

METROPOLITAN AIRPORTS COMMISSION



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Office of the Executive Director

January 14, 2003

Mr. James Nobles
Legislative Auditor
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Dear Mr. Nobles:

Thank you for taking the time and effort to conduct a thorough, objective audit of Metropolitan Airports Commission activities. It has been a pleasure to work with you and your staff during the last several months as this audit was conducted.

We are pleased the Legislative Auditor has recognized MAC's achievements in the following areas:

- The Commission's administration of Minneapolis-St. Paul International Airport is well regarded, and the airport's operating costs are low compared with other U.S. airports. Inflation-adjusted operating costs per passenger have not increased much since 1990.
- The MAC demonstrated more fiscal restraint than most other airports following the September 11, 2001 terrorist attacks. The MAC reduced its operating expenses more than most airports and cut its capital budget by 80 percent.
- The MAC has provided general financial relief to airlines and has taken steps to encourage air service competition.
- The noise mitigation program for MSP is one of the largest in the nation and is consistent with policies set by the MAC and the Legislature. The scope of the MAC's proposed noise program expansion would be unprecedented among major airports.
- Concession sales per passenger at MSP are above the industry average.

We do have one comment on the finding related to the Commission's preliminary 2003 budget proposal: we believe that the initial proposal was justified considering budgetary reductions in 2002 and the significant expansion of MSP facilities. In 2002, MAC opened two new Lindbergh Terminal concourses (A and B), the second phase expansion

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of Concourse C, a new, eight-story parking ramp at the Humphrey Terminal, and new cargo facilities. We finished work on numerous airfield projects and operated the new Humphrey Terminal for the full calendar year. We agree that we should have provided a more detailed explanation of the proposed cost impacts of this expansion.

Also, each year's initial budgetary proposal is intended as a starting point for discussions among Commissioners, tenants and the public. Based on that discussion, the preliminary budget is adjusted as appropriate. Given the industry's continuing economic challenges, Commissioners ultimately reduced the proposed budget by more than \$7.1 million and kept budgeted airline rates and charges at 2002 levels. Despite the substantial increase in facilities, 2003 staffing also is being held to 2002 levels.

Finally, I want to respond to specific recommendations in your report:

- The MAC will modify future budget preparation schedules to allow more time for public consideration of budget targets before Commissioners vote on them. Future budgets will provide more detailed explanations of increases in operating expenses.
- The MAC will provide more complete and timely information regarding public meetings and Commission policies on its web site.
- The MAC has increased percentage revenues from food, beverage and retail sales in its more recent concessions contracts, with Anton Air Foods and PCBR. Our contract with HMS Host expires at the end of 2003, providing an opportunity to seek increased revenues from that space as well. The Commission has already begun deliberations concerning the future of its concession program. Commissioners will solicit public input into the goals and objectives that will guide future concessions development.
- The MAC welcomes the opportunity to work with the governor and state legislators on issues of governance and oversight. MAC officials have frequent contact with state lawmakers and will be happy to provide additional testimony and information upon request.

In closing, I want to express my appreciation for the fairness, thoroughness and professionalism exhibited by the Legislative Auditor's Office staff in developing this report. The Metropolitan Airports Commission will certainly take your recommendations to heart and will respond accordingly.

Sincerely,

/s/Jeffrey Hamiel

Jeffrey Hamiel
Executive Director
Metropolitan Airports Commission