or 9.3%. The majority of the increase from 1998 levels is in the auto parking, auto rental and telephone concessions. Auto parking increased as a result of an increase in the utilization of the MAC's parking facilities coupled with an increase in average length of stay. Auto rental and telephone concessions increased as a result of a new concession agreement with these tenants coupled with an increase in activity.

The majority of the increase in miscellaneous is in the implementation of a Customer Facility Charge (CFC). A CFC is a charge to the Auto Rental companies for the payment of the debt service for their facilities at the airport.

Operating Expense

In 1999, MAC operating expenses increased by 13.1% to $113,792,000 from $100,609,000 in 1998. Changes in major categories are summarized below (dollars in thousands):

	1999		1998		Dollar	Percent
	$	%	$	%	Change	Change
Personnel	$34,497	30.32%	$32,433	32.24%	$ 2,064	6.36%
Administrative & Expenses	1,555	1.37	1,113	1.11	442	39.71
Professional Services	5,231	4.60	4,006	3.98	1,225	30.58
Utilities	7,318	6.43	6,466	6.43	852	13.18
Operating Services	11,199	9.84	10,414	10.35	785	7.54
Maintenance	10,498	9.23	9,302	9.25	1,196	12.86
Depreciation	42,875	37.68	36,756	36.53	6,119	16.65
Other	619	0.53	119	0.11	500	420.17
Operating Expenses	$113,792	100.00%	$100,609	100.00%	$13,183	13.10%

Professional Services increased 30.58% due to increases in marketing, legal fees and year 2000 compliance. Marketing expenses increased as a result of persuading additional carriers to provide service to MSP. Legal fees increased as a result of monitoring federal legislation regarding airport issues and some unanticipated lawsuits relating to the environmental impact statement on the dual track planning process.

Utilities increased $852,000 or 13.18% as a result of an increase in rates for electricity, natural gas and water and sewer rates. In addition, major construction activity within the terminal building causing an increase in usage also contributed to the increase.

Maintenance increased by 12.86% primarily because of snow removal and expanded facilities. The MAC continues to review and analyze alternatives that are more environmentally friendly than urea deicer. As a result, the liquid substitutes that are being incorporated more into the snow removal process are much more expensive. In addition, as MAC continues to implement the 2010 Construction Program, less and less airport property is available to dump snow. Because of this limited space, more and more snow must be hauled away from operational areas and ultimately hauled off the airport. Rather than purchasing all of the equipment necessary to remove the snow from the airport, MAC has decided to lease some of the equipment and personnel required to accomplish this task. Finally, as the MAC expands its facilities additional areas need to be cleaned and maintained.

Depreciation increased by 16.65% as a result of approximately $200 million of airports and facilities were completed in 1998–99.

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.

Net revenues generated by the Commission are designated for construction and debt service payments. These net revenues provide the Commission with a portion of the money to meet the funding requirements of its capital improvement program. This reduces the need to issue bonds and, therefore, allows the Commission to avoid the interest expense of additional debt. Net revenues are also required to fund the Commission's October 10 debt service requirement. (See Debt Administration.)

DEBT ADMINISTRATION

The MAC has issued three forms of indebtedness: Airport Improvement Bonds, General Airport Revenue Bonds and General Obligation Revenue Bonds. From 1943 to 1975 MAC issued Airport Improvement 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. In 1998 and 1999, the MAC issued General Airport Revenue Bonds which are not backed by the MAC's taxing authority.

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 from October 10 to the end of the second following year. The required balance as of October 10 in the Debt Service Account for the Airport Improvement Bonds and the General Obligation Revenue Bonds for the next five years is as follows (in thousands):

October 10, 2000	$77,225
October 10, 2001	$78,489
October 10, 2002	$79,958
October 10, 2003	$78,185
October 10, 2004	$76,944

Statutory authority for issuing bonds is obtained from the Minnesota State Legislature. Authorization as of December 31, 1999, permits the issuance of an additional $55 million of General Obligation Revenue Bonds. In 1998, the Commission issued $38.75 million in tax-exempt General Obligation Revenue Bonds to advance refund General Obligation Revenue Bond Series 7. As a result of the refunding, the Commission reduced its total debt service requirements by $13,972,188 which resulted in an economic gain (the difference between the present values of the debt service payments on the old and the new debt) in the amount of $9,715,360. These Bonds received AAA/Aaa ratings from Standard & Poor's, Moody's and Fitch's rating services.

In June 1998, the MAC issued $346,925,000 Series 1998 A-C General Airport Revenue Bonds. The net proceeds to be used for construction financing total $306 million with the balance to be used to pay for cost of issuance, capitalized interest and the reserve fund. The reserve requirement is the maximum annual aggregate debt service of the Series 1998 A-C bonds. These bonds were rated AAA/AAA by Standard & Poor's and Fitch respectively based on the Municipal Bond Insurance Policy. Without taking into account the Municipal Bond Insurance Policy the bonds were rated AA by Standard & Poors and A+ by Fitch.

In July 1999, the MAC issued $267,510,000 Series 1999 A-B General Airport Revenue Bonds. The net proceeds to be used for construction financing total $229 million with the balance to be used to pay for cost of issuance, capitalized interest and the reserve fund. The reserve requirement is the maximum annual aggregate debt service of the Series 1999 A-B bonds. These bonds were rated AAA/AAA by Standard & Poor's and Fitch respectively based on the Municipal Bond Insurance Policy. Without taking into account the Municipal Bond Insurance Policy the bonds were rated AA by Standard & Poors and A+ by Fitch.

CAPITAL PROJECTS

Each year the Commission approves capital projects that are planned to 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 five years is adopted. These serve as a basis for determining funding requirements and other operational planning decisions. Certain projects which have metropolitan significance are also submitted to the Metropolitan Council for review and approval.

Funds required for the completion of all capital projects come from five sources: a) General Obligation Revenue Bonds, b) Airport Revenue Bonds, c) state or federal grants, d) internally generated funds from operations, and e) Passenger Facility Charges (PFCs).

PFCs are fees imposed on enplaned passengers by airport authorities for the purpose of generating revenue for airport projects that increase capacity, increase safety, or mitigate noise impacts. On June 1, 1992, the Commission began collecting a $3.00 PFC to finance projects totaling approximately $66,356,000. Collection for the first application expired on August 1, 1994. The Commission received authority to collect a $3.00 PFC under a second application beginning that same day. The total amount of the second application is $126,222,000. The second application will expire April 1, 1999. During 1995, the Commission received authority to collect a $3.00 PFC under a third application beginning July 1, 1996 to finance projects totaling $36.4 million. The third application was fully funded in 1997 and collections have ended. During 1998, the Commission received authority to collect a $3.00 PFC under a fourth application beginning April 1, 1999 to finance projects totaling $55,057,000. During January 2000, the Commission received authority to collect a $3.00 PFC under a fifth application beginning April 1, 2000 to finance projects totaling $106,784,000. In order to limit the cost of facilities at the reliever airports, the Commission uses only grant funds or retained earnings to finance all construction projects at these airports. Capital improvements at the airport have been financed from all sources as appropriate with the exception of Revenue Bonds, which are new 1996 legislation.

The Commission may issue revenue bonds to fund airports and airport navigation facilities, other capital improvements at airports managed by the Commission, noise abatement and natural resource protection measures, transportation and parking improvements related to airports and to refund any outstanding obligations of the Commission. These bonds will be secured with available revenue in accordance with generally accepted public financial practices under a resolution of the Commission or trust indenture for the bonds. They will not be secured by the full faith and credit of the Commission or a pledge of the taxing authority of the Commission.

Anticipated projects planned for 2000, 2001 and 2002, as well as the extended period 2003-2006, are summarized as follows. (The amounts shown represent the estimated total cost for projects planned to be initiated, but not necessarily completed during that period:)

CAPITAL IMPROVEMENT PLAN SUMMARY (CIP)
($ = 000)

	2000	2001	2002	2003-2006	Total 2000-2006
Minneapolis/St. Paul Int'l					
Field & Runway	$ 288,900	$150,650	$ 85,000	$ 76,600	$ 601,150
Environmental	31,370	29,570	25,500	102,000	188,440
Landside	278,280	103,850	22,900	28,900	433,930
Total Minneapolis/St. Paul Int'l	$598,550	$284,070	$133,400	$207,500	$1,223,520
Reliever Airports					
St. Paul	$ 8,800	$ 1,210	$ 100	$ 400	$ 10,510
Flying Cloud	32,200	13,050	5,700	950	51,900
Crystal	750	450	0	100	1,300
Anoka	5,700	6,900	9,500	6,120	28,220
Lake Elmo	500	0	3,400	8,800	12,700
Airlake	5,950	0	0	10,700	16,650
Total Reliever Airports	$ 53,900	$ 21,610	$ 18,700	$ 27,070	$ 121,280
Total All Facilities	$652,450	$305,680	$152,100	$234,570	$1,344,800

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 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.

State statutes and Commission policies permit the Commission to use its investments to enter into securities lending transactions–loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Commission's securities custodian are agents in lending the Commission's securities for cash collateral of 100 percent plus accrued interest. Contracts with the lending agents require them to indemnify the Commission if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Commission for income distributions by the securities' issuers while the securities are on loan. (Also see Note B.)

The Government Accounting Standards Board requires disclosure of types of investments and safekeeping arrangement in the notes to the financial statements. Custodial agreements are disclosed as three levels of risk. At year-end 1999, all of the MAC's investments were being held by a third party agent of the Commission. Total investment earnings for 1999 were $20,435,000. The average yield on investments during the year was 5.47%.

RISK MANAGEMENT

The MAC Risk Department is responsible for administrating the purchase and maintenance of all insurance coverages and related programs. Coverages included are: Airport Liability, including automobile and equipment; Property; Health and Dental; Workers' Compensation; and other miscellaneous coverages.

The Risk Department coordinates claims payment, major claims management, and early intervention where needed in order to promote cost containment and overall claims handling efficiency. The MAC or its tenants, within limits and with deductibles approved by the MAC, maintain fire insurance coverage on all buildings at the airport. Contractors and lessees are required to carry certain amounts of insurance. A schedule of insurance in force at December 31, 1999, can be found in the Statistical section of this report. Loss Prevention and Wellness Committees, composed of MAC staff and airport community representatives with the Risk Department advisor, endeavor to identify exposures, make recommendations to MAC management and promote wellness and awareness among employees and all MAC facilities. Also, the Risk Department maintains open communication and positive relationships with other departments, brokers, and insurance companies to ensure good working relationships and access to competent professional advice. The Risk Department serves as an advisor to public needs, airport tenants, other MAC departments and special action committees.

INDEPENDENT AUDIT

The financial records of the MAC are audited annually by a firm of independent certified public accountants. The audits for the years ended December 31, 1999 and 1998, were performed by Deloitte & Touche LLP. Their opinion on the financial statements is presented in this report.

In conjunction with the annual audit, Deloitte & Touche LLP perform procedures consistent with the Single Audit Act of 1996 (The Act), OMB Circular A-133 and guidelines in relation to grant award agreement between the MAC and FAA in progress during the year. Deloitte & Touche LLP also performs procedures for the purposes of the MAC's compliance with the regulations issued by the FAA to implement Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990 in relation to Passenger Facility charge revenues and expenses. The reports issued are intended for the use of MAC and the FAA, 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. In 1999, the financial audit has been performed by the firm Deloitte & Touche LLP. In addition, the Legislative Auditor periodically conducts a separate audit to examine the Commission's compliance with applicable laws, policies, and procedures.

AWARDS

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, 1998. For the fourteenth consecutive year, the Commission has received the prestigious award.

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 report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Commission also received for the twelfth consecutive year the GFOA Award for Distinguished Budget Presentation for its Annual Operating Budget for 1999. In order to qualify for the Distinguished Budget Presentation, the Commission's budget document was judged to be proficient in several categories, including policy documentation, financial planning and organization.

In 1996, the MAC was awarded the Certification of Excellence Award by the Municipal Treasurers' Association of the United States and Canada (MTA US&C) for the MAC's investment policy. The MAC met MTA US&C criteria deemed as necessary components of an investment policy.

ACKNOWLEDGMENTS

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contribution made in preparation of this report.

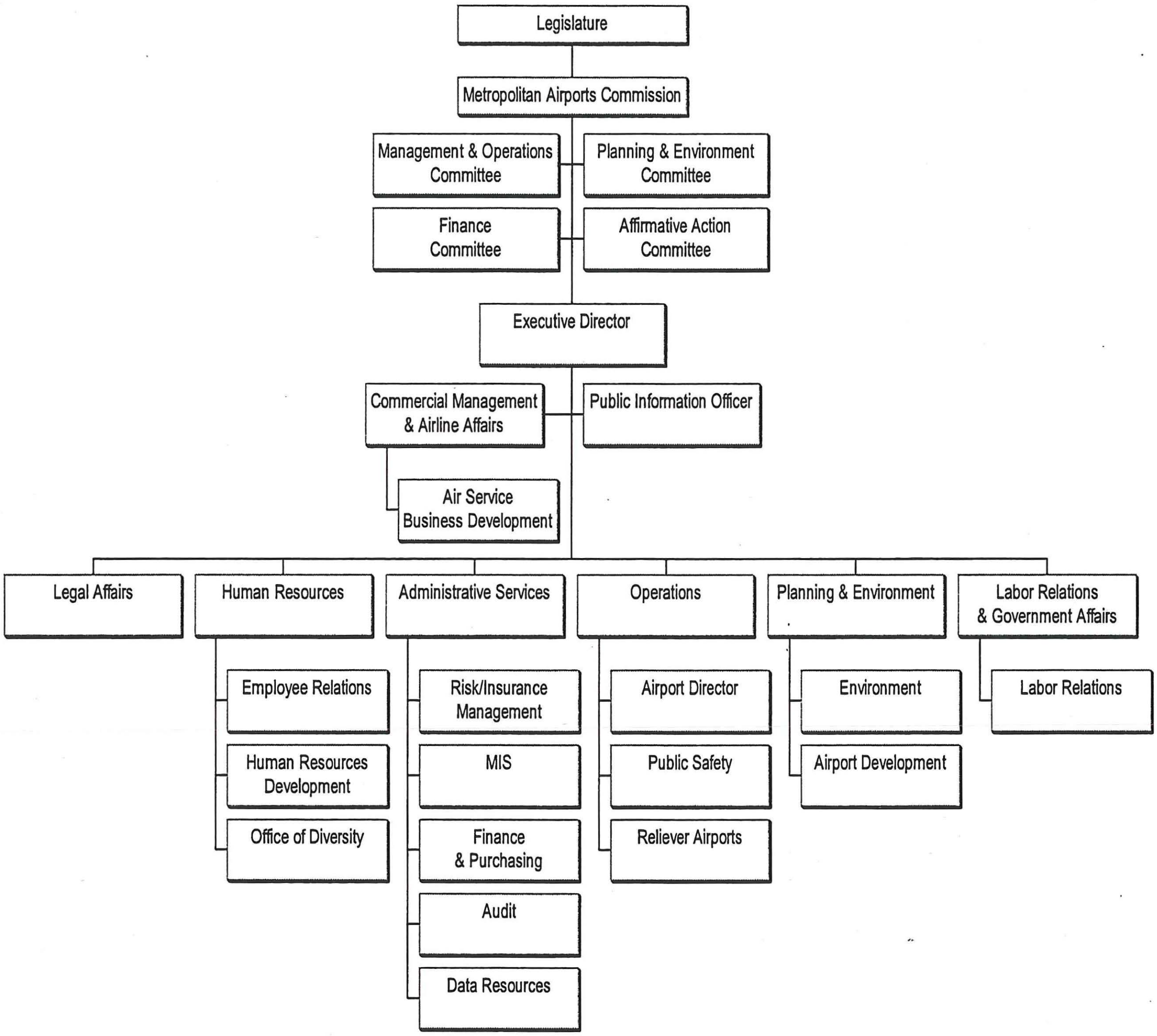
In closing, without the leadership and support of the governing body of the Metropolitan Airports Commission, preparation of this report would not have been possible.

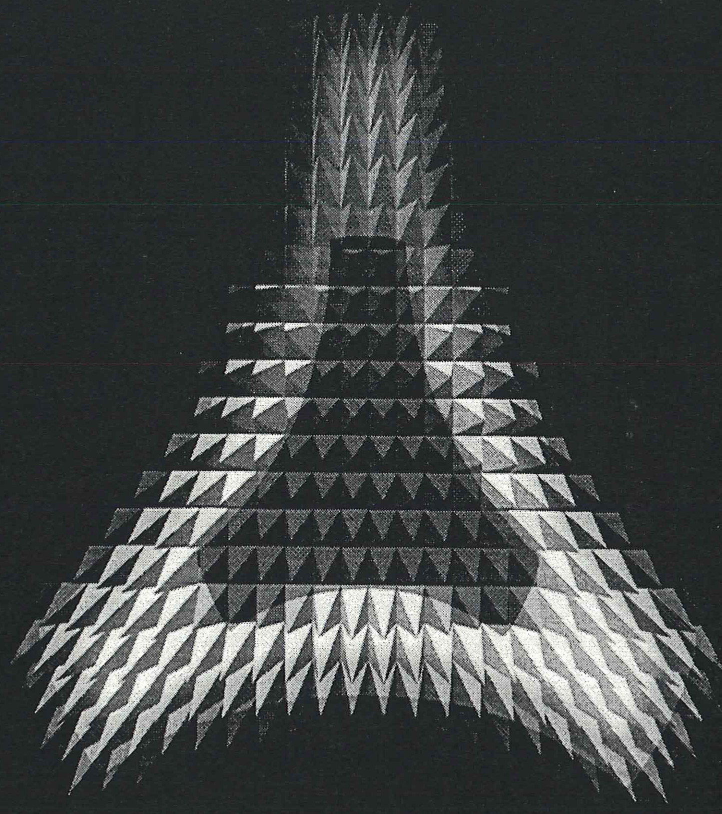
Respectfully submitted,

Jeffrey W. Hamiel
Executive Director

Stephen L. Busch
Director of Finance

ORGANIZATION CHART





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INDEPENDENT AUDITORS' REPORT

Members of the Commission
Minneapolis-Saint Paul Metropolitan
Airports Commission

We have audited the accompanying balance sheets of Minneapolis-Saint Paul Metropolitan Airports Commission (the Commission) as of December 31, 1999 and 1998 and the related statements of revenues and expenses and changes in retained earnings and of cash flows for the years then ended. These financial statements are the responsibility of the management the Commission. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Commission at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2000, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

March 23, 2000

BALANCE SHEETS

(Dollars in Thousands)	December 31, 1999	December 31, 1998
ASSETS		
Cash and Investments – Note B:		
Unrestricted:		
Cash and Cash Equivalents	$ 2,522	$ 11,091
Investments	42,237	22,877
	44,759	33,968
Restricted – Notes B and C:		
Cash and Cash Equivalents	29	9
Investments	636,870	615,699
	636,899	615,708
	681,658	649,676
Accounts receivable	4,741	7,620
Government grants in aid of construction receivable – Note A	722	3,079
Restricted Asset–		
Passenger facility charge receivable – Note A	5,495	2,922
Airports and Facilities – Notes A, E, F, and J	1,089,644	769,369
Leases receivable – Notes A and I	355,055	370,019
Other	62	70
TOTAL ASSETS	**$2,137,377**	**$1,802,755**
LIABILITIES AND FUND EQUITY		
Accounts payable and accrued expenses	$ 7,796	$ 7,359
Security lending agreement	19,089	10,271
Payables from restricted assets:		
Debt Service – Note F	152,263	129,177
Construction	59,300	47,288
Post Retirement Medical and Other – Note L	8,859	6,018
Other	2,010	1,695
Security lending agreement	147,510	172,405
Employee compensation and payroll taxes	3,722	4,123
Deferred revenue – Note A	45,014	45,111
Bonds payable – Note F	853,015	617,204
TOTAL LIABILITIES	**1,298,578**	**1,040,651**
Commitments and Contingencies – Notes P and Q		
FUND EQUITY – Note D		
Contributed capital – Notes A and D	163,908	153,318
Retained Earnings:		
Reserved	272,452	262,047
Unreserved	402,439	346,739
TOTAL FUND EQUITY	**838,799**	**762,104**
TOTAL LIABILITIES AND FUND EQUITY	**$2,137,377**	**$1,802,755**

See notes to financial statements.

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN RETAINED EARNINGS

(Dollars in Thousands)	For The Fiscal Years Ended December 31, 1999	1998
OPERATING REVENUES		
Airline Rates and Charges	$ 55,401	$ 46,832
Concessions	62,131	56,832
Other Revenues:		
Utilities	1,716	2,077
Miscellaneous	18,736	11,207
TOTAL OPERATING REVENUES	**137,984**	**116,948**
OPERATING EXPENSES		
Personnel	34,497	32,433
Administrative Expenses	1,555	1,113
Professional Services	5,231	4,006
Utilities	7,318	6,466
Operating Services	11,199	10,414
Maintenance	10,498	9,302
Depreciation	42,875	36,756
Other	619	119
TOTAL OPERATING EXPENSES	**113,792**	**100,609**
OPERATING INCOME	**24,192**	**16,339**
OTHER REVENUES (EXPENSES)		
Interest Income	50,039	47,444
Passenger Facility Charges	40,474	37,389
Gain on Sale of Assets	2	0
Bond Interest Expense	(35,103)	(37,549)
Part 150 Home Insulation Expenses	(18,475)	(14,976)
Concession Development Expenses	(5,319)	(1,792)
NET INCOME	**55,810**	**46,855**
ADD: Depreciation of facilities provided by government grants	10,295	9,691
INCREASE IN RETAINED EARNINGS	**66,105**	**56,546**
Retained Earnings–Beginning of Year	608,786	552,240
RETAINED EARNINGS–END OF YEAR	**$674,891**	**$608,786**

See notes to financial statements.

STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

Increase (Decrease) in Cash and Cash Equivalents	For The Fiscal Years Ended December 31, 1999	1998
Cash flows from operating activities:		
Operating income	$ 24,192	$ 16,339
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	42,875	36,756
Change in assets and liabilities:		
Accounts receivable	2,879	(679)
Other assets	8	23
Accounts payable and accrued expenses	437	288
Post retirement medical and other	2,841	2,997
Other restricted liabilities	315	(175)
Employee compensation and payroll taxes	(401)	237
Deferred revenue	(97)	(1,786)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**73,049**	**54,000**
Cash flows from capital and related financing activities:		
Payments for airports and facilities	(324,149)	(212,954)
Proceeds from disposal of airports and facilities	2	47
Payments for Part 150 Program	(18,475)	(14,976)
Payments for Concession Development Program	(5,319)	(1,792)
Proceeds from bond issuance	262,597	383,875
Receipt of lease payments	6,798	8,853
Receipt of passenger facility charges	37,901	37,144
Payments on bonds	(10,040)	(54,336)
Interest paid on bonds	(47,587)	(32,293)
Receipts of government grants in aid of construction	23,242	17,843
NET CASH (USED IN) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(75,030)**	**131,411**
Cash flows from investing activities:		
Purchase of investment securities	(625,917)	(794,548)
Proceeds from maturities of investment securities	567,033	571,285
Interest income	52,316	46,809
NET CASH (USED IN) INVESTING ACTIVITIES	**(6,568)**	**(174,454)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(8,549)**	**8,957**
Cash and cash equivalents–Beginning of year	11,100	2,143
CASH AND CASH EQUIVALENTS–END OF YEAR	$ 2,551	$ 11,100

Non-cash transactions for interest income were ($2,277,000) and $635,000 for 1999 and 1998 respectively.

See notes to financial statements.

For the years ended December 31, 1999 and 1998

NOTE A
SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Minneapolis-Saint Paul Metropolitan Airports Commission (the 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, promote the efficient, safe, and economical handling of air commerce, assure the inclusion of the state in national and international programs of air transportation, and to those ends develop the full potentialities of the metropolitan area as an aviation center. It has the responsibility to assure residents of the metropolitan area the minimum environmental impact from air navigation and transportation, promote the overall goals of the state's environmental policies, and minimize the public's exposure to noise and safety hazards around airports.

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 a 15-member Board of Commissioners. The Governor of the State of Minnesota appoints thirteen Commissioners. The Mayors of Minneapolis and St. Paul also have seats on the Commission with the option to appoint a surrogate to serve in their place. Certain large capital improvement projects having metropolitan significance must be reviewed by the Metropolitan Council, which is a public agency established by law with powers of regulation over the development of the Metropolitan Area.

In applying Government Accounting Standards Board (GASB) Statement No. 14, the State of Minnesota and the Commission have agreed that the Commission is not financially accountable to any other organization and is considered a stand-alone governmental unit.

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. The Commission has applied GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." Under GASB Statement No. 20, the Commission applies all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Budgeting Process

As required by Minnesota State Statutes, the Commission adopts an annual operating and capital expenditures budget for purposes of determining required taxes, if any, to be levied by counties in its jurisdiction. Budgets are established on a departmental basis using the accrual method of accounting.

The process to amend the budget is set forth in the Commission bylaws, Article III, Section 8(a), and presented below:

"8(a) Establishment of the annual budget setting out anticipated expenditures by type of expenditure and/or upward or downward revision of that budget in the course of the corporation's fiscal year shall constitute prior approval of each type of expenditure. Authorization by vote of the Commission is required for transfer of budgeted amounts between or among line items or to appropriate additional funds for each line item. The Executive Director is directed to provide for the daily operation and management of the Commission within the expenditure guidelines of the annual budget. Commission approval of a contract shall constitute prior approval of disbursements made pursuant to terms of the contract within the constraints of the budget for all contract payments, except final construction contract payments, which shall require commission approval.

The Executive Director shall have the responsibility of securing adequate quantities of office, janitorial, maintenance and repair materials and supplies, and the rent of sufficient equipment necessary for the smooth, continuous operation of the Commission's system of airports and all facilities associated with the system of airports. The Executive Director's authority to secure these items shall be subject to the Commission's purchasing procedures and be subject to the line-item budget constraints of the annual budget.

At any time during the fiscal year, the Executive Director may recommend to the full Commission that all or any unencumbered appropriation balances of individual line-items be transferred to those line-items that require additional budgeted funds. In addition, the Executive Director may recommend to the full Commission the appropriation of additional funds above and beyond those approved at the time of budget adoption."

The Commission is not required to demonstrate statutory compliance with its annual operating budget. Accordingly, budgetary data is not included in the basic financial statements. All budgets are prepared in accordance with airport lease and use agreements. Unexpended appropriations lapse at year-end.

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.

Statement of Cash Flows

For purposes of the statement of cash flows, the Commission considers cash on hand plus overnight investments to be cash equivalents.

Deferred Revenue

Deferred revenue primarily represents advance interest payments received from the airlines which will be recognized as interest income over the term of the lease agreement.

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 a 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. This transaction occurred in 1943, the fair market value on the land can not be determined. However, it is the Commission's belief that the difference between the cost and the fair market value in 1943 is immaterial. Additions to the property accounts have been recorded at cost since 1943.

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	10-40 years
Moveable equipment	3-10 years

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.

Passenger Facility Charges

On June 1, 1992 the Commission began collecting Passenger Facility Charges (PFCs). PFCs are fees imposed on enplaned passengers by airport authorities for the purpose of generating revenue for airport projects that increase capacity, increase safety, or mitigate noise impacts. In the first application, the Commission received approval for a $3.00 PFC to finance projects totaling approximately $66,356,000. Collection for the first application expired on August 1, 1994. The Commission received authority to collect a $3.00 PFC under a second application beginning that same day to finance projects totaling $113,064,000. This application was amended in December 1996 to increase the amount collected to $126,222,000 and with an expiration date of 4/1/99. During 1995, the Commission received authority to collect a $3.00 PFC under a third application beginning June 1, 1996 to finance projects totaling $32.7 million. This application was amended in March 1997 to increase the amount collected to $36.4 million. The third application was fully funded in 1997 and collections have ended. During 1998, the Commission received authority to collect a $3.00 PFC under a Fourth application beginning April 1, 1999 to finance projects totaling $55,057,000. During January 2000, the Commission received authority to collect a $3.00 PFC under a fifth application beginning April 1, 2000 to finance projects totaling $106,784,000. Effective

January 1, 1997, the Commission began to expense costs associated with the Part 150 Sound Insulation Program that are funded by PFC's.

PFCs are recorded as non-operating revenue at the time of ticket sale.

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 payments 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 of costs incurred, including depreciation and interest, in the terminal building, ramp, and runway areas. 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. See Note Q for additional information regarding transactions with Northwest Airlines, Inc.

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 or Passenger Facility Charges.

Deferred Loss on Refundings

The Commission defers recognition of losses incurred with refundings according to GASB Statement No. 23. The losses incurred in refundings will be amortized on a straight line basis over the lesser of the remaining life of the original bonds or the life of the new bonds.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation. Such reclassifications did not have an effect on net income or fund equity as previously reported.

NOTE B
CASH, INVESTMENTS AND SECURITIES LENDING

Cash

Cash balances which are insured or collateralized by securities held in the Commission's name by a financial institution (Commission's agent) other than that furnishing the collateral are as follows (in thousands):	12/31/99	12/31/98
Financial statement balances	-0-	$1,584
Bank balances	$836	$1,308

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% for 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.

Securities Lending Transactions

State statutes and Commission policies permit the Commission to use its investments to enter into securities lending transactions–loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Commission's securities custodian are agents in lending the Commission's securities for cash collateral of 100% plus accrued interest. Securities on loan at year end are classified in the following schedule of custodial credit risk. At year end, the Commission has no credit risk exposure to borrowers because the amounts the Commission owes the borrowers exceed the amounts the borrowers owe the Commission. Contracts with the lending agents require them to indemnify the Commission if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Commission for income distributions by the securities' issuers while the securities are on loan.

All securities loans can be terminated on demand by either the Commission or the borrower, although the average term of the loans is one week. In lending securities, cash collateral is invested in securities authorized by Minnesota statutes, generally with maturities between one week and three months.

Investments

In 1998, the Commission implemented GASB No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, which requires that investments be reported at fair value in the balance sheet and changes in the fair value of investments reported in the operating statements.

Investment income as of December 31, consists of the following:

	1999	1998
Interest Income from Leases	$29,604,000	$31,441,000
Interest Income from Investments	22,712,000	15,368,000
Net (Decrease) Increase in Fair Value of Investments	(2,277,000)	635,000
	$50,039,000	$47,444,000

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 other state, or any of its municipalities, commercial paper rated in the highest category by at least two nationally recognized rating agencies, Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System, certificates of deposit issued by official depositories of the Commission, shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in direct obligations or obligations guaranteed by the United States or its agencies, and repurchase agreements with financial institutions.

The Commission's investments at December 31, 1999, 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 counterparty'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 counterparty, or by its trust department or agent but not in the Commission's name.

(In Thousands)	Fair Value Credit Risk Category			
Type of Security	1	2	3	Total
December 31, 1999				
U.S. Government and Agencies	$177,134	$ 0	$ 0	$177,134
Repurchase Agreements	459,247	0	0	459,247
Commercial Paper	30,233	0	0	30,233
	$666,614	$ 0	$ 0	666,614
Investments – Not Categorized				
Mutual Funds				15,044
Total Cash and Investments				$681,658

NOTE C
RESTRICTED ASSETS 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 to the end of the second following year. 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, Passenger Facility Charges, 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. All reserved retained earnings are used for construction purposes.

The Commission also restricts the amount received from Passenger Facility Charges for the approved Airport Improvement projects as discussed in Note A.

Cash, securities and receivables are segregated and restricted as follows (in thousands):

	12/31/99	12/31/98
Restricted Assets		
Cash and Investments		
Debt service	$152,263	$129,177
Construction:		
Regular	284,459	253,366
Special	42,024	53,002
Post Retirement Medical	8,787	6,040
Other	1,856	1,718
Security lending transactions	147,510	172,405
Passenger Facility Charge Receivable	5,495	2,922
TOTAL RESTRICTED ASSETS	**642,394**	**618,630**
Less payables to be paid from restricted cash and investments:		
Debt service	152,263	129,177
Construction	59,300	47,288
Post retirement medical and other	8,859	6,018
Other	2,010	1,695
Security lending transactions	147,510	172,405
	369,942	356,583
RESERVED RETAINED EARNINGS	**$272,452**	**$262,047**

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, 1998	**$143,446**	**$110,090**	**$442,150**	**$695,686**
Government grants in aid of construction	19,563	0	0	19,563
Net income for the year	0	0	46,855	46,855
Depreciation of facilities provided by government grants	(9,691)	0	9,691	0
Net change in restricted assets and liabilities	0	151,957	(151,957)	0
Balance December 31, 1998	**$153,318**	**$262,047**	**$346,739**	**$762,104**
Government grants in aid of construction	20,885	0	0	20,885
Net income for the year		0	55,810	55,810
Depreciation of facilities provided by government grants	(10,295)		10,295	
Net change in restricted assets and liabilities	0	10,405	(10,405)	0
Balance December 31, 1999	**$163,908**	**$272,452**	**$402,439**	**$838,799**

NOTE E
AIRPORTS AND FACILITIES

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

Airports and Facilities	Balance January 1, 1999	Additions	Transfers In (Out)	Deductions	Balance December 31, 1999
Land	$ 71,245	$ 0	$ 7,131	$ 0	$ 78,376
Airport improvements and buildings	850,760	0	96,048	0	946,808
Moveable equipment	38,823	4,562	1,189	(1,741)	42,833
Projects-in-progress	191,172	350,689	(104,368)	0	437,493
TOTAL AIRPORTS AND FACILITIES	**1,152,000**	**355,251**	**0**	**(1,741)**	**1,505,510**
Accumulated depreciation	(374,732)	(42,875)	0	1,741	(415,866)
NET AIRPORTS AND FACILITIES	**$ 777,268**	**$ 312,376**	**$ 0**	**$ (0)**	**$ 1,089,644**

Airports and Facilities	Balance January 1, 1998	Additions	Transfers In (Out)	Deductions	Balance December 31, 1998
Land	$ 65,206	$ 0	$ 6,039	$ 0	$ 71,245
Airport improvements and buildings	738,154	0	104,746	(39)	842,861
Moveable equipment	33,051	6,857	708	(1,793)	38,823
Projects-in-progress	71,255	231,410	(111,493)	0	191,172
TOTAL AIRPORTS AND FACILITIES	**907,666**	**238,267**	**0**	**(1,832)**	**1,144,101**
Accumulated depreciation	(339,761)	(36,756)	0	1,785	(374,732)
NET AIRPORTS AND FACILITIES	**$567,905**	**$ 201,511**	**$ 0**	**$ (47)**	**$769,369**

As of January 1, 1999, the Commission entered into a new Airline Lease Agreement. This agreement allowed for the transfer of $7,899,000 from Lease Receivables to Airports and Facilities. The beginning balance under Airport improvements and buildings as of January 1, 1999 has been changed to reflect this transfer.

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.

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. (Also see Note Q.)

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.

The Airport Revenue Bonds are not general obligations, but are limited obligations of the Commission payable solely from and secured by a pledge of net revenues. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State or any political subdivision or public agency of the State, other than the Commission, to the extent of net revenues, is pledged to the payment of the Airport Revenue Bonds.

The Commission has statutory authority for issuing General Obligation Revenue Bonds. The present statutory general obligation bonding limit as of December 31, 1999, would permit the issuance of an additional $55 million of General Obligation Revenue Bonds.

Bonds payable, due serially (in thousands):

	Issue Date	Original Amount	Final Payment In	Outstanding as of December 31 1999	1998
Airport Improvement Bonds:					
Series 20 – 4.5 to 5.0%	10-1-72	5,000	2002	$ 945	1,225
Series 22 – 3.85%	2-1-94	5,625	1999	-	1,225
				945	2,450
Airport Revenue Bonds:					
1998 Series A – 5.0%	6/1/98	225,885	2030	225,885	225,885
1998 Series B – 5.0 to 5.5%	6/1/98	84,000	2016	84,000	84,000
1998 Series C – 5.94 to 6.27%	6/1/98	37,040	2007	37,040	37,040
1999 Series A –5.13%	7/1/99	132,415	2031	132,415	-
1999 Series B—4.75 to 5.63%	7/1/99	135,095	2022	135,095	-
				614,435	346,925
General Obligation Revenue Bonds:					
Series 2 – 5.20%	12-1-77	10,000	2002	2,025	2,625
Series 3 – 5.75%	1-1-79	15,000	2000	1,200	2,400
Series 8 – 5.45 to 6.60%	2-1-92	45,000	2011	34,600	36,550
Series 10 – 4.25 to 5.00%	5-1-93	29,025	2006	15,265	17,555
Series 11 – 4.80 to 5.30%	10-1-94	5,615	2002	2,885	3,880
Series 12 – 4.20 to 4.55%	11-1-96	5,525	2002	4,025	5,525
Series 13 – 4.0 to 5.25%	11-1-98	38,750	2015	38,750	38,750
Special NWA Financing Secured by Facilities, Parts, Routes, Simulators:					
Series 9 – 8.60 to 8.95% – Note Q	4-1-92	270,000	2022	270,000	270,000
				368,750	377,285
TOTAL BONDS OUTSTANDING				**984,130**	**726,660**
Net unamortized discount				(8,001)	(3,315)
Deferred loss on refunding				(1,470)	(1,646)
Accrued interest due				30,619	24,682
				1,005,278	746,381
Less:					
Payable from restricted assets—debt service				(152,263)	(129,177)
TOTAL BONDS PAYABLE				**$853,015**	**$617,204**

Future debt service requirements after December 31, 1999 are as follows (in thousands):

Year/s	Airport Improvement Bond	Airport Revenue Bonds	General Obligation Revenue Bonds	Total Bonds Outstanding	Interest	Total Principal & Interest
2000	$ 300	-	$ 8,575	$ 8,875	$ 61,117	$ 69,992
2001	315	$ 4,785	9,455	14,555	60,511	75,066
2002	330	$ 8,950	9,610	18,890	59,636	78,526
2003	-	9,450	12,175	21,625	58,462	80,087
2004	-	9,965	12,915	22,880	57,079	79,959
Thereafter	-	581,285	316,020	897,305	752,995	1,650,300
	$ 945	$ 614,435	$ 368,750	$ 984,130	$ 1,049,800	$ 2,033,930

Of the future debt service requirements listed above, $313,112,000 of principal and $396,048,000 of interest are leased under agreements with Northwest Airlines, Inc. The General Obligation Revenue Bond Series 9 represents $270,000,000 of principal and $378,278,000 of interest of the Northwest Airlines debt service requirements. These lease agreements require the lessee to make annual payments equal to the debt service requirements of the bonds.

As mentioned in Note Q, in respect to the General Obligation Revenue Bond Series 9, Northwest Airlines is required to maintain collateral. The value of the collateral is determined by periodic independent appraisals. The value (based upon use of the assets by an airline) of the collateral must be at least 145% (reducible to 135% under certain circumstances) of the principal amount of the General Obligation Revenue Bond Series 9.

Rental agreements between the Commission and its tenants, including the compensatory rental agreement, the self-liquidating agreements, and other arrangements, are intended to provide for revenues which allow for the above required principal and interest payments. Other Commission revenue to be received under minimum rental revenue provisions is not significant in the aggregate.

NOTE G
BOND REFUNDINGS

On November 17, 1998, the Commission issued $38,750,000 General Obligation Revenue Bond Series 13 to advance refund General Obligation Revenue Bond Series 7. General Obligation Revenue Bond Series 7 mature on January 1, 2015, and are callable on January 1, 1999. The net proceeds from the issuance of General Obligation Revenue Bond Series 13 were used to purchase U.S. Government securities and these securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until all the General Obligation Revenue Bonds are called on January 1, 1999. The advance refunding met the requirements of an in-substance debt defeasance and the General Obligation Revenue Bonds were removed from the Commission's books. At December 31, 1998, $45,668,850 is being held in escrow in order to pay the remaining maturity of $43,150,000 on General Obligation Revenue Bond Series 7. As a result of the advance refunding, the Commission reduced its total debt service requirements by $13,972,188 which resulted in an economic gain (the difference between the present values of the debt service payments on the old and the new debt) in the amount of $9,715,360. The Commission also deferred recognition of a $952,781 loss in connection with this refunding according to GASB Statement No. 23. As a result the loss has been deferred and will be amortized to interest expense on a straight line basis through January 1, 2015. At December 31, 1999, the unamortized deferred loss netted against bonds payable is $888,604.

NOTE H
CAPITALIZATION OF INTEREST

Total interest costs incurred were $35,103,000 and $37,549,000 in 1999 and 1998, respectively. Interest costs excluded from interest expense and capitalized as part of the costs of constructed assets were $18,822,000 and $3,944,000 in 1999 and 1998, respectively. Total interest paid was $47,542,000 and $32,254,000 in 1999 and 1998 respectively.

NOTE I
LEASES

The Commission leases certain facilities to tenants under self-liquidating lease agreements. Self-liquidating lease agreements 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. These leases are classified as direct financing leases and expire at various intervals until the year 2022. As of January 1, 1999, the Commission entered into a new Airline Lease Agreement. This agreement allowed for the transfer of $7,899,000 from Lease Receivables to Airports and Facilities. The beginning balance as of January 1, 1999 has been changed to reflect this transfer. The following lists the components of the Commission's leases as of December 31 (in thousands):

	1999	1998
Total minimum lease payments to be received	$766,735	$823,865
Less: Allowance for uncollectibles	0	0
Net minimum lease payments receivable	766,735	823,865
Less: Unearned Income	408,198	451,107
Net investment in leases	358,537	372,758
Less: Prepaid Principal	3,482	2,739
LEASES RECEIVABLE PER BALANCE SHEET	**$355,055**	**$370,019**

As of December 31, 1999, future minimum lease payments are as follows (in thousands):

Year	Amount
2000	$35,946
2001	$35,843
2002	$40,426
2003	$37,416
2004	$37,378
2005–2022	$579,726

NOTE J
CAPITAL LEASE

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled $939,000 at December 31, 1999, and accumulated amortization on those assets totaled $512,000. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of December 31, 1999 (in thousands):

(In Thousands)

Year Ending December 31	Minimum Lease Payments
2000	125
2001	125
2002	121
2003	121
2004	121
Minimum lease payments for all capital leases	613
Less: Amount representing interest at the Commission's incremental borrowing rate of interest	83
Present value of minimum lease payments	$530

NOTE K
PENSION AND RETIREMENT PLANS

All full-time and certain part-time employees of the Commission participate in the Minneapolis Employees Retirement Fund (MERF) (participation restricted to employees hired prior to July 1, 1978) or the Public Employees Retirement Association (PERA). Both are cost-sharing, multiple-employer retirement plans.

1. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

A. Plan Description

All full-time and certain part-time employees of the Commission (hired after June 30, 1978) are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERF members belong to the Coordinated Plan. Coordinated members are covered by Social Security. All police officers, fire fighters, and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for coordinated members.

The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a coordinated member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Using Method 2, the annuity accrual rate is 1.7% of average salary for coordinated members. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For PERF members whose annuity is calculated using Method 1, and for all PEPFF members, a full annuity is available when age plus years of service equals at least 90. A reduced retirement annuity is also available to eligible members seeking early retirement. There are different types of annuities available to members upon retirement. A normal annuity is a lifetime annuity that ceases upon the death of the retiree. No survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members may also leave their contribution in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained in writing to PERA, 514 St. Peter Street #200, St. Paul, Minnesota, 55102 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The Commission makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Coordinated Plan members are required to contributed 4.75%, of their annual covered salary. PEPFF members are required to contribute 7.60% of their annual covered salary. The Commission is required to contribute the following percentages of annual covered payroll: 5.18% for Coordinated Plan PERF members, and 11.40% for PEPFF members. The Commission's contributions to the Public Employees Retirement Fund for the years ended December 31, 1999, 1998 and 1997 were $898,000, $749,000 and $593,000 respectively. The Commission's contributions to the Public Employees Police & Fire Fund for the years ended December 31, 1999, 1998 and 1997 were $395,000, $364,000 and $315,000 respectively. The

Commission's contributions were equal to the contractually required contributions for each year as set by state statute.

2. MINNEAPOLIS EMPLOYEES RETIREMENT FUND

A. Plan Description

All full-time and certain part-time employees of the Commission (hired before July 1, 1978) are covered by a defined benefit pension plan administered by the Minneapolis Employees Retirement Fund (MERF). MERF is a cost-sharing, multiple-employer retirement plan

MERF provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after ten years of credited service. Members are eligible for service retirement either:

A) With 30 or more years of service at any age; or
B) At age 60 with ten or more years of service; or
C) At age 65 with less than ten years of service; or
D) With 20 or more years of service at age 55, if a MERF member prior to June 28, 1973.

The defined retirement benefits are based on the average of the highest five years salary within the last ten years of employment. The member will receive a benefit amount of 2% of that average salary for each of the first ten years of service and 2.5% of that salary for each year over ten years of service. The formulas used in calculating pension benefit increases are contained in Minnesota State Law. Increases may only be paid from investment earnings which exceed the actuarial assumption of a 5% return set for Minnesota public employment retirement funds. The annual increase for MERF is calculated from information supplied by the consulting actuary who determines the reserves required to maintain MERF as an actuarially and financially sound pension fund. Increases in pension benefits are permanent and guaranteed because they are fully funded, that is, the amount necessary to sustain the increase has been set aside.

There are different types of annuities available to members upon retirement. A normal annuity is a lifetime annuity that ceases upon the death of the retiree. No survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members leaving public service any time before retirement and before age 60 may receive a refund of all personal contributions, with interest, except for the survivor benefit contribution which is the equivalent of a nonrefundable term insurance premium. Employees who leave public service after age 60 may not withdraw personal contributions with interest unless they have worked under ten years and do not qualify for monthly retirement benefits. The survivor benefits contribution is nonrefundable.

MERF issues a publicly available financial report that includes Financial statements and required supplementary information. The report may be obtained in writing to MERF, 300 Baker Building, 706 2nd Avenue South, Minneapolis, MN 55402 or by calling (612) 335-5950.

B. Contributions Required and Contributions Made

Employee Contributions: Minnesota Statute Sections 422A.010 and 422A.25 require members to contribute 9.75% of their earnings to MERF which includes .5% for survivor benefits.

Employer Contributions: Required employer contributions are established by Minnesota Statute Section 422A.101 and include the normal cost, as reported in the annual actuarial valuation, plus an amount to cover administrative costs. Employers also contribute an additional 2.68% of covered employees payroll and an annual total of $3.9 million which is required by Minnesota statutes to be applied against the unfunded liability. Commencing in 1986, the Commission is required to make additional contributions towards the unfunded liability. This contribution was previously made by the State of Minnesota.

State of Minnesota Contributions: Minnesota Laws of 1991 provide for a maximum $9,000,000 annual contribution to MERF for the purpose of eliminating the unfunded liability by June 30, 2020. The consulting actuary for the fund determines the unfunded liability at the end of the fiscal year. By using a 6% interest assumption rate, an annual contribution to provide full funding by June 30, 2020 is determined. That amount is reduced by the employers 2.68% of payroll and further reduced by the $3.9 million and the additional contributions made by the Commission and others. If the balance exceeds the amount of the State maximum contribution, the excess is contributed by the employers.

Current required contribution rates are as follows:

	Employee	Employer	Additional Employer
Retirement Contribution	9.25%	9.00%	2.68%
Survivor Benefits	.50%		

Total contributions made by the Commission for the fiscal year ended December 31, are as follows (in thousands):

Contributions	1999	1998	1997
Employer	$801	$712	$1,062
Employee	372	434	477

NOTE L
POST-RETIREMENT BENEFITS

The Commission provides health insurance benefits for retired employees. Active employees who retire from the Commission and who have become vested in either the Minneapolis Employees Retirement Fund (MERF) or the Public Employees Retirement Association (PERA), and who do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the Commission's health benefits program. The Commission will make contributions (as specified in union agreements or the Commission's personnel policy) toward required premiums at the same percentages applicable to active employees and their eligible dependent(s) until becoming eligible for Medicare, Part A or B, or both. The Commission will then pay 100% of the premium for the retired employee, spouse over age 65, and legal dependents, provided that the retired employee is receiving benefits from either MERF or PERA, and is enrolled in Medicare Part A and B as their primary health insurance. As of January 1, 1991, all employees hired by the Commission will only be able to participate in the Commission medical plan up to age 65.

Effective January 1, 1997, the Commission changed its method of accounting for post retirement health benefits to accrue the estimated cost of retiree benefit payments during the years in which the employee earns the benefit. The Commission previously expensed the costs of these benefits as claims were incurred. The Commission has elected to recognize the transition obligation of approximately $21,341,000 over a period of twenty years. The net post retirement benefit cost for 1999 and 1998 includes the following components:

	1999	1998
Service costs – benefits earned during the period	$ 742,000	$ 782,000
Interest cost on accumulated post retirement benefit obligation	1,118,000	1,304,000
Amortization of Unrecognized Transition Obligation	976,000	976,000
	$2,836,000	$3,062,000

The funded status of the plan and amounts recognized on the balance sheet at December 31, are as follows:

	1999	1998
Accumulated post retirement benefit obligation	($25,449,000)	($23,588,000)
Plan assets at fair value	0	0
Funded status	($25,449,000)	(23,588,000)
Unrecognized transition obligation	16,595,000	17,571,000
Unrecognized prior service cost	0	0
Accrued pension cost	($ 8,854,000)	($ 6,017,000)

The Commission has restricted $8,787,000 for payments of post retirement benefits.

The assumed health care cost trend rate used in measuring the accumulated post retirement benefit obligation as of December 31, 1999, was 8.94% for pre 65 participants and 8.29% for 65+ participants. The assumed discount rate used in determining the accumulated post retirement benefit obligation as of December 31, 1999, was 7.0%. A one percentage point increase in the assumed health care cost trend rate for each year would increase the accumulated post retirement obligation as of December 31, 1999, by approximately 18.4% and the service and interest cost components of the net post retirement health care cost in 1999 by approximately 21.8%.

NOTE M
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 their salary, limited to $8,000 per year. Amounts deferred are available to employees or beneficiaries only at termination, retirement, death, or unforeseeable emergency.

GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans, establishes reporting requirements for IRC Section 457 plans. IRC Section 457 was revised in 1996 to require that qualifying plans hold the assets and income "... in trust for the exclusive benefit of participants and their beneficiaries..." by January 1, 1999. All assets were placed in trust prior to December 31, 1998. Consequently, the Commission has no legal access to these assets. Therefore, in accordance with the requirements of GASB No. 32, the Commission has restated total assets and liabilities to remove $8,655,000 of IRC Section 457 deferred compensation assets and liabilities originally reported at December 31, 1997.

NOTE N
ARBITRAGE

Every five years, the Commission is required to rebate arbitrage profits earned in relation to certain General Obligation Revenue and Airport Improvement Bond issues. Arbitrage profits are earned when investment income relating to these issues exceeds the yield on the bonds. The Commission has recorded a liability in accrued expenses at December 31, 1999 and 1998, of $852,678 and $450,456 respectively.

NOTE O
RISK MANAGEMENT

It is the policy of the Commission to act as a self-insurer for workers' compensation and health/dental claims. The Commission had no significant reduction in its insurance coverage for 1998 or 1999. In addition, no settlements exceeded insurance coverage for the last three fiscal years. The liability recorded under Employee Compensation and Payroll Taxes by the Commission includes estimated settlements for claims reported but not settled as of December 31, 1999 and 1998, as well as an estimate of claims incurred. Changes in the balances of claim liabilities during the past two years are as follows:

	1999	1998
Unpaid Claims - Beginning of Year	$ 414,760	$ 474,231
Incurred Claims and Changes in Estimates	2,967,582	3,273,305
Claims Paid	(2,911,948)	(3,332,776)
Unpaid Claims - End of Year	$ 470,394	$ 414,760

NOTE P
CONTINGENT LIABILITIES AND COMMITMENTS

There are several lawsuits pending in which the Commission is involved. The Commission's legal counsel has indicated that existing and pending lawsuits and claims are either billable to airport users or would not materially affect the financial statements of the Commission.

Contractual obligations for construction were approximately $119,176,000 at December 31, 1999.

NOTE Q
MAJOR CUSTOMER

Northwest Airlines, Inc. ("NAI") is a Minnesota corporation in the business of transporting by air passengers, mail and property. Northwest Aerospace Training Corporation ("NATCO") is a Minnesota corporation in the business of pilot training. Both NAI and NATCO are wholly owned by NWA Inc., a Delaware corporation ("NWA"). In July 1989, NWA was acquired by Wings Holdings Inc., a Delaware corporation ("Wings"). In December 1993, Wings changed its corporate name to Northwest Airlines Corporation ("NWA Corp."). NAI is the fourth largest airline in the United States and one of the largest employers in the State of Minnesota. NAI operates both domestic and international air route systems. Minneapolis-St. Paul International Airport is one of NAI's three major hubs. Revenues from NAI account for approximately 28% of operating revenues and 71% of total revenues from major airlines.

On April 23, 1992, the Commission issued $270,000,000 of taxable General Obligation Revenue Bonds, Series 9, ("Bonds"). The Bonds were used to acquire and lease back (a) a flight training center in Eagan, Minnesota, owned by NATCO, NAI and NWA (collectively "the Northwest entities"), consisting of land, a building, flight simulators, and related equipment and (b) certain leasehold interests of the Northwest entities and certain additional properties located at Minneapolis-Saint Paul International Airport (collectively "the Leased Facilities"). The lease obligations are secured by the Leased Facilities, by guaranties of the Northwest entities and NWA Corp. and by a pledge of certain additional collateral consisting of aircraft engine parts and international route authorities. During the term of the Bonds, the Northwest entities are required to maintain collateral, as determined by periodic independent appraisals, which has a value (based upon use of the assets by an airline) of at least 145% (reducible to 135% under certain circumstances) of the sum of the principal amount of Bonds outstanding. These transactions were accounted for as a capital lease.

The financial condition of NWA Corp. and the Northwest entities on a consolidated basis is material to the ability to perform their rental and other payment obligations to the Commission under various agreements. Leases and accounts receivable from the Northwest entities represent 16% of the Commission's total assets at December 31, 1999.

For the years ended December 31, 1999, and 1998, the Northwest entities and NWA Corp. had audited consolidated net income (loss) respectively of approximately $300 million and $(286) million. On December 31, 1999, the Northwest entities' and NWA Corp.'s audited total consolidated assets were $10,584 billion and their total audited consolidated liabilities were $10,636 billion, resulting in the Northwest entities' and NWA Corp.'s audited consolidated net deficit of $52 million. In the event that the Northwest entities or NWA Corp. are unable to meet their lease commitments, the Commission has the authority to levy property taxes to support the debt obligations on the Bonds.

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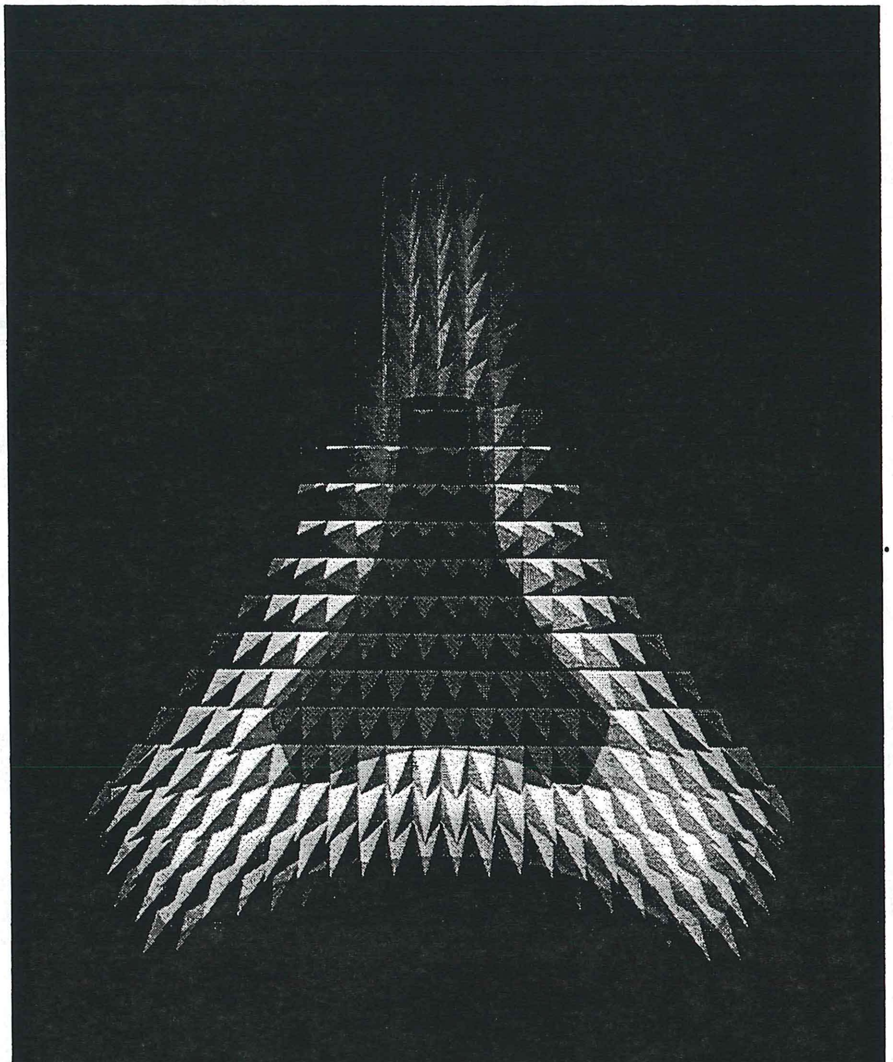

Statistical Section

HISTORICAL OPERATING STATEMENTS 1990-1999
(Dollars in Thousands)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Operating Revenues										
Airline Rates and Charges	$21,812	$25,385	$27,223	$29,115	$31,960	$35,193	$35,647	$41,838	$46,832	$55,401
Concessions	26,206	26,405	28,882	32,626	35,579	41,838	47,872	52,279	56,832	62,131
Other Revenues										
Rentals	3,087	4,582	4,926	6,882	5,601	6,962	8,884	8,135	8,653	10,369
Operating Lease Settlement		0	0	0	0	0	9,326	0	0	0
Utilities	1,137	1,224	1,129	1,116	1,342	1,271	1,584	1,516	2,077	1,719
Misecellaneous	4,703	2,843	3,187	1,390	1,911	1,992	1,919	2,293	2,554	8,364
Total Operating Revenues	56,945	60,439	65,347	71,129	76,393	87,256	105,232	106,061	116,948	137,984
Operating Expenses										
Salaries, Wages & Employee Benefits	19,153	21,168	22,308	22,739	23,293	24,360	26,341	30,653	32,433	34,497
Administrative Expenses	715	668	923	966	839	1,003	1,028	1,108	1,113	1,555
Professional Services	3,043	3,731	4,813	4,984	4,681	5,705	4,040	4,069	4,006	5,231
Utilities	4,070	3,665	4,412	4,974	5,287	5,354	6,106	5,889	6,466	7,318
Operating Services	5,074	5,581	5,907	5,809	7,995	8,276	8,705	9,935	10,414	11,199
Maintenance	6,763	7,003	7,088	7,406	6,743	7,236	8,007	8,809	9,302	10,498
Depreciation	14,662	16,214	17,976	19,258	21,048	22,656	26,528	33,304	36,756	42,875
Other	566	276	0	352	289	327	477	170	119	619
Total Operating Expenses	54,046	58,306	63,427	66,488	70,175	74,917	81,232	93,937	100,609	113,792
Operating Income	2,899	2,133	1,920	4,641	6,218	12,339	24,000	12,124	16,339	24,192
Other Revenues (Expenses)										
Interest Income	15,744	15,838	34,238	40,572	41,776	44,946	45,308	43,952	47,444	50,039
Passenger Facility Charges	0	0	14,607	28,596	28,472	32,286	35,892	37,162	37,389	40,474
Gain on Sale of Assets	0	0	0	0	448	0	418	6	0	2
Interest Expense	(7,943)	(9,430)	(27,544)	(34,812)	(34,018)	(32,945)	(31,788)	(30,957)	(37,549)	(35,103)
Part 150 Home Insulation Expenses	-	-	-	-	-	-	-	(8,482)	(14,976)	(18,475)
Concession Development Expenses	-	-	-	-	-	-	-	(1,358)	(1,792)	(5,319)
Total Other Revenues (Expenses)	7,801	6,408	21,301	34,356	36,678	44,287	49,830	40,323	30,516	31,618
Net Income	10,700	8,541	23,221	38,997	42,896	56,626	73,830	52,447	46,855	55,810
Add: Depreciation of Facilities Provided by Government Grants	4,125	4,690	4,984	5,328	5,933	6,559	7,882	8,941	9,691	10,295
Increase in Retained Earnings	14,825	13,231	28,205	44,325	48,829	63,185	81,712	61,388	56,546	66,105
Retained Earnings Beginning of Year	196,540	211,365	224,596	252,801	297,126	345,955	409,140	490,852	552,240	608,786
Retained Earnings End of Year	$211,365	$224,596	$252,801	$297,126	$345,955	$409,140	$490,852	$552,240	$608,786	$674,891

Source: Audit Reports for the last ten years.

1. For the years ended December 31, 1996-1999, the amounts shown takes into account the effect of GASB No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

HISTORICAL REVENUES 1991-1999
Pursuant to MAC's Master Trust Indenture
(Dollars in Thousands)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Airline Rates & Charges									
Landing Fees	$ 13,951	$ 15,332	$ 16,267	$ 19,077	$ 21,414	$ 21,918	$ 24,372	$ 27,358	$ 29,923
Ramp Fees	2,701	2,549	2,835	3,242	3,542	3,724	4,203	4,754	5,243
Lindbergh Terminal Building Rents	7,881	8,798	8,937	8,480	9,050	8,760	10,491	11,604	17,011
Other Lindbergh Terminal Charges	448	231	566	568	559	790	2,116	2,431	2,667
Noise Surcharge	404	313	510	593	628	455	656	685	557
Total Airline Rates & Charges	**25,385**	**27,223**	**29,115**	**31,960**	**35,193**	**35,647**	**41,838**	**46,832**	**55,401**
Concessions									
Auto Parking	15,407	17,109	20,425	22,070	26,158	30,292	31,675	35,052	36,670
Rental Car	5,601	5,974	6,307	6,787	7,919	8,465	9,469	10,335	11,429
Food & Beverage	1,458	1,495	1,530	1,644	1,909	2,348	2,541	2,719	3,084
Merchandise	1,828	1,989	1,953	1,866	2,024	2,500	3,180	3,451	4,043
Miscellaneous	2,099	2,304	2,411	3,200	3,816	4,255	5,405	5,273	6,894
Total Concession Revenue	**26,393**	**28,871**	**32,626**	**35,567**	**41,826**	**47,860**	**52,270**	**56,830**	**62,120**
Other Revenue									
Humphrey Building Rentals	1,065	1,165	1,209	1,312	1,477	1,492	862	1,207	1,768
Utilities	1,224	1,129	1,116	1,342	1,271	1,584	1,516	2,077	1,716
Other Building and Land Rent	1,910	1,888	1,913	2,965	4,171	15,052	5,717	5,859	11,600
Miscellaneous	3,639	4,277	4,417	2,341	2,412	2,662	2,916	2,973	3,712
Total Other Revenue	**7,838**	**8,459**	**8,655**	**7,960**	**9,331**	**20,790**	**11,011**	**12,116**	**18,796**
Total MSP Revenue	**59,616**	**64,553**	**70,396**	**75,487**	**86,350**	**104,297**	**105,119**	**115,778**	**136,317**
Total Reliever Airports	**823**	**794**	**733**	**906**	**906**	**935**	**942**	**1,170**	**1,667**
Total Operating Revenue	**60,439**	**65,347**	**71,129**	**76,393**	**87,256**	**105,232**	**106,061**	**116,948**	**137,984**
Interest Income									
Capital Lease Interest	10,510	30,590	37,412	36,811	36,310	35,924	35,183	31,430	29,646
Other-2	5,775	3,235	2,710	3,784	6,415	6,222	5,542	6,591	3,615
Total Interest Income	**16,285**	**33,825**	**40,122**	**40,595**	**42,725**	**42,146**	**40,725**	**38,021**	**33,261**
Capital Lease Principal Payments	4,239	4,763	6,389	5,798	7,115	7,465	6,582	7,181	6,057
Total Revenues-1	**$ 80,963**	**$ 103,935**	**$ 117,640**	**$ 122,786**	**$ 137,096**	**$ 154,843**	**$ 153,368**	**$ 162,150**	**$ 177,302**

1-Total Revenues do not include any PFC's.
2. Interest income on PFC's and Bond Series 1998-99 Construction Funds are not included.
3.1990 Information is unavailable.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

PERCENTAGE DISTRIBUTION OF OPERATING REVENUES 1991-1999

(Dollars in Thousands)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Airline Rates & Charges									
Landing Fees	23.1%	23.5%	22.9%	25.0%	24.5%	20.8%	23.0%	23.4%	21.7%
Ramp Fees	4.5%	3.9%	4.0%	4.2%	4.1%	3.5%	4.0%	4.1%	3.8%
Lindbergh Terminal Building Rents	13.0%	13.5%	12.6%	11.1%	10.4%	8.3%	9.9%	9.9%	12.3%
Other Lindbergh Terminal Charges	0.7%	0.4%	0.8%	0.7%	0.6%	0.8%	2.0%	2.1%	1.9%
Noise Surcharge	0.7%	0.5%	0.7%	0.8%	0.7%	0.4%	0.6%	0.6%	0.4%
Total Airline Rates & Charges	**42.0%**	**41.7%**	**40.9%**	**41.8%**	**40.3%**	**33.9%**	**39.4%**	**40.0%**	**40.2%**
Concessions									
Auto Parking	25.5%	26.2%	28.7%	28.9%	30.0%	28.8%	29.9%	30.0%	26.6%
Rental Car	9.3%	9.1%	8.9%	8.9%	9.1%	8.0%	8.9%	8.8%	8.3%
Food & Beverage	2.4%	2.3%	2.2%	2.2%	2.2%	2.2%	2.4%	2.3%	2.2%
Merchandise	3.0%	3.0%	2.7%	2.4%	2.3%	2.4%	3.0%	3.0%	2.9%
Miscellaneous	3.5%	3.5%	3.4%	4.2%	4.4%	4.0%	5.1%	4.5%	5.0%
Total Concession Revenue	**43.7%**	**44.2%**	**45.9%**	**46.6%**	**47.9%**	**45.5%**	**49.3%**	**48.6%**	**45.0%**
Other Revenue									
Humphrey Building Rentals	1.8%	1.8%	1.7%	1.7%	1.7%	1.4%	0.8%	1.0%	1.3%
Utilities	2.0%	1.7%	1.6%	1.8%	1.5%	1.5%	1.4%	1.8%	1.2%
Other Building and Land Rent	3.2%	2.9%	2.7%	3.9%	4.8%	14.3%	5.4%	5.0%	8.4%
Miscellaneous	6.0%	6.5%	6.2%	3.1%	2.8%	2.5%	2.7%	2.5%	2.7%
Total Other Revenue	**13.0%**	**12.9%**	**12.2%**	**10.4%**	**10.7%**	**19.8%**	**10.4%**	**10.4%**	**13.6%**
Total MSP Revenue	**98.6%**	**98.8%**	**99.0%**	**98.8%**	**99.0%**	**99.1%**	**99.1%**	**99.0%**	**98.8%**
Total Reliever Airports	**1.4%**	**1.2%**	**1.0%**	**1.2%**	**1.0%**	**0.9%**	**0.9%**	**1.0%**	**1.2%**
Total Operating Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Metropolitan Airports Commission
Note: Totals may not add due to rounding.
Note: 1990 information is not available.

NWA Revenue as a Percentage of Total MAC Operating Revenues-1
1993-1999

	1993	1994	1995	1996	1997	1998	1999
Total MAC Operating Revenue	$71,129	$76,393	$87,256	$105,232	$106,061	$116,948	$137,984
Lease Principal/Interest Payments	43,803	42,612	43,426	43,389	41,650	37,368	33,370
Interest Income-MAC Funds-3	3,158	3,709	6,308	6,148	5,542	12,569	17,083
Total Revenue	118,090	122,714	136,990	154,769	153,253	166,885	188,437
NWA Portion of Operating Revenue	22,355	23,614	25,907	26,477	30,477	32,504	38,442
NWA Portion of Lease Payments	42,629	41,438	42,240	42,163	39,708	35,856	31,812
Total NWA Revenue	$64,984	$65,052	$68,147	$68,640	$70,185	$68,360	$70,254
NWA % of Total Revenue	**55.03%**	**53.01%**	**49.75%**	**44.35%**	**45.80%**	**40.96%**	**37.28%**
Total Revenue	$118,090	$122,714	$136,990	$154,769	$153,253	$166,885	$188,437
Less: NWA GO 9 Lease Payments	23,960	23,960	23,960	23,960	23,960	23,960	23,960
Total Revenue	94,130	98,754	113,030	130,809	129,293	142,925	164,477
Total NWA Revenue	64,984	65,052	68,147	68,640	70,185	68,360	70,254
Less: NWA GO 9 Lease Payments	23,960	23,960	23,960	23,960	23,960	23,960	23,960
Total NWA Revenue	$41,024	$41,092	$44,187	$44,680	$46,225	$44,400	$46,294
NWA % of Total Revenue	**43.58%**	**41.61%**	**39.09%**	**34.16%**	**35.75%**	**31.07%**	**28.15%**

NWA Revenue as a Percentage of Total Airline Revenues-1
1993-1999

	1993	1994	1995	1996	1997	1998	1999
Total Air Carrier Operating Revenue	$31,764	$33,624	$36,989	$37,788	$43,628	$46,060	$53,818
Air Carrier Lease Payments	43,084	41,893	42,707	42,621	40,166	36,356	32,759
Total Air Carrier Revenue	$74,848	$75,517	$79,696	$80,409	$83,794	$82,416	$86,577
Total NWA Revenue	$64,984	$65,052	$68,147	$68,640	$70,185	$68,360	$70,254
NWA % of Total Air Carrier Revenue	86.82%	86.14%	85.51%	85.36%	83.76%	82.95%	81.15%

1. Information is not available for 1990-1992.
2. In 1996 Operating Lease Settlement is included.
3. Does not include interest income earned on PFC's.
Source: Metropolitan Airports Commission

OPERATING RATIO (IN THOUSANDS OF DOLLARS)-1
1990-1999

YEAR	OPERATING EXPENSE-2	OPERATING REVENUES-3	OPERATING RATIO
1990	$39,384	$56,945	69%
1991	42,092	60,439	70%
1992	45,451	65,347	70%
1993	47,230	71,129	66%
1994	49,127	76,393	64%
1995	52,261	87,256	60%
1996	54,704	95,906	57%
1997	60,633	106,061	57%
1998	63,853	116,948	55%
1999	70,917	137,984	51%

1-Operating ratio is operating expense net of depreciation divided by total operating revenue.
2-Operating expense excludes depreciation.
3-In 1996 Operating Lease Settlement is not included.
Source: Metropolitan Airports Commission

REVENUE AVAILABLE FOR DEBT SERVICE (IN THOUSANDS OF DOLLARS)
1990-1999

YEAR	OPERATING REVENUE-2	INTEREST INCOME	LEASE PRINCIPAL PAYMENTS	OPERATING EXPENSE-1	REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE	COVERAGE OF DEBT SERVICE	COVERAGE OF DEBT SERVICE EXCLUDING THE $270 MILLION ISSUE FOR NWA
1990	$56,945	$15,744	$4,016	$(39,384)	$37,321	$15,238	2.45	2.45
1991	60,439	15,838	4,686	(42,092)	38,871	17,930	2.17	2.17
1992	65,347	34,238	5,784	(45,451)	59,918	36,249	1.65	2.29
1993	71,129	40,572	6,611	(47,230)	71,082	43,702	1.63	2.39
1994	76,393	41,776	6,907	(49,127)	75,949	44,413	1.71	2.54
1995	87,256	44,946	7,261	(52,261)	87,202	44,670	1.95	3.05
1996	95,906	45,282	7,718	(54,704)	94,202	43,063	2.19	3.68
1997	106,061	43,545	8,195	(60,633)	97,168	42,022	2.31	4.05
1998	116,948	47,444	8,853	(63,853)	109,392	47,899	2.28	3.57
1999	137,984	50,039	6,798	(70,917)	123,904	45,143	2.74	4.72

1-Operating expense excludes depreciation.
2-In 1996 Operating Lease Settlement is not included.
Source: Metropolitan Airports Commission

Air Carrier Market Share
Total Enplaned Passengers(1)
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
(Ranked on 1999 results)

Air Carrier	1993	1994	1995	1996	1997	1998	1999 2	% of Total 3
Northwest	8,361,508	8,634,138	9,513,218	10,132,733	10,667,527	9,813,515	11,056,053	70.6%
Mesaba Aviation 4	270,447	257,754	264,420	359,897	720,975	1,010,129	1,154,386	7.4%
United	417,494	470,194	474,695	477,159	496,159	571,032	552,721	3.5%
American	309,258	314,080	338,156	344,591	363,254	425,073	475,338	3.0%
Sun Country	215,201	304,558	347,340	365,321	331,346	402,768	384,014	2.5%
Delta	284,174	272,527	270,519	272,505	322,649	376,461	381,779	2.4%
Trans World	136,357	168,237	206,095	217,874	208,873	226,825	229,145	1.5%
US Airways	177,043	189,477	174,684	171,137	185,156	204,754	173,917	1.1%
Vanguard	-	-	46,193	99,976	173,324	181,546	172,559	1.1%
Continental	212,451	162,728	127,860	138,488	138,954	158,507	162,036	1.0%
KLM Royal Dutch 4	5,697	-	49,220	87,424	138,248	137,040	138,513	0.9%
America West	96,239	120,238	121,754	126,889	137,246	135,066	132,456	0.8%
Ryan Int'l	-	-	-	9,820	32,736	93,044	131,166	0.8%
Other	529,851	634,702	557,573	650,997	539,085	436,182	509,770	3.3%
	11,015,720	11,528,633	12,491,727	13,454,811	14,455,532	14,171,942	15,653,853	100.0%

1 The figures may differ from the passenger statistics reported by the Air Carriers to the Airport.
2 Estimated
3 Percentage may not sum to totals due to rounding.
4 Codeshare with Northwest.
5 1990-1992 In Form Not Available

Sources: DOT, Schedules T-3, T-100 and 298C T-1; and John F. Brown Company, Inc.

Enplaned Passenger Trends
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)

	Originating		Connecting			
Year	Enplaned Passengers (1)	% of Total	Enplaned Passengers (1)	% of Total	Total	% Change from Previous Year
1990	5,195,137	53.6%	4,501,715	46.4%	9,696,852	6.0%
1991	5,267,034	54.3	4,431,820	45.7	9,698,854	0.0
1992	5,431,705	51.1	5,197,830	48.9	10,629,535	9.6
1993	5,533,755	50.2	5,482,065	49.8	11,015,720	3.6
1994	5,778,553	50.1	5,750,080	49.9	11,528,633	4.7
1995	6,182,572	49.5	6,309,155	50.5	12,491,727	8.4
1996	6,735,741	50.1	6,719,070	49.9	13,454,811	7.7
1997	7,107,727	49.2	7,347,805	50.8	14,455,532	7.5
1998	7,152,712	50.5	7,019,230	49.5	14,171,942	-2.0
1999E	7,903,853	50.5	7,750,000	49.5	15,653,853	10.5

Average Annual Compound Growth

1992-99	5.50%	5.87%	5.69%

Sources: DOT, Schedules T-100 and T-3, DOT, Air Passenger Origin - Destination Survey, reconciled to Schedules T-100 and 298C T-1; John F. Brown Company, Inc.

Notes: (1) Includes passengers who connected to domestic flights at MSP but who were bound for international destinations via other U.S. gateway airports.
(2) Includes domestic-to domestic, domestic-to-international, and international-to domestic connections.
The above figures may differ from the passenger statistics reported by the airlines to the Airport.

The decline in 1998 is the result of the Northwest Airlines strike in late August through early September 1998

E=Estimated.

Air Carrier Market Share
Total Enplaned Cargo (in tons)
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
(Ranked on 1999 results)

Air Carrier	1993	1994	1995	1996	1997	1998	1999	% of Total 1
Northwest	88,136.4	96,936.6	90,211.7	82,843.1	89,255.9	65,323.0	71,038.9	34.9%
Federal Express	34,337.7	40,315.0	46,252.1	44,769.6	45,127.8	50,408.9	49,393.4	24.2%
Emery Worldwide	6,517.8	8,084.5	7,995.6	13,024.1	14,244.8	26,701.2	29,792.5	14.6%
UPS	20,272.1	21,309.8	22,089.7	24,615.8	27,141.5	25,572.4	25,378.2	12.5%
Airborne	6,098.5	6,900.4	6,864.5	6,615.3	7,069.6	7,026.0	6,651.1	3.3%
Other	10,831.0	10,721.0	9,421.3	5,279.4	3,883.0	4,812.9	4,715.8	2.3%
United	2,634.7	2,883.1	5,847.1	7,126.3	5,208.7	5,803.1	3,285.4	1.6%
American	2,724.2	4,284.0	3,917.0	2,394.4	3,178,0	2,906.9	3,233.6	1.6%
KLM Royal Dutch	660.1	-	1,471.5	2,839.9	3,267.4	2,582.5	2,707.3	1.3%
DHL	2,817.7	3,105.9	3,406.7	2,463.7	2,544.1	2,649.1	1,731.6	0.9%
Continental	2,375.6	2,018.5	1,628.9	1,859.4	1,812.9	1,824.3	1,640.8	0.8%
Delta	4,457.0	4,276.4	3,548.9	2,887.5	2,808.2	2,261.6	1,420.7	0.7%
Trans World	1,101.2	1,566.1	1,884.4	1,718.7	1,416.7	1,430.3	1,406.7	0.7%
US Airways	1,682.3	2,077.2	2,029.5	2,139.1	2,076.3	1,432.0	1,139.0	0.6%
Kitty Hawk/AIA*	56.4	63.4	2,307.9	2,977.5	3,338.9	3,782.8	173.9	0.1%
	184,702.7	204,541.9	208,876.8	203,553.8	212,373.8	204,517.1	203,708.9	100.0%

*American International Airways.

1 Percentages may not sum to totals due to rounding.
2 1990-92 information is not available
Source: Metropolitan Airports Commission.

Enplaned Cargo Trends
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)

(Freight and mail in thousands of tons)

Type of Carrier	1992	1993	1994	1995	1996	1997	1998	1999	AAG 1992-99
Passenger	103.9	105.1	115.8	112.1	107.1	112.2	87.7	90.2	-2.0%
All Cargo	71.3	79.6	88.7	96.8	96.4	100.2	116.9	113.6	6.9%
Total	175.23	184.70	204.54	208.88	203.55	212.37	204.52	203.71	2.2%

Source: Metropolitan Airports Commission.
Note: AAG=Average annual compound growth.

Note: 1990-1991 information is not available

Trends in Enplaned Cargo by Type of Carrier
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)

(Freight and mail in tons)

	Passenger Carriers		All Cargo Carriers		
Year	Tons	% of Total	Tons	% of Total	Total Cargo
1992	103,886	59.3%	71,344	40.7%	175,230
1993	105,087	56.9	79,616	43.1	184,703
1994	115,833	56.6	88,709	43.4	204,542
1995	112,096	53.7	96,781	46.3	208,877
1996	107,105	52.6	96,449	47.4	203,554
1997	112,176	52.8	100,198	47.2	212,374
1998	87,651	42.9	116,866	57.1	204,517
1999	90,151	44.3	113,558	55.7	203,709
Average Annual Compound Growth					
1992-1999	-2.0%		6.9%		2.2%

Source: Metropolitan Airports Commission.
1990-91 Information is not included

Trends in Enplaned Cargo by Freight & Mail
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)

(Freight and mail in tons)

	Freight/Express		Mail		
Year	Tons	% of Total	Tons	% of Total	Total Cargo
1992	119,252	68.1%	55,978	31.9%	175,230
1993	124,333	67.3	60,370	32.7	184,703
1994	133,641	65.3	70,901	34.7	204,542
1995	137,339	65.8	71,538	34.2	208,877
1996	133,463	65.6	70,091	34.4	203,554
1997	138,276	65.1	74,097	34.9	212,373
1998	130,110	63.6	74,407	36.4	204,517
1999	132,840	65.2	70,869	34.8	203,709
Average Annual Compound Growth					
1992-1999	1.6%		3.4%		2.2%

Source: Metropolitan Airports Commission.

Historical Aircraft Operations
Minneapolis – St. Paul International Airport
(For the 12 months ended December 31)

Year	Air Carrier Operations	Commuter Operations	Cargo Operations	Total Commercial Operations (1)	Percent Commercial Operations (1)	General Aviation Operations	Military Operations	Total Operations
1990	229,465	74,447	18,291	322,203	84.84%	54,780	2,802	379,785
1991	231,743	75,856	20,049	327,648	85.77%	51,889	2,480	382,017
1992	249,925	85,930	18,691	354,546	85.74%	55,963	2,993	413,502
1993	264,514	108,237	15,198	387,949	88.17%	49,216	2,825	439,990
1994	272,100	115,164	14,110	401,374	88.27%	50,898	2,451	454,723
1995	286,727	106,694	15,933	409,354	88.60%	49,769	2,915	462,038
1996	306,782	105,926	20,362	433,070	89.20%	49,786	2,624	485,480
1997	306,391	102,038	15,011	423,440	86.19%	64,209	3,624	491,273
1998	295,468	90,421	15,323	401,212	83.06%	79,757	2,044	483,013
1999	331,519	109,017	17,271	457,807	89.70%	49,256	3,358	510,421

(1) Commercial Operations equal Air Carrier, Commuter, and Cargo Operations.

(2) Aircraft operations represent the number of takeoffs and landings at the airport
Source: Metropolitan Airports Commission

Trends in Aircraft Landed Weight of Signatory Airlines
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)

Year	Type of Air Carrier (In thousands of pounds) Passengers	All Cargo	Total Landed Weight
1992	19,294,221	530,816	19,825,037
1993	19,994,040	567,824	20,561,864
1994	20,208,799	665,257	20,874,056
1995	21,086,854	712,105	21,798,959
1996	21,778,018	706,571	22,484,589
1997	22,311,214	740,397	23,051,611
1998*	21,900,417	703,245	22,603,663
1999 (1)	25,030,878	726,275	25,757,153

(1) During 1999, Northwest Airlines' operations represented 71.5% of total landed weight of signatory airlines at the Airport.

(2) 1990-1991 Information is not available.

Source: Metropolitan Airports Commission.

AIRLINE COST PER ENPLANED PASSENGER
1990-1999

YEAR	TOTAL COST---1	ENPLANED PASSENGERS---2	AIRLINE COST PER ENPLANED PASSENGER
1990	$ 28,692	9,577	$ 3.00
1991	31,920	9,660	3.30
1992	33,928	10,702	3.17
1993	35,971	11,037	3.26
1994	37,948	11,498	3.30
1995	41,349	12,666	3.26
1996	42,082	13,622	3.09
1997	47,864	14,336	3.34
1998	53,001	14,620	3.63
1999	60,559	16,457	3.68

1. Cost is defined as airline payments made to the Commission for expenses incurred in the airfield, terminal building and charter terminal.
2. The figures may differ from the passenger statisitics reported by the air carriers to the DOT.

Source: Metropolitan Airports Commission

ACTIVITY STATISTICS FOR MINNEAPOLIS/ST. PAUL INTERNATIONAL AIRPORT 1990-1999

YEAR	TOTAL PASSENGERS---1	AIRCRAFT OPERATIONS --- 2	MAIL AND CARGO VOLUMES (METRIC TONS)
1990	19,167,427	379,785	266,824
1991	19,336,533	382,017	272,328
1992	21,407,415	413,502	302,201
1993	22,070,715	439,990	320,893
1994	23,095,510	454,723	378,241
1995	25,332,631	465,354	365,203
1996	27,268,562	485,480	361,662
1997	28,766,355	491,273	379,117
1998	28,982,638	483,013	366,347
1999	33,137,448	510,421	366,465

1- Passengers include on-line connecting. (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.

Source: Metropolitan Airports Commission

AIRCRAFT OPERATIONS[1] AT THE RELIEVER AIRPORTS METROPOLITAN AREA 1990-1999

YEAR	ST. PAUL DOWNTOWN AIRPORT	FLYING CLOUD AIRPORT	CRYSTAL AIRPORT	ANOKA COUNTY/ BLAINE AIRPORT	LAKE ELMO AIRPORT	AIRLAKE AIRPORT
1990	190,333	227,408	189,910	215,000	66,950	67,980
1991	168,450	186,496	173,150	195,650	69,950	74,745
1992	152,378	198,306	179,546	195,650	69,950	81,087
1993	132,531	218,745	183,554	195,650	69,950	81,087
1994	145,834	238,838	185,991	199,000	71,000	82,500
1995	133,686	216,313	171,478	181,866	64,887	75,397
1996	139,055	217,703	187,957	192,600	68,400	75,397
1997	136,968	198,199	175,728	143,083	65,664	72,382
1998	158,785	210,907	179,186	143,950	69,604	76,725
1999	158,835	192,737	178,342	150,014	70,996	76,725

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

Source: Metropolitan Airports Commission

POPULATON OF MINNEAPOLIS-ST. PAUL METROPOLITAN STATISTICAL AREA 1990-1999 (IN THOUSANDS)

YEAR	TOTAL POPULATION
1990	2,539
1991	2,582
1992	2,617
1993	2,656
1994	2,693
1995	2,730
1996	2,765
1997	2,792
1998	2,831
1999	N/A

Source: U.S. Department of Commerce, Bureau of the Census.

SCHEDULE OF AIRLINE RATES AND CHARGES 1990-1999

Year	Landing Fee/ 1000 lbs.	Ramp Fees/ Lineal Foot	Common Use/ Square Foot	Finished/ Square Foot	Finished Janitored/ Square Foot	Unfinished/ Square Foot
1990	$0.65	$306.76	$17.60	$17.60	$22.24	$17.60
1991	0.77	317.97	19.49	19.49	24.89	19.49
1992	0.77	300.06	20.46	20.46	27.51	20.46
1993	0.79	333.73	21.78	21.78	27.78	21.78
1994	0.87	344.96	20.39	20.39	25.78	20.39
1995	0.95	366.41	21.61	21.61	26.48	21.61
1996	0.94	399.73	22.51	22.51	26.15	22.51
1997	1.02	462.64	26.64	26.64	30.82	26.64
1998	1.18	517.88	26.34	26.34	31.33	26.34
1999	1.10	516.00	36.32	36.32	40.58	36.32

Source: Compensatory Rental Report

In 1999, the schedule of airline rates and charges reflects the New Airline Agreement calculation.

AIR CARRIERS SERVING THE AIRPORT (1)
MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT
(As of April 1, 2000)

U.S. – FLAG CARRIERS

SCHEDULED SERVICES

America West*	Frontier*	TWA*
American*	Great Lakes*3	United*
Comair*2	Mesaba*4	US Airways*
Continental*	Northwest*	Vanguard*
Delta*	Sun Country*	

NON-SCHEDULED (CHARTER) SERVICES

American Trans Air*	Champion Air	Ryan International

ALL-CARGO SERVICES

Airborne	DHL	Superior Aviation
American International	Emery Worldwide	UPS*
Bemidji	FedEx*	Zantop
CSA Air	Sioux Falls Aviation	

FOREIGN-FLAG CARRIERS

Air Canada*	Icelandair*	KLM*4

*Denotes those Air Carriers that are expected to be Signatory Airlines to the Airline Lease Agreements or are expected to be Signatory Airlines to the Airline Lease Agreements.
1Excludes carriers reporting fewer than 1,000 enplaned passengers per annum.
2Codeshare with Delta.
3Codeshare with United.
4Codeshare with Northwest.

Sources: Metropolitan Airports Commission; DOT, Schedule T-3.

INSURANCE COVERAGE (Unaudited)

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Year ended December 31, 1999

Insurer	Expiration	Coverage	Policy Limits (Thousands of Dollars)
AIG Aviation	1-1-01	General aviation liability including personal injury	$500,000
Protection Mutual Insurance	1-1-02	Blanket fire & extended coverage on building and contents. Heavy equipment, boiler, machinery and builder's risk	$588,759
Self-Insured	Continuous	Statutory workers' compensation	$100/500/100
Fidelity & Deposit Company of Maryland	1-1-01	Comprehensive Crime Employee Bond	$1,000
Minnesota Risk Management Fund	7-1-01	Auto Liability (licensed vehicles), physical damage, hired automobiles, valet parking, inland marine and garage keepers	$29,022

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