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Minneapolis-St. Paul

**Metropolitan
Airports
Commission**



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**Annual
Financial
Report**

1979



**Minneapolis-St. Paul
Metropolitan Airports Commission**

Annual Financial Report, 1979

Contents

Accountants' Report/3
Balance Sheets/4
Statements of Capital/6
Statements of Income/7
Statements of Changes in Financial Position/8
Notes to Financial Statements/9
Revenue and Expense Comparisons for 1976 to 1979/15
Comparison of Budget to Operating Actual for 1979/16
1980 Operating and Capital Budgets/17
Organization Data/18

Accountants' Report

Ernst & Whinney

W-2990 First National Bank Building
Saint Paul, Minnesota 55101

612/227-7311

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

We have examined the balance sheets of Minneapolis-Saint Paul Metropolitan Airports Commission as of December 31, 1979 and 1978, and the related statements of income, capital and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Minneapolis-Saint Paul Metropolitan Airports Commission at December 31, 1979 and 1978, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Saint Paul, Minnesota
March 12, 1980

Liabilities and Capital

	December 31	
	1979	1978
CURRENT LIABILITIES		
Operations:		
Accounts payable	\$ 849,311	\$ 888,084
Employee compensation and payroll taxes	26,107	39,509
Rent paid in advance	2,681,072	2,670,302
Other	51,159	59,644
	3,607,649	3,657,539
Restricted:		
Construction accounts payable	3,494,014	593,275
Accrued interest	473,508	492,495
Current maturities of bonds payable	2,240,000	1,760,000
	6,207,522	2,845,770
TOTAL CURRENT LIABILITIES	9,815,171	6,503,309
LONG-TERM BONDS PAYABLE—Note C		
Bonds payable	104,935,000	95,095,000
Accrued interest due January 1	1,696,394	1,360,445
	106,631,394	96,455,445
Less cash deposited with disbursing agents for bond principal and interest due January 1	4,611,394	4,280,445
	102,020,000	92,175,000
CAPITAL		
Contributed capital—Note D	34,460,016	33,352,417
Surplus:		
Appropriated	34,937,643	31,570,467
Unappropriated	12,071,657	8,027,246
	47,009,300	39,597,713
	81,469,316	72,950,130
CONTINGENT LIABILITY—Note G		
	\$193,304,487	\$171,628,439

See notes to financial statements

Statements of Capital

Minneapolis-Saint Paul Metropolitan Airports Commission

Years Ended December 31, 1979 and 1978

	Contributed Capital	Surplus Appro- priated	Unappro- priated	Total
Balance January 1, 1978	\$32,912,512	\$28,941,493	\$6,066,147	\$67,920,152
Government grants in aid of construction	1,820,194			1,820,194
Depreciation of facilities provided by government grants	(1,380,289)		1,380,289	-0-
Net income for the year			3,209,765	3,209,765
Surplus appropriated for bond principal and interest payments and future construction—Note B		2,628,955	(2,628,955)	-0-
Ad valorem taxes		19		19
Balance December 31, 1978	\$33,352,417	\$31,570,467	\$8,027,246	\$72,950,130
Government grants in aid of construction	2,765,486			2,765,486
Depreciation of facilities provided by government grants	(1,408,192)		1,408,192	-0-
Government grants in aid on facilities disposed of	(249,695)		249,695	-0-
Net income for the year			5,753,632	5,753,632
Surplus appropriated for bond principal and interest payments and future construction—Note B		3,367,108	(3,367,108)	-0-
Ad valorem taxes		68		68
Balance December 31, 1979	\$34,460,016	\$34,937,643	\$12,071,657	\$81,469,316

See notes to financial statements

Statements of Income

Minneapolis-Saint Paul Metropolitan Airports Commission

	Year Ended December 31	
	1979	1978
REVENUES		
Space rentals	\$ 8,459,794	\$ 8,185,566
Concession rentals	8,230,735	7,698,581
Landing fees	5,167,046	4,509,787
Interest earned	6,302,980	3,898,636
Tax collections	535,370	571,619
Other	1,324,031	1,053,084
	30,019,956	25,917,273
COSTS AND EXPENSES		
Salaries and wages	4,341,150	4,058,136
Employee benefits, including pension costs—Note F	1,304,768	1,232,130
Operating supplies	916,329	790,616
Utilities	1,017,592	1,083,877
Maintenance and repairs, including labor (1979—\$1,425,240; 1978—\$1,277,422)	3,423,017	2,988,559
Depreciation	7,020,083	6,842,132
Interest	4,447,712	4,659,948
Other	1,795,673	1,052,110
	24,266,324	22,707,508
NET INCOME	\$ 5,753,632	\$ 3,209,765

See notes to financial statements

Statements of Changes in Financial Position

Minneapolis-Saint Paul Metropolitan Airports Commission

	Year Ended December 31	
	1979	1978
SOURCE OF FUNDS		
Net income	\$ 5,753,632	\$ 3,209,765
Depreciation (not requiring current outlay of working capital)	7,020,083	6,842,132
TOTAL FUNDS PROVIDED FROM OPERATIONS	12,773,715	10,051,897
Net book value of property disposals	578,833	170,526
Proceeds from bonds issued	15,000,000	-0-
Government grants in aid of construction	2,246,563	4,865,069
Ad valorem taxes	68	19
	30,599,179	15,087,511
APPLICATION OF FUNDS		
Increase (Decrease) in restricted cash and investments	(5,935,622)	3,343,140
Additions to airports and facilities	28,577,540	4,911,581
Reduction in long-term bonds payable	5,155,000	4,680,000
	27,796,918	12,934,721
INCREASE IN WORKING CAPITAL	2,802,261	2,152,790
Working capital at beginning of year	9,747,687	7,594,897
WORKING CAPITAL AT END OF YEAR	\$12,549,948	\$ 9,747,687
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Increases (decrease) in current assets:		
Cash and investments	\$ 2,752,523	\$ 1,231,967
Accounts receivable	(94,041)	802,331
Other	93,889	288,864
Restricted cash and investments	3,361,752	165,355
	6,114,123	2,488,517
Increase (decrease) in current liabilities:		
Accounts payable	(38,773)	112,572
Employee compensation and payroll taxes	(13,402)	26,905
Rent paid in advance	10,770	30,895
Other	(8,485)	-0-
Restricted current liabilities	3,361,752	165,355
	3,311,862	335,727
INCREASE IN WORKING CAPITAL	\$2,802,261	\$ 2,152,790

See notes to financial statements

Notes to Financial Statements

Minneapolis-Saint Paul Metropolitan Airports Commission

December 31, 1979

Note A—Significant Accounting Policies

Airports and Facilities

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

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

It is the policy of the Commission to amortize the carrying amount of the properties over their estimated useful lives on a straight line basis by annual depreciation charges to income. With respect to facilities leased under "self-liquidating" agreements, annual depreciation charges are made to income in an amount equal to the portion of annual rentals received by the Commission for recovery of construction costs.

Costs incurred with respect to master planning 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.

Investments

Investments include securities purchased under agreement to resell, certificates of deposit, United States Government securities and commercial paper recorded at cost plus accrued interest and unamortized purchase discounts or premiums which approximates market value.

Lease Agreements

Substantially all airport improvements and buildings are either leased or charged to users under various agreements. Certain facilities are leased under "self-liquidating" agreements whereby the lessee is required to pay annual rentals equal to the debt service requirements of the bonds issued to construct such facilities. Other facilities or portions thereof at Minneapolis-Saint Paul International Airport are charged to user airlines under agreements which provide for compensatory rental rates resulting in recovery of all costs incurred, including depreciation and interest, in terminal building,

Note A—Significant Accounting Policies (Cont'd)

ramp and runway areas allocated to and used by the airlines. Other facilities, to the extent they are leased, are leased under conventional agreements. Rentals from these conventional agreements are used to defray the costs of maintaining secondary airports and public areas at Wold-Chamberlain Field.

Note B—Restricted Cash and Investments and Surplus Appropriated for Bond Principal and Interest Payments and Future Construction

Under the Airport Law and Commission resolutions, the Commission has covenanted and agreed to establish, revise from time to time, and collect rates, charges and rentals for availability and use of all airport and air navigation facilities according to schedules so as to produce revenues at all times sufficient to pay the principal of and interest on its Airport Improvement Bonds and its General Obligation Revenue Bonds when due. In addition, a balance must be maintained in the debt service fund of the Commission on October 10 of every year, equal to the total amount of principal and interest due and to become due on its then outstanding bonds to the end of the second following year. Amounts received from issuance of Commission bonds and from government grants in aid of construction are segregated and restricted for construction purposes.

The Commission follows the policy of segregating and restricting cash and investments each year in an amount equal to the interest earned on restricted funds and depreciation and interest costs charged to operations on assets acquired with restricted funds. Amounts so segregated and restricted are allocated first to the debt service fund on or before October 10 of each year, in an amount necessary to meet debt service fund requirements as set forth above, and the remaining amounts are allocated to the construction fund or special construction fund to be used for construction or asset replacement.

To the extent the amounts of cash and investments segregated and restricted each year exceed or are less than the actual bond principal payments and interest expense charged to operations, surplus is appropriated accordingly as follows:

	Year Ended December 31	
	1979	1978
Cash and investments segregated and restricted for:		
Interest earned on restricted funds	\$ 4,485,373	\$ 2,787,697
Interest and depreciation costs of assets acquired from restricted funds	8,832,142	9,091,250
	13,317,515	11,878,947
Less bond principal and interest debt service requirements	9,950,407	9,249,992
Addition to appropriated surplus	\$ 3,367,108	\$ 2,628,955

Note B—Restricted Cash and Investments and Surplus Appropriated for Bond Principal and Interest Payments and Future Construction (Cont'd)

In accordance with the Airport Law, Commission resolutions and bond indentures, cash and investments have been segregated and restricted as follows:

	Year Ended December 31	
	1979	1978
Construction (bond proceeds and government grants received):		
Cash	\$ 18,123	\$ 249,167
Investments	12,278,977	15,518,958
	12,297,100	15,768,125
Debt service:		
Cash	36,430	113,041
Investments	20,512,401	28,012,297
	20,548,831	28,125,338
Special construction:		
Investments	13,791,419	5,317,757
	13,791,419	5,317,757
TOTAL RESTRICTED CASH AND INVESTMENTS	46,637,350	49,211,220
Portion segregated for payment of current liabilities	6,207,522	2,845,770
	\$40,429,828	\$46,365,450

Note C—Long-Term Bonds Payable

Bonds Payable, Due Serially:

	Final	Outstanding—December 31	
	Payment in	1979	1978
Airport Improvement Bonds			
Series 5—2.6 to 2.8	1988	\$ 4,580,000	\$ 5,145,000
Series 6—2.5 to 2.7	1988	4,580,000	5,145,000
Series 7—3.4 to 3.7	1989	2,115,000	2,170,000
Series 8—3.3 to 3.4	1980	500,000	1,000,000
Series 9—3.0 to 3.1	1981	310,000	460,000
Series 10—2.9 to 3.2	1985	300,000	350,000
Series 11—3.1 to 3.2	1987	1,150,000	1,275,000
Series 12—3.6 to 3.7	1986	1,570,000	1,765,000

Note C—Long Term Bonds Payable (Cont'd)

Series 13—3.9 to 4.9 %	1989	\$ 2,965,000	\$ 3,205,000
Series 14—3.5 to 4.9	1997	12,815,000	13,310,000
Series 15—3.5 to 4.9	1997	750,000	780,000
Series 16—4.25 to 5.0	1998	12,715,000	13,140,000
Series 17—5.5 to 7.0	1999	4,275,000	4,385,000
Series 18—5.5 to 7.0	1988	5,450,000	5,890,000
Series 19—5.5 to 7.0	1999	10,530,000	10,780,000
Series 20—4.5 to 6.0	2002	4,540,000	4,640,000
Series 21—4.2 to 4.8	1989	3,300,000	3,545,000
		72,445,000	76,985,000
General Obligation Revenue Bonds			
Series 1—6.0 to 7.0 %	2005	9,730,000	9,870,000
Series 2—4.25 to 5.2	2002	10,000,000	10,000,000
Series 3—5.20 to 5.75	2000	15,000,000	-0-
		34,730,000	19,870,000
	TOTAL OUTSTANDING	107,175,000	96,855,000
Less:			
Prepayments		(2,915,000)	(2,920,000)
Current maturities		(2,240,000)	(1,760,000)
		\$102,020,000	\$92,175,000

Airport Improvement Bonds are general obligations of the Cities of Minneapolis and Saint Paul and, in addition, the Series 6 bonds are secured by a Deed of Trust which provides for a mortgage of all of the Commission's property lying within an area at Minneapolis-Saint Paul International Airport leased to Northwest Airlines, Inc. for their main base facilities (approximate original cost \$18,000,000). General Obligation Revenue Bonds are general obligations of the Commission, payments of which are secured by the pledge of all operating revenues of the Commission, subject to the prior pledge of such revenues for the payment of outstanding Airport Improvement Bonds.

To the extent such operating revenues are not sufficient to pay all bond principal and interest when due and to maintain a balance in the debt service fund as described in Note B, the Commission is required to levy taxes upon property in the metropolitan area as defined in Minnesota Statutes 1971. However, the Commission has entered into agreements with certain lessees whereby the rentals received are sufficient to meet the Commission's debt service requirements without the levy of taxes.

Reference is made to Note B with respect to amounts of cash and investments segregated and restricted in accordance with terms of the Airport Law, Commission resolutions and bond indentures.

General Obligation Revenue Bond Series 4 was issued January 1, 1980 in the amount of \$15,300,000. The proceeds are to be used for general construction purposes.

Note C—Long-Term Bonds Payable (Cont'd)

Future debt service requirements after December 31, 1979, including General Obligation Revenue Bond Series 4, issued and recorded in 1980, are as follows:

Year(s)	Principal	Interest	Total
1980	\$ 5,155,000	\$ 5,681,915	\$ 10,836,915
1981	5,190,000	5,973,885	11,163,885
1982	5,190,000	5,745,442	10,935,442
1983	5,915,000	5,516,018	11,431,018
1984	6,080,000	5,240,486	11,320,486
1985-1989	31,200,000	21,749,715	52,949,715
1990-1994	24,780,000	14,808,292	39,588,292
1195-1999	27,970,000	7,570,973	35,540,973
2000-2004	10,315,000	1,535,138	11,850,138
2005	680,000	40,800	720,800
	\$122,475,000	\$73,862,664	\$196,337,664

Note D—Government Grants in Aid of Construction

Amounts of recoverable costs due from the United States Government and the State of Minnesota represent the estimated portion of construction costs incurred for which airport aid grants are expected to be paid to the Commission. These amounts are recorded as a non-current account receivable and as contributed capital.

Note E—Capitalization of Interest

Effective January 1, 1979, the Commission changed its method of accounting for interest costs to comply with Financial Accounting Standards Board Statement (FASB) Number 34. The Commission previously followed the policy of expensing interest costs as incurred. As a result of the change, interest costs incurred during 1979 of \$816,600 have been capitalized as part of the cost of projects in progress, increasing income by the same amount. In accordance with provisions of Statement Number 34, prior financial statements have not been restated. If interest costs had been capitalized in 1978, cost of projects in progress and income would have increased by \$490,212.

Note F—Pension Plan

All employees of the Commission participate in civil service pension plans administered by the Minneapolis Municipal Employees Retirement Board. The plans require contributions by both the Commission and employees. Pension expense of the Commission for the years ended December 31, 1979 and 1978 was \$1,011,528 and \$986,937, respectively, which includes amortization of the actuarially determined unfunded liability through 2017.

As of the latest valuation date, December 31, 1978, the actuarially determined unfunded liability was approximately \$4,315,157.

Note G—Contingent Liability

The Commission is a defendant in an action by certain property owners claiming damages by the taking of the plaintiffs' properties by reason of intrusion and noise effect of airplanes passing over or near their properties. The State of Minnesota Supreme Court has upheld a district court's ruling that class action treatment was not to be accorded the suit. At the same time the Court established the authority and the responsibility of the Commission to pay damages to landowners affected as claimed by these plaintiffs. Damages payable, if any, by reason of this action cannot be determined at this time. To date, only one case has gone to trial, resulting in findings denying plaintiff's claim for damages. Plaintiff has filed a motion for amended findings which as been denied by District Court.

Revenue Comparison For the Years 1976 to 1979

Total Revenues

1979	30,019,956
1978	25,917,273
1977	21,885,688
1976	20,054,373

Operating Revenues

1980 Budget	26,240,246
1979	23,716,976
1978	22,018,637
1977	19,539,244
1976	17,471,063

Expense Comparison For the Years 1976 to 1979

Total Expenses

1979	24,266,324
1978	22,707,508
1977	20,440,919
1976	18,797,276

Operating Expenses

1980 Budget	25,886,090
1979	22,159,265
1978	20,668,473
1977	19,164,487
1976	17,041,438

Comparison of Budget to Operating Actual for 1979

Revenues:

	Budget	Actual	% Actual Over (Under) Budget
Wold-Chamberlain Field	\$22,477,367	\$23,221,209	3.3
Secondary Airports	489,269	495,767	1.3
TOTAL OPERATING REVENUES	\$22,966,636	\$23,716,976	3.3

The actual operating revenue was very close to budget; not only in total, but also for the various individual items. Concession revenues were 35% of total operating revenues. The largest concession item was auto parking, followed by auto rental and food service. Landing fees and aircraft parking charges were \$5.7 million in 1979, or 24% of total operating revenues. Of that amount, \$4.9 million was for the landing area use fees from the scheduled air carriers. Building and ground space rentals contributed another 34% to total operating revenues and the remaining 7% came from miscellaneous Wold-Chamberlain items and from the secondary airports.

Of the \$23.7 million in operating revenue in 1979, the scheduled air carriers, through the Compensatory Rental Agreement, contributed \$8.2 million or 35% of total operating revenue.

Operating Expenses:

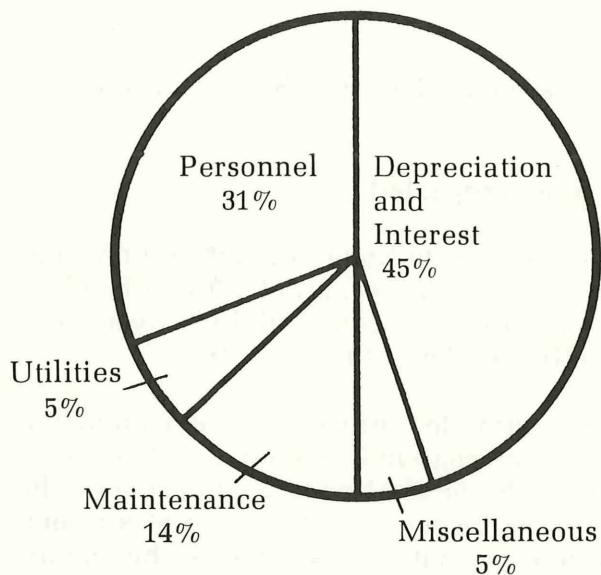
	Budget	Actual	% Actual Over (Under) Budget
Wold-Chamberlain Field	\$20,049,345	\$19,396,851	(3.5)
Secondary Airports	988,375	1,240,162	25.5
Main Office	1,692,423	1,522,252	(10.1)
TOTAL OPERATING EXPENSES	\$22,730,143	\$22,159,265	(2.5)

Though the overall budget variance (under by 2.5%) was within acceptable limits, there were some major variances for certain items within the budget. An unexpected loss of \$400,000 was incurred when the FAA took over the control towers at Wold-Chamberlain Field, Flying Cloud Field, and Crystal Field. This loss at Flying Cloud and Crystal accounted for the major portion of the secondary airport's budget variance with zoning expenses and excess repair costs contributing to the rest. Repair costs exceeded budget because the cost of materials and the level of repairs were greater than expected.

Wold-Chamberlain Field also showed excess repair costs and taxi starter service costs were in excess of budget. Professional services and noise abatement continue to be hard items to properly budget, but all of these were offset by the fact that depreciation and interest were significantly under budget. This was due in large part to the later than anticipated completion of the new parking structure.

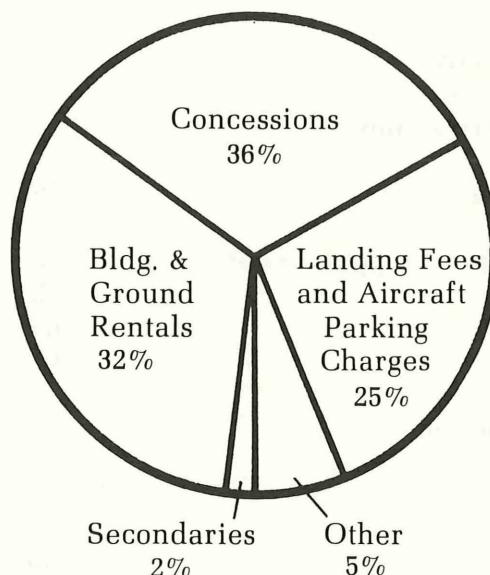
1980 Operating and Capital Budgets

Operating Expenses



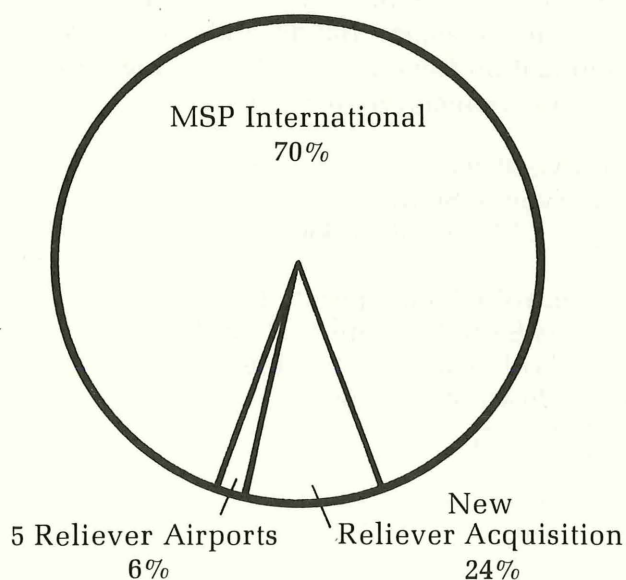
Total \$25,886,090

Operating Revenues



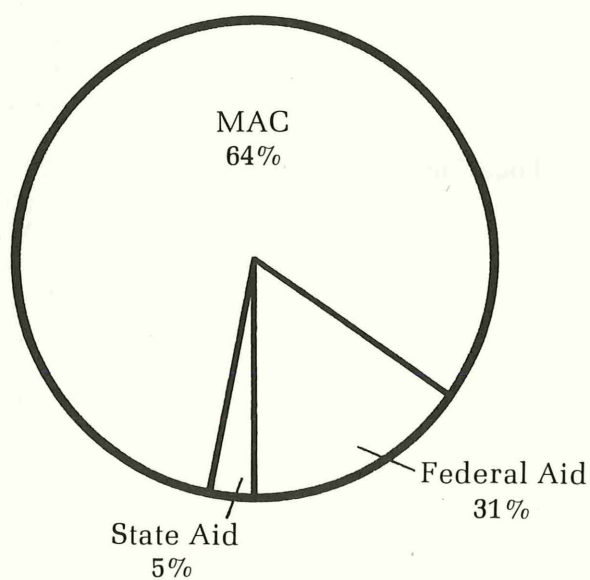
Total \$26,240,246

Capital Expenditures



Total \$26,976,000

Source of Funds Capital Projects



Total \$26,976,000

Organization Data

Minneapolis-Saint Paul Metropolitan Airports Commission

December 31, 1979

**Effective
Date of
Organization**

July 6, 1943 as enacted by the State of Minnesota legislature

Duration

Permanent unless repealed

Source of appointment

An act of the Minnesota State Legislature known as Chapter 500 of the sessions laws of 1943 with subsequent Amendments; recodified by Laws 1975, Chapter 13, effective August 1, 1975.

Function

A public corporation to "promote air navigation and transportation, international, national and local, in and through the State of Minnesota; to promote the efficient, safe and economical handling of air commerce" and to carry out these purposes: the acquiring, establishing, development, maintaining, controlling and operating public airports and financing such operations.

Indebtedness

The Minnesota Legislature has authorized the Commission to issue \$127,400,000 of Airport Improvement Bonds and \$50,000,000 of General Obligation Revenue Bonds. As of January 1, 1980 all Airport Improvement Bonds and \$50,000,000 of General Obligation Revenue Bonds had been issued. (See Note C to Financial Statements)

Location

Administrative offices:
6040-28th Avenue South
Minneapolis, Minnesota 55450

Airports—controlled and operated:
Minneapolis-Saint Paul International
Airport (Wold-Chamberlain Field)
Saint Paul Downtown Airport
Flying Cloud Airport
Crystal Airport
Anoka County/Blaine Airport
Lake Elmo Airport

Commissioners at 1980

Frank P. Befera	— Duluth	Chairman
Thomas E. Holloran	— Shorewood	Vice Chairman
Lawrence D. Cohen	— St. Paul	
Alice Rainville	— Minneapolis	
Lennart J. Ferm	— Minneapolis	
Patricia B. Hillmeyer	— Minneapolis	
Donald Fraser	— Minneapolis	
Koryne Horbal	— Columbia Heights	
Ruby Hunt	— St. Paul	
Jack Jorgensen, Sr.	— Burnsville	
John G. Ordway, Jr.	— Dellwood	
John A. Peterson	— Richfield	
Gertrude Suel	— Shakopee	
Victor J. Tedesco	— St. Paul	
Susan C. McCloskey	— St. Paul	

Treasurer:

Jim Lord—Minnesota State Treasurer

Executive Director of Commission:

Raymond G. Glumack

Secretary of Commission:

Lynn Tischler

