

Special Board Meeting Agenda

Thursday, May 13, 2021
9:00 A.M.

San Diego International Airport
SDCRAA Administration Building
3225 N. Harbor Drive
San Diego, California 92101

Board Members

Johanna Schiavoni (Chair)
Paul Robinson (Vice Chair)
Catherine Blakespear
Gil Cabrera
Mary Casillas Salas
Robert T. Lloyd
Paul McNamara
Nora E. Vargas
Marni von Wilpert

Ex-Officio Board Members

Gustavo Dallarda
Col. Charles B. Dockery
Gayle Miller

President/CEO

Kimberly J. Becker

This meeting of the Board of the San Diego County Regional Airport Authority Board will be conducted pursuant to the provisions of California Executive Order N-29-20 which suspends certain requirements of the Ralph M. Brown Act. During the current State of Emergency and in the interest of public health, all Board members will be participating in the meeting electronically. In accordance with the Executive Order, there will be no members of the public in attendance at the Board Meeting. We are providing alternatives to in-person attendance for viewing and participating in the meeting. In lieu of in-person attendance, members of the public may submit their comments in the following manner.

Comment on Non-Agenda Items

Public comments on non-agenda items must be submitted to the Authority Clerk at clerk@san.org no later than 4:00 p.m. the day prior to the posted meeting in order to be eligible to be read into the record. The Authority Clerk will read the first 30 comments received by 4:00 p.m. the day prior to the meeting into the record; each of these comments will be read for up to three minutes or for the time determined by the Chair. The maximum number of comments to be read into the record on a single issue will be 16. All other comments submitted, including those received after 4:00 p.m. the day prior and before 8:00 a.m. the day of the meeting, will be provided to the Authority Board and submitted into the written record for the meeting.

Comment on Agenda Items

Public comment on agenda items may be submitted to the Authority clerk at clerk@san.org. Comments received no later than 8:00 a.m. on the day of the meeting will be distributed to the Board and included in the record.

If you'd like to speak to the Board live during the meeting, please follow these steps to request to speak:

Thursday, May 13, 2021

- **Step 1:** Fill out the online [Request to Speak Form](#) to speak during the meeting via teleconference. The form must be submitted by 4 p.m. the day before the meeting or by 4:00 p.m. the Friday before a Monday meeting. After completing the form, you'll get instructions on how to call in to the meeting.
- **Step 2:** Watch the meeting via the Webcast located at the following link, <https://www.san.org/Airport-Authority/Meetings-Agendas/Authority-Board?EntryId=13951>
- **Step 3:** When the Board begins to discuss the agenda item you want to comment on, call in to the conference line, you will be placed in a waiting area. ***Please do not call until the item you want to comment on is being discussed.***
- **Step 4:** When it is time for public comments on the item you want to comment on, Authority Clerk staff will invite you into the meeting and unmute your phone. Staff will then ask you to state your name and begin your comments.

How to Watch the Meeting

You may also view the meeting online at the following link: <https://www.san.org/Airport-Authority/Meetings-Agendas/Authority-Board?EntryId=13951>

Requests for Accessibility Modifications or Accommodations

As required by the Americans with Disabilities Act (ADA), requests for agenda information to be made available in alternative formats, and any requests for disability-related modifications or accommodations required to facilitate meeting participation, including requests for alternatives to observing meetings and offering public comment as noted above, may be made by contacting the Authority Clerk at (619) 400-2550 or clerk@san.org. The Authority is committed to resolving accessibility requests swiftly in order to maximize accessibility.

This Agenda contains a brief general description of each item to be considered. The indication of a recommended action does not indicate what action (if any) may be taken. ***Please note that agenda items may be taken out of order.*** If comments are made to the Board without prior notice or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law.

Staff Reports and documentation relating to each item of business on the Agenda are on file in Board Services and are available for public inspection.

Note: Pursuant to Authority Code Section 2.15, all Lobbyists shall register as an Authority Lobbyist with the Authority Clerk within ten (10) days of qualifying as a lobbyist. A qualifying lobbyist is any individual who receives \$100 or more in any calendar month to lobby any Board Member or employee of the Authority for the purpose of influencing any action of the Authority. To obtain Lobbyist Registration Statement Forms, contact the Board Services/Authority Clerk Department.

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CALL TO ORDER:

ROLL CALL:

BUDGET WORKSHOP:

- 1. DISCUSSION REGARDING THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FISCAL YEAR 2022 PROPOSED BUDGET AND FISCAL YEAR 2023 PROPOSED CONCEPTUAL BUDGET:**
RECOMMENDATION: Discuss the Fiscal Year 2022 Proposed Budget and Fiscal Year 2023 Proposed Conceptual Budget.
(Finance & Risk Management: John Dillon, Director; Maya Dayan, Manager)

BOARD COMMENT:

ADJOURNMENT:

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Policy for Public Participation in Board, Airport Land Use Commission (ALUC), and Committee Meetings (Public Comment)

- 1) Persons wishing to address the Board, ALUC, and Committees shall submit an email to the Clerk at clerk@san.org prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to submit an email shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment Section at the beginning of the agenda is reserved for persons wishing to address the Board, ALUC, and Committees on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees.
- 4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.

After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

NOTE: This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk's Office at (619) 400-2550 at least three (3) working days prior to the meeting to ensure availability.

For your convenience, the agenda is also available to you on our website at www.san.org.

For those planning to attend the Board meeting, parking is available in the public parking lot located directly in front of the Administration Building. Bring your ticket to the third-floor receptionist for validation.

You may also reach the SDCRAA Building by using public transit via the San Diego MTS System, Route 992. For route and fare information, please call the San Diego MTS at (619) 233-3004 or 511.

Item 1

San Diego County Regional Airport Authority FY 2022 Proposed Budget & FY 2023 Proposed Conceptual Budget

Budget Workshop

May 13, 2021

Agenda

1. Strategic Plan
2. Economic, Industry and Credit Overview
3. Budget Process
4. Budget Overview
 - Revenue
 - Expenses
5. Capital Program Budget
6. Plan of Finance FY 2022-2026
7. Conclusion





Strategic Plan

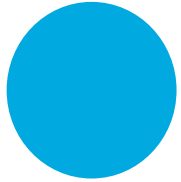
Strategic Plan Future State Description

In 2022, our integrated leadership team has continued to evolve the Authority into a passenger-focused, business-driven, community-centered enterprise. We have achieved our five-year strategic plan and are widely recognized for successfully managing our financial, social and environmental sustainability.

Our Brand Promise

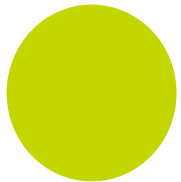
Good Feelings. Non-Stop.

Strategic Goals



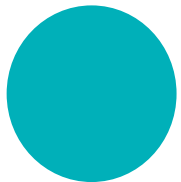
Community

Enhance community understanding of SAN as an economic engine and portal for prosperity.



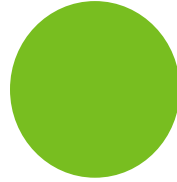
Customer

Exceed our customers' expectations by introducing innovative service and facility enhancements.



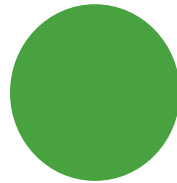
Employee

Develop leaders and a workforce aligned to the needs of our Strategic Plan that reflects the diversity of our community.



Financial

Execute a Plan of Finance that provides the financial resources necessary to achieve the FY 2022 Future State while maintaining the enterprise's strong financial position.



Operations

Grow and efficiently manage capacity, both landside and airside, including international facilities for future demand.

Focus Area

In an effort to successfully align and coordinate strategic plan initiatives that require integrated, cross-functional action plans, three over-arching focus areas were established to assure effective decision-making and resource-allocation:

- Advance the New T1
- Transforming the Customer Journey
- Optimize Ongoing Business

These focus areas are guiding department goal setting efforts and guiding our budgeting process for the upcoming fiscal cycle.

Top Three Priorities

- Continuing to navigate through the significant impacts that COVID-19 has had on our business and operations. Working through the uncertainty of ongoing impacts and how to regain passenger confidence.
- How to proceed with the New T1 upon obtaining the Maximum Contract Price in mid-2021.
- Maintain employee safety, confidence and engagement.

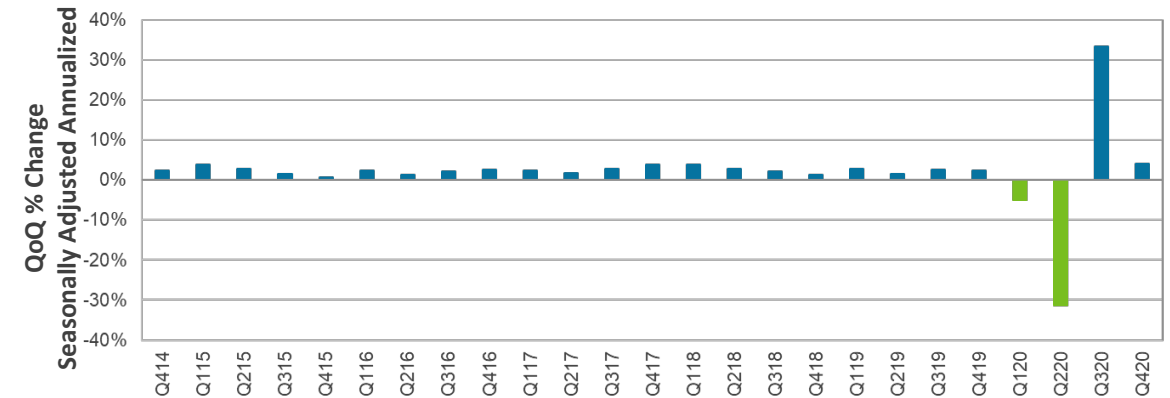


Economic, Industry and Credit Overview

US Economy

- Main economic indicators:
 - 4th Quarter of 2020 U.S. GDP increased at an annual rate of 4.3%
 - As of March 2021, U.S. unemployment increased to 6.0% compared to 4.4% last year
 - San Diego unemployment is up at 7.2% for February 2021 from 3.2% last year
- Calendar 2020 equity markets rose:
 - DJIA: 11.5%
 - S&P 500: 11.1%

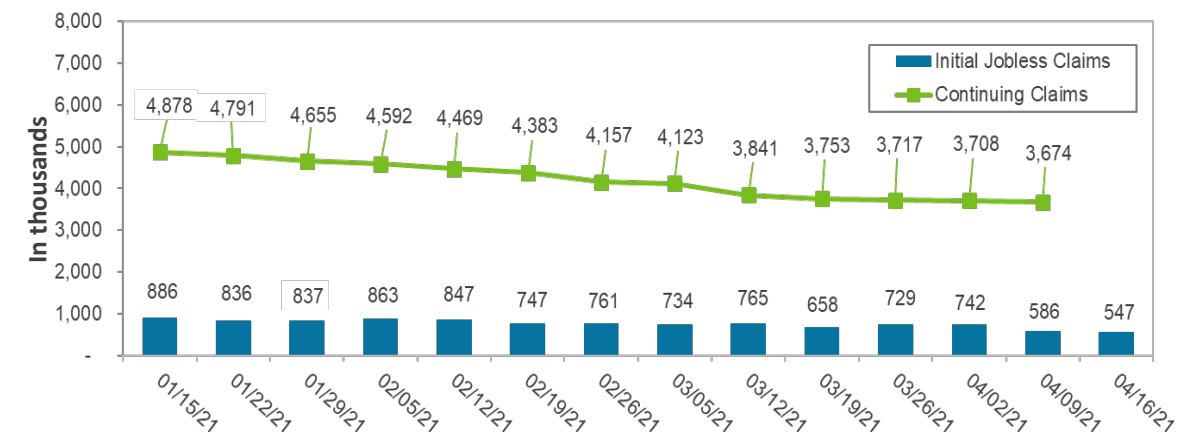
U.S. Gross Domestic Product



Dow Jones Industrial Avg. and S&P 500 Indices



U.S. Unemployment Rates

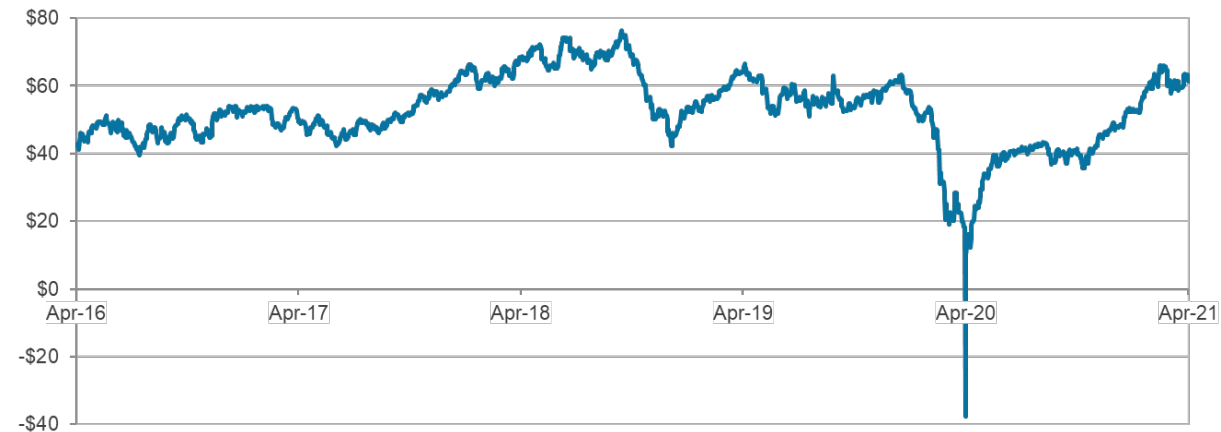


Source – Bloomberg

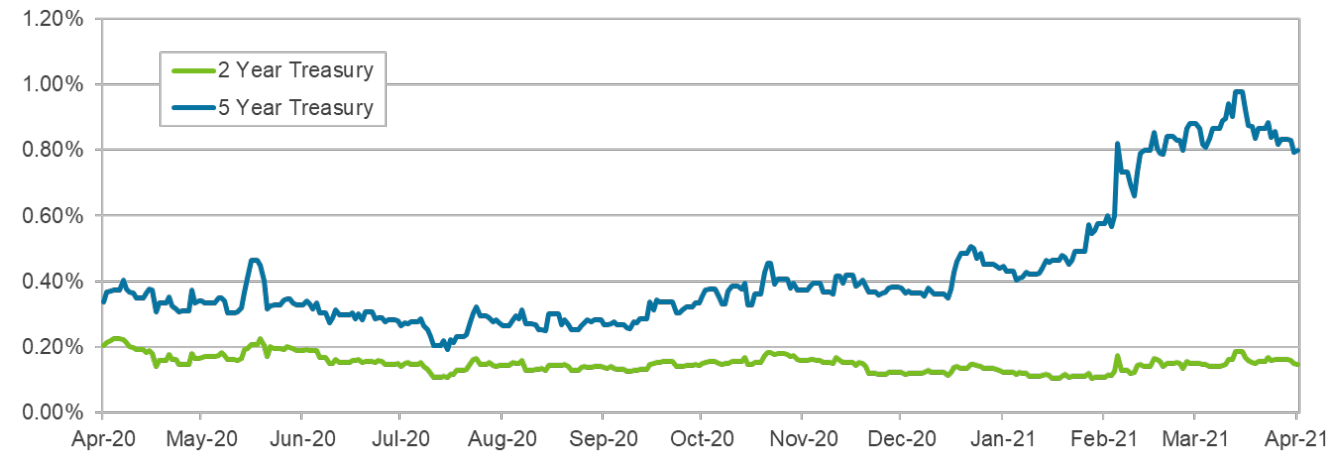
Oil Prices & Interest Rates

- Current oil price trades in the \$61.35+/- range per barrel, above its 12-month average of \$44.57
- Year-to-date, the yield on 5-year Treasuries has increased roughly 44 basis points, while the yield on 2-year Treasuries has been little changed.

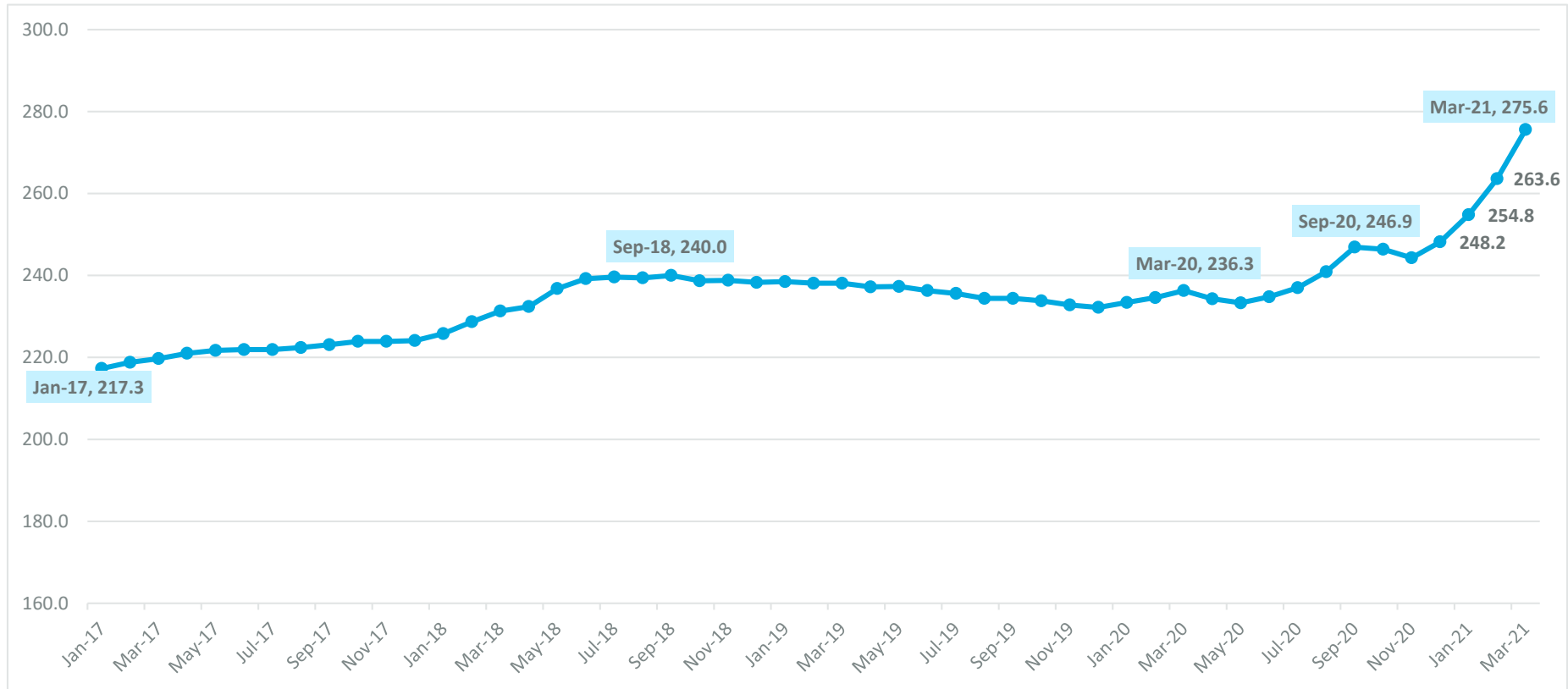
WTI Crude Oil Price (Per Barrel)



U.S. Treasury Yields



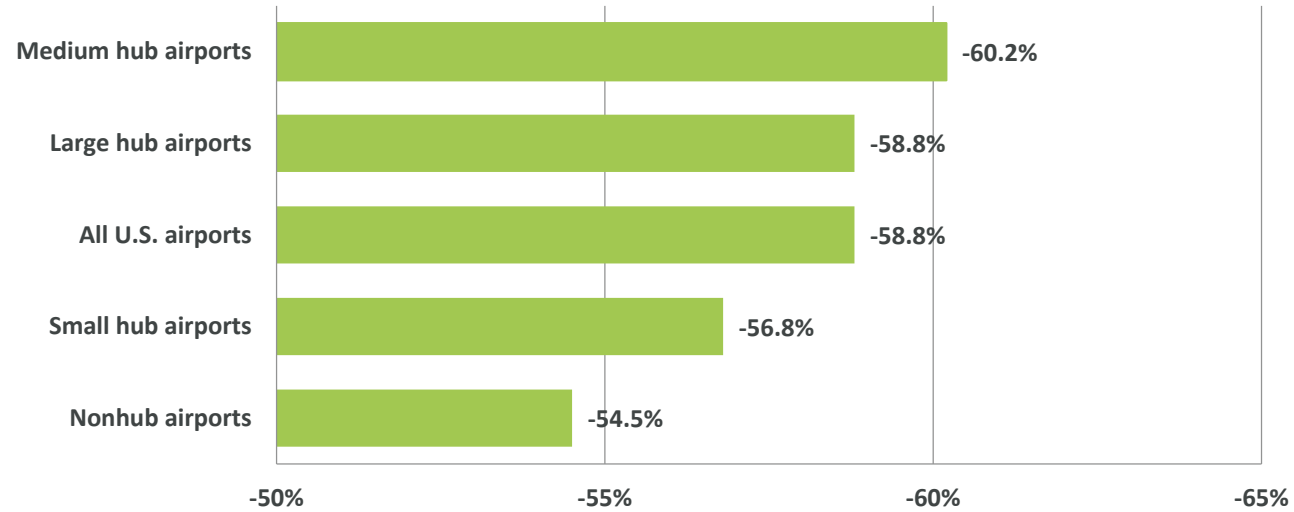
Construction Materials Index



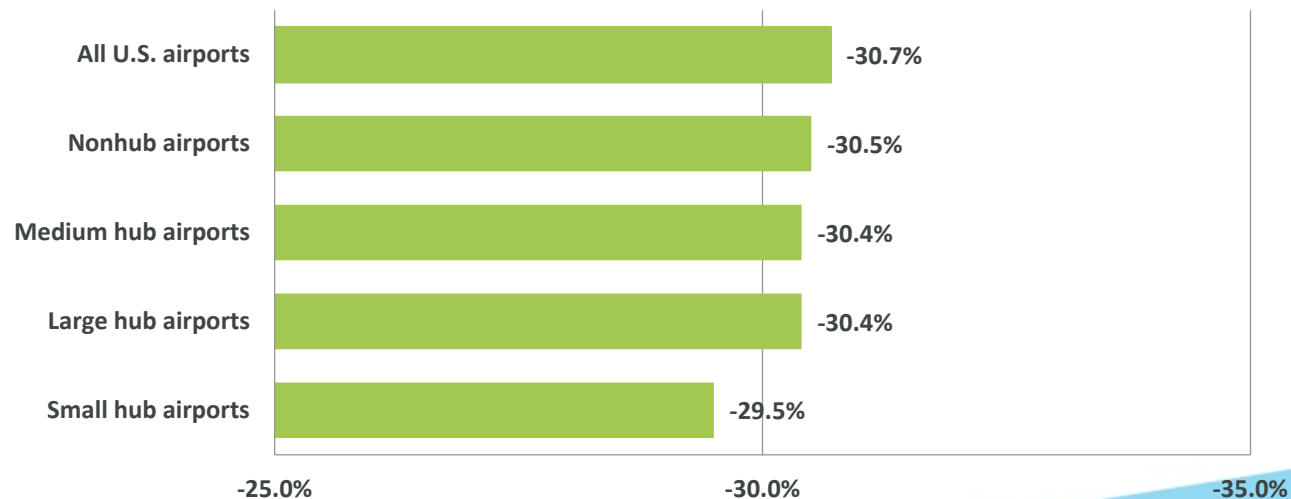
- Construction material cost has increased 17% since the beginning of the pandemic in March 2020
- The highest single month increase in the last 10 years was from February to March 2021 at 4.6%

National Benchmarks Percent change CY20 v CY19

Enplaned Passengers

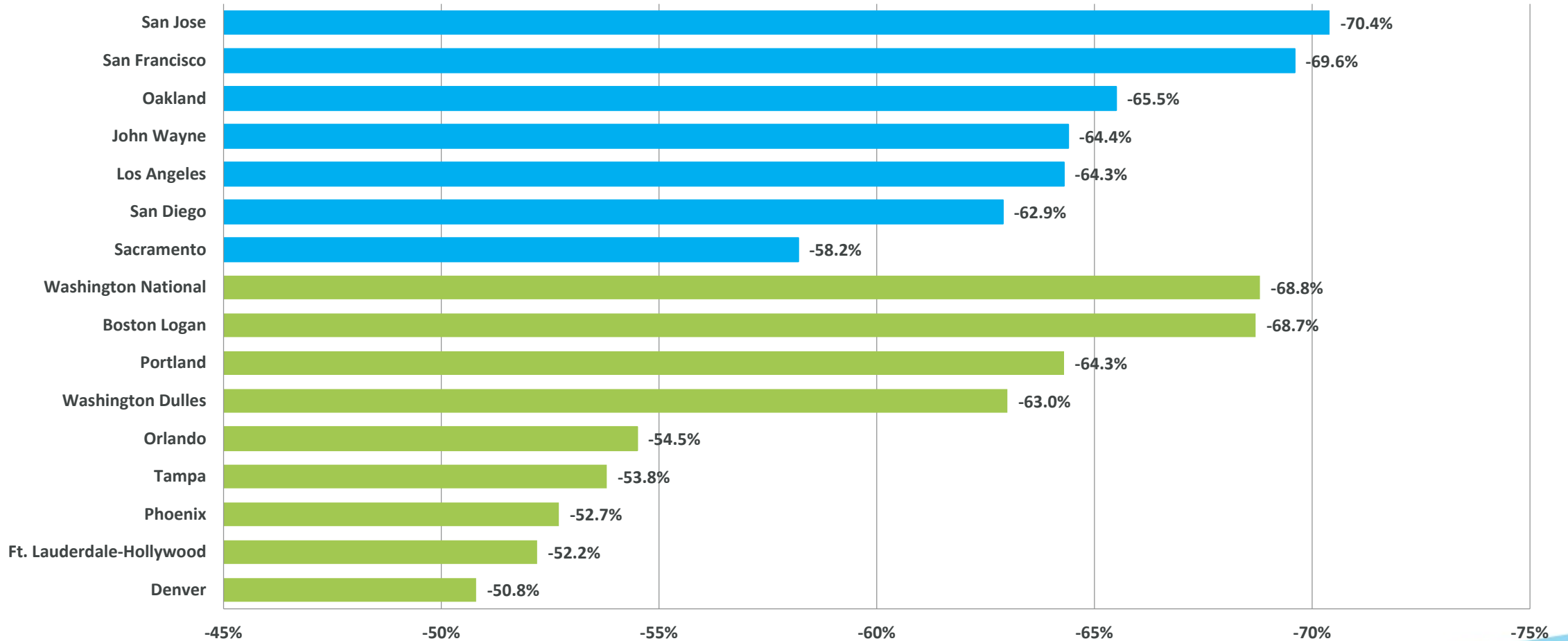


Load Factor



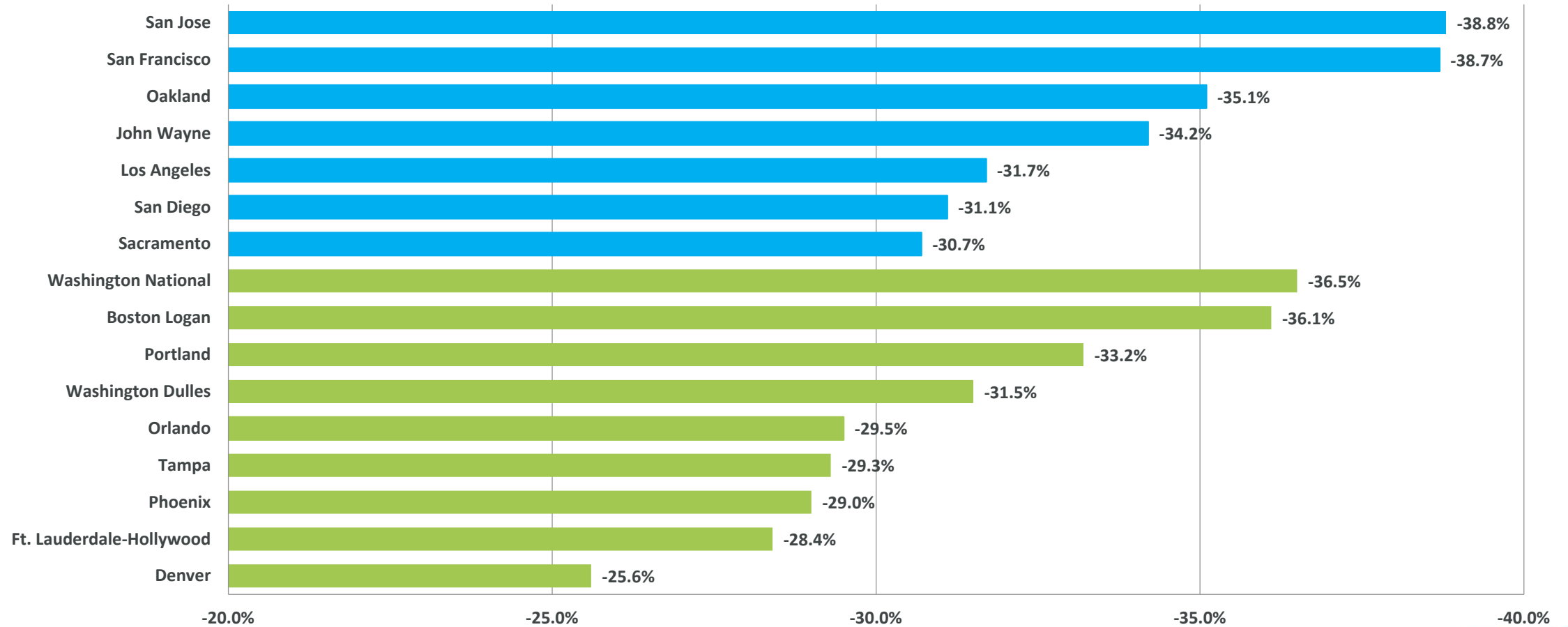
Enplanements by select airports

Percent change CY20 v CY19



Load Factor by select airports

Percent change CY20 v CY19



Airline Industry Overview

- The decline in corporate travel during the pandemic has significantly impacted airline revenues
 - About one-third of industry traffic came from corporate travel pre-pandemic but accounted for nearly 50% of revenues
 - Net airline revenues are down 65% vs pre-pandemic despite the recent leisure recovery.¹
- Nationwide, airports are seeing an average 27% decrease in scheduled seats for May 2021 vs. pre-pandemic levels
 - California is showing a 43% decrease, which is 8th worst in the nation.²
 - San Diego is showing a 38% decrease

Airline Industry Overview

- Airlines have been focused on bolstering liquidity during the pandemic
 - U.S. passenger airlines raised over \$65B in capital markets since COVID-19.
 - United (\$7.5 billion), JetBlue (\$1.9 billion), and Alaska (\$1.9 billion) raised through CARES Act Loans.
 - Incremental liquidity raised post-COVID 19: ¹

American: \$22.7B	Southwest: \$18.2B
Delta: \$22.5B	United: \$25.3B
- U.S. passenger airlines incurred \$35B in net losses (\$46B pre-tax) in 2020
- 2020 Net Loss (excluding special items): ²

American: (\$-9.5B)	Southwest: (\$-3.5B)
Delta: (\$-9.0B)	United: (\$-7.7B)
- As an industry, U.S. airline cash burn is projected to continue through 3Q 2021

Rating Agencies: Improving 2021 Airport Industry Outlook

Moody's: Revised Outlook to "Positive" from "Stable" in May 2021

S&P: Revised Outlook to "Stable" from "Negative" in March 2021

Fitch Maintains a "Negative" Outlook

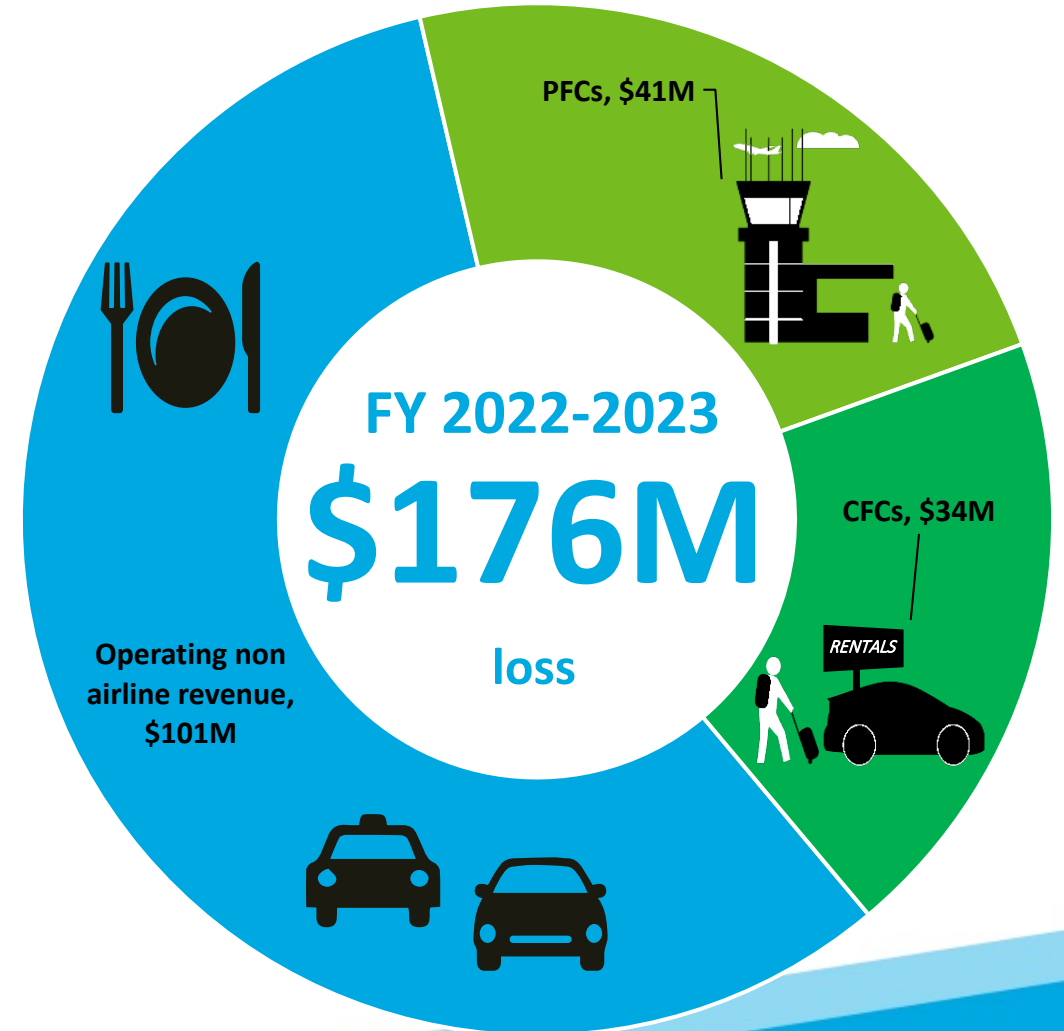
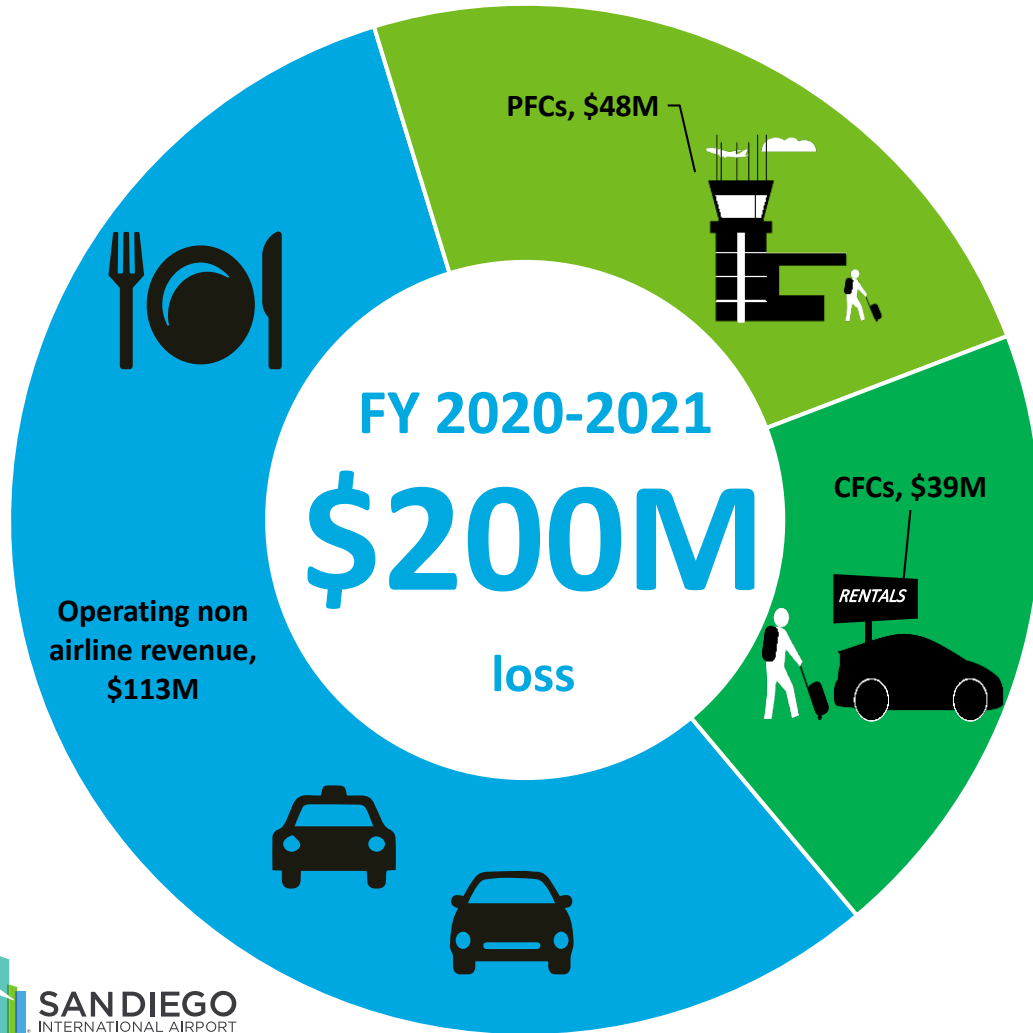
Key Credit Drivers:

- ✓ Enplanement levels will continue to outperform as vaccination rollout advances
- ✓ Restrictions on travel and other activities will continue to loosen, further supporting resilient demand
- ✓ Improving air travel demand, particularly for leisure travel
- ✓ Faster economic growth and lower risk of recession
- ✓ Interest rates remain near record lows allowing debt refunding for callable bonds

	SDCRAA Credit Ratings		
	Senior GARB	Subordinate GARB	CFC Bonds
Fitch	AA- (Negative)	A+ (Negative)	Not Rated
Moody's	A1 (Stable)	A2 (Stable)	A3 (Stable)
S&P	A (Negative)	A- (Negative)	BBB+ (Negative)

Airport Authority Pandemic Impacts

Loss in Non-Airline Revenue vs FY 2019

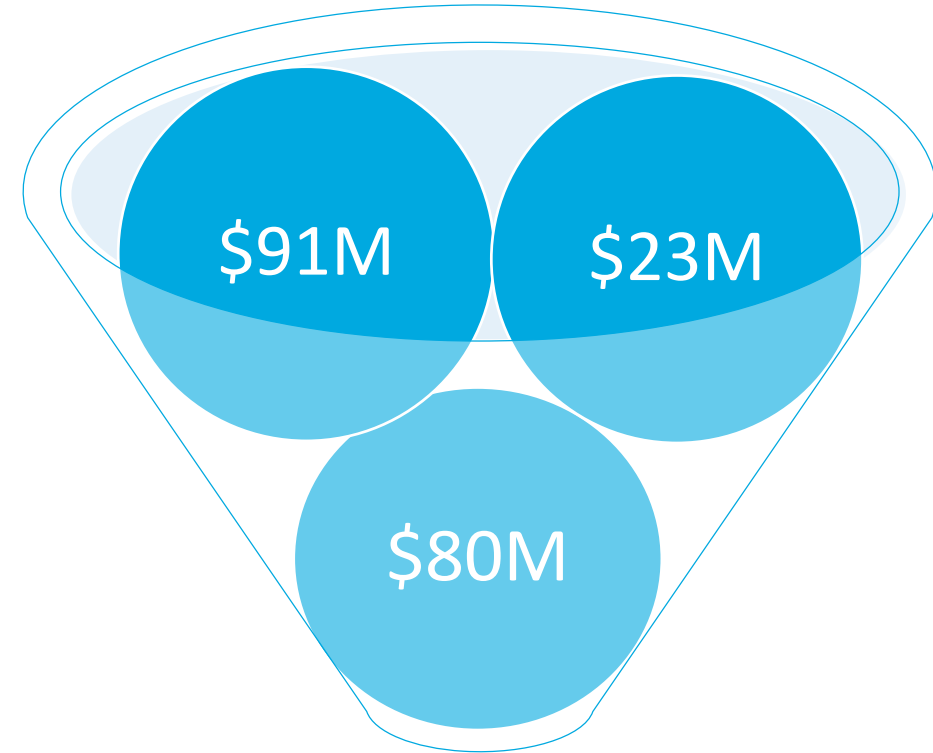


Airport Authority Pandemic Impacts

Expense Reductions vs. FY 2019



Federal Relief



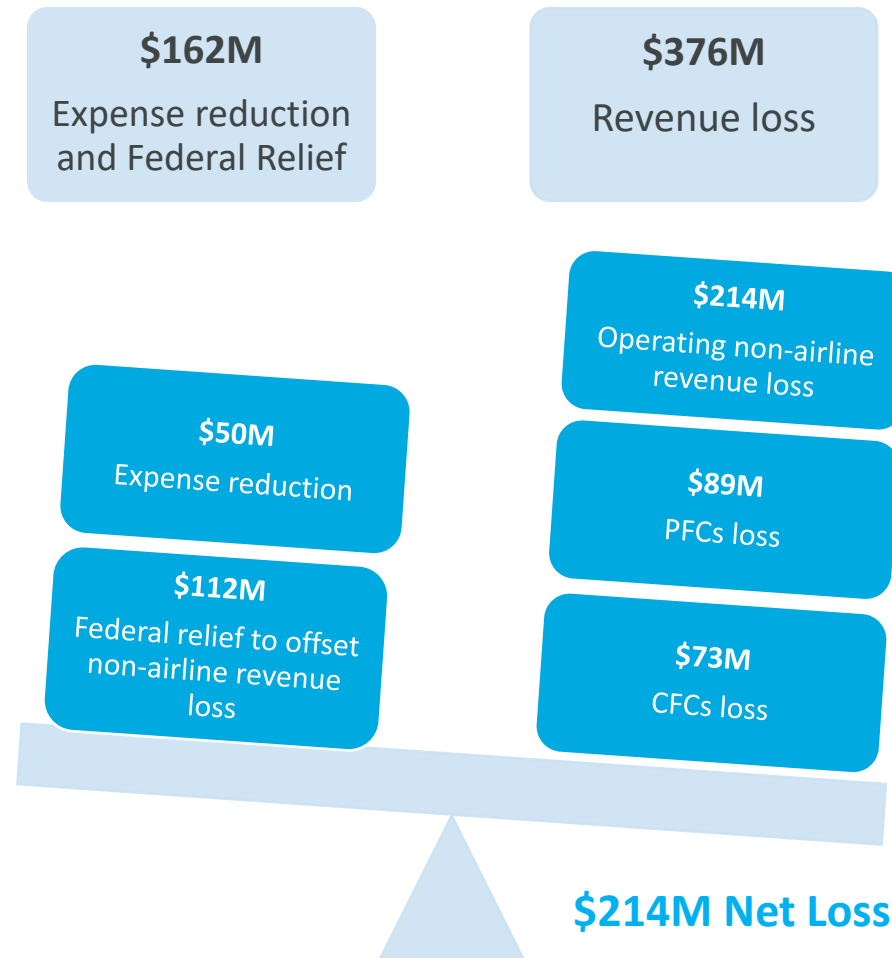
Total \$194M

\$112M offset non-airline revenue loss

\$82M assistance to airlines

Airport Authority Pandemic Impacts

FY 2020 – FY 2023 Non-Airline Revenue Loss vs. Federal Relief and Expense Reductions





Budget Process

Budget Process



Expense Budget

- Review current expenses
- Discuss future needs
- Consider alternative methods and solutions
- Identify risks and opportunities
- *Pandemic impact: FY 22 budget was align with financial resilience plan measures*



Revenue Budget

- Review current non airline revenue trends
- Forecast future enplanements and landed weight growth
- Meet with internal business partners to evaluate future trends
- Review expense budget, amortization and debt service allocations to calculate airlines rates, fees and charges
- *Evaluate pandemic impacts to the revenue*



Capital Budget

- Annual validation of current CIP
- Planning for future needs (new CIP projects)
- Project cost estimation and evaluation of funding sources
- Business Case analysis
- *Pandemic impact: Deferral of non-regulatory and non-essential projects*



Financial Metrics Review

- Cost per Enplaned Passenger (CPE)
- Debt Service Coverage
- Debt per Enplaned Passenger
- Days Cash on Hand (DCOH)

Review and prioritize for consistency with Strategic Plan and Top Three Priorities



Budget Overview

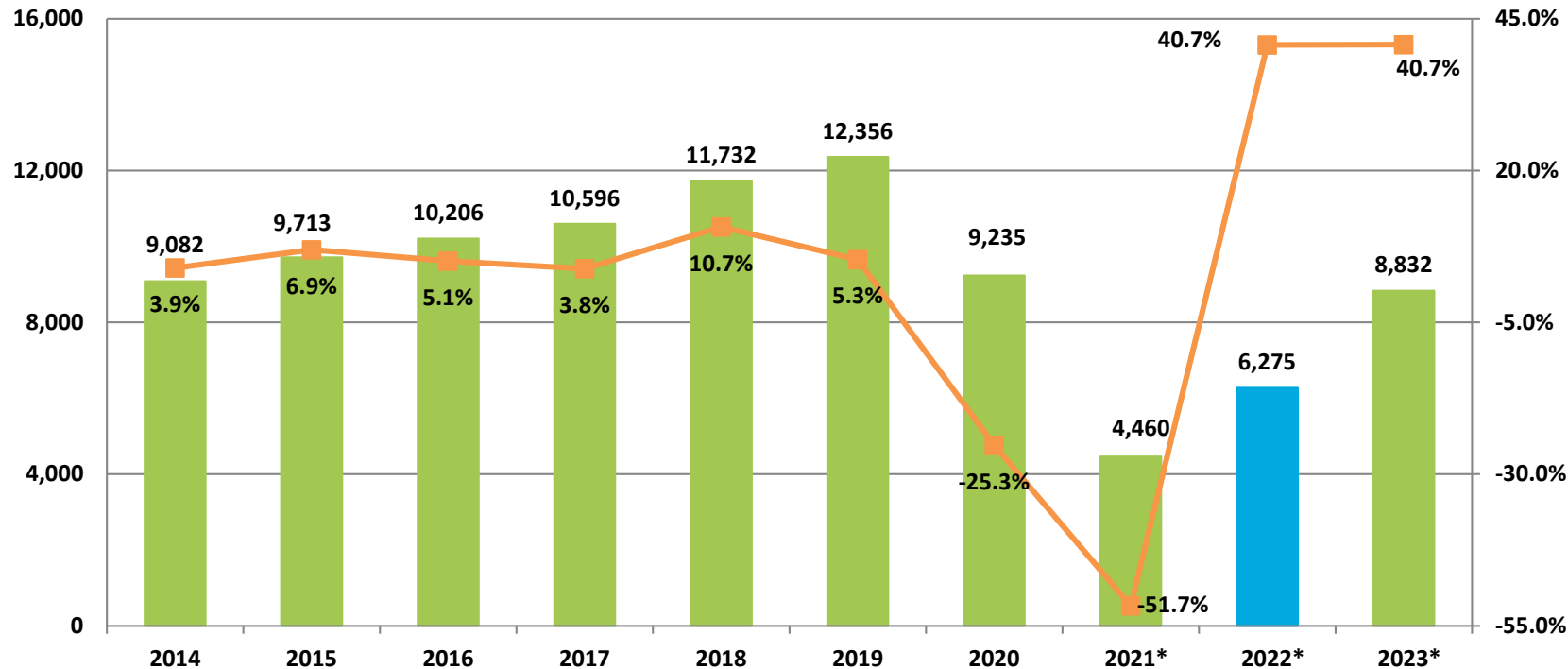


Revenue Budget Overview

Annual Enplaned Passenger Traffic

- FY 2022 Proposed Budget of 6.28M, 40.7% increase vs. FY 2021 Forecast of 4.46M and 0.8% decrease vs. FY 21 budget of 6.33M
- FY 2023 Proposed Conceptual Budget of 8.83M, 40.7% increase vs. FY 2022 Budget of 6.28M

(in thousands)

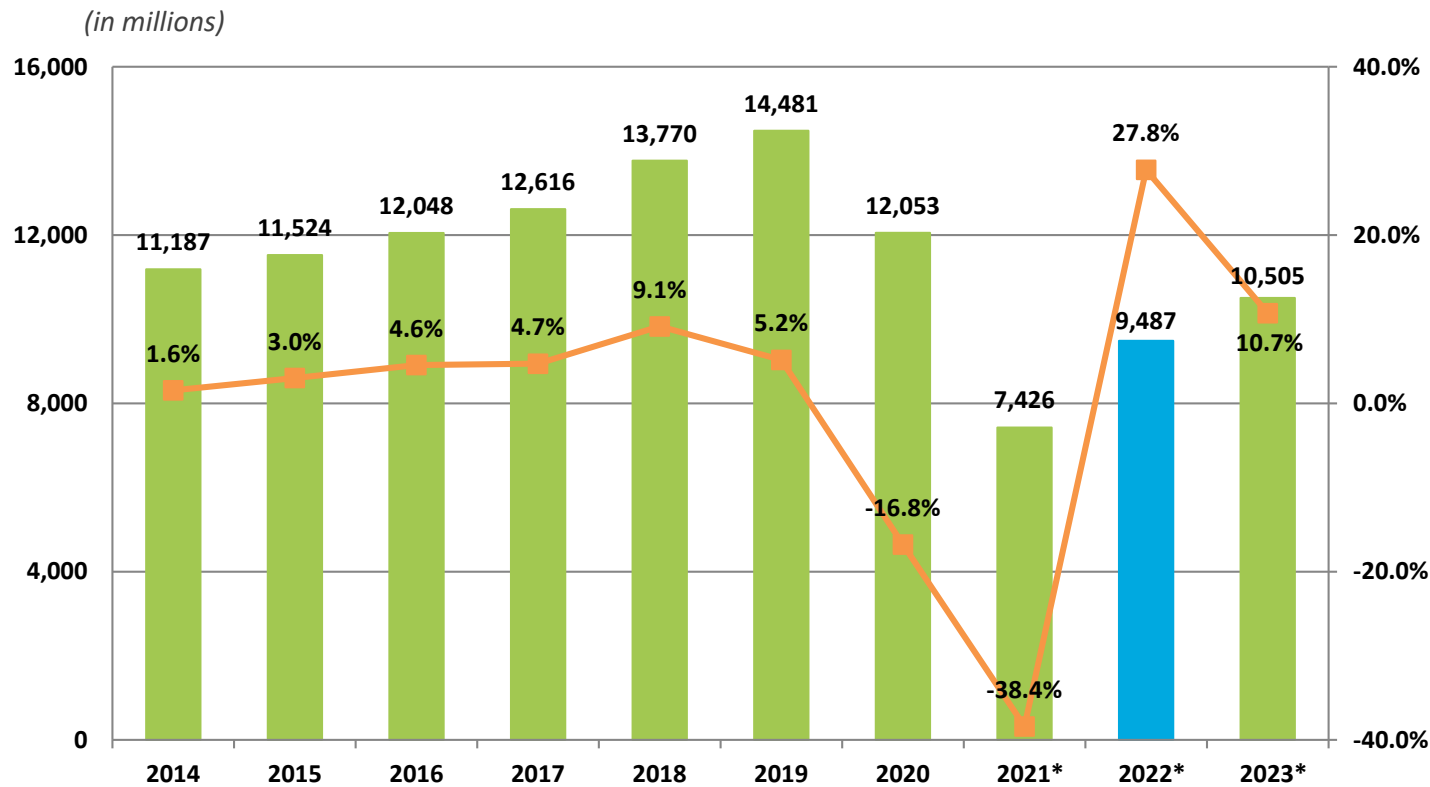


Fiscal Year	Enplaned Passengers	% Change
2014	9,082	3.9%
2015	9,713	6.9%
2016	10,206	5.1%
2017	10,596	3.8%
2018	11,732	10.7%
2019	12,356	5.3%
2020	9,235	-25.3%
2021 [^]	4,460	-51.7%
2022*	6,275	40.7%
2023*	8,832	40.7%

[^] FY 2021 Forecast is 29.5% lower than FY 2021 Budget of 6,329

Landed Weight

- FY 2022 Proposed Budget of 9.49M, 27.8% increase vs. FY 2021 Forecast of 7.43M and 7.1% decrease vs. FY 21 budget of 10.21M
- FY 2023 Proposed Conceptual Budget of 10.51M, 10.7% increase vs. FY 2022 Budget of 9.49M



Fiscal Year	Landed Weight In million lbs.	% Change
2014	11,187	1.6%
2015	11,524	3.0%
2016	12,048	4.6%
2017	12,616	4.7%
2018	13,770	9.1%
2019	14,481	5.2%
2020	12,053	-16.8%
2021^	7,426	-38.4%
2022*	9,487	27.8%
2023*	10,505	10.7%

^ FY 2021 Forecast is 27.2% lower than FY 2021 Budget of 10,207

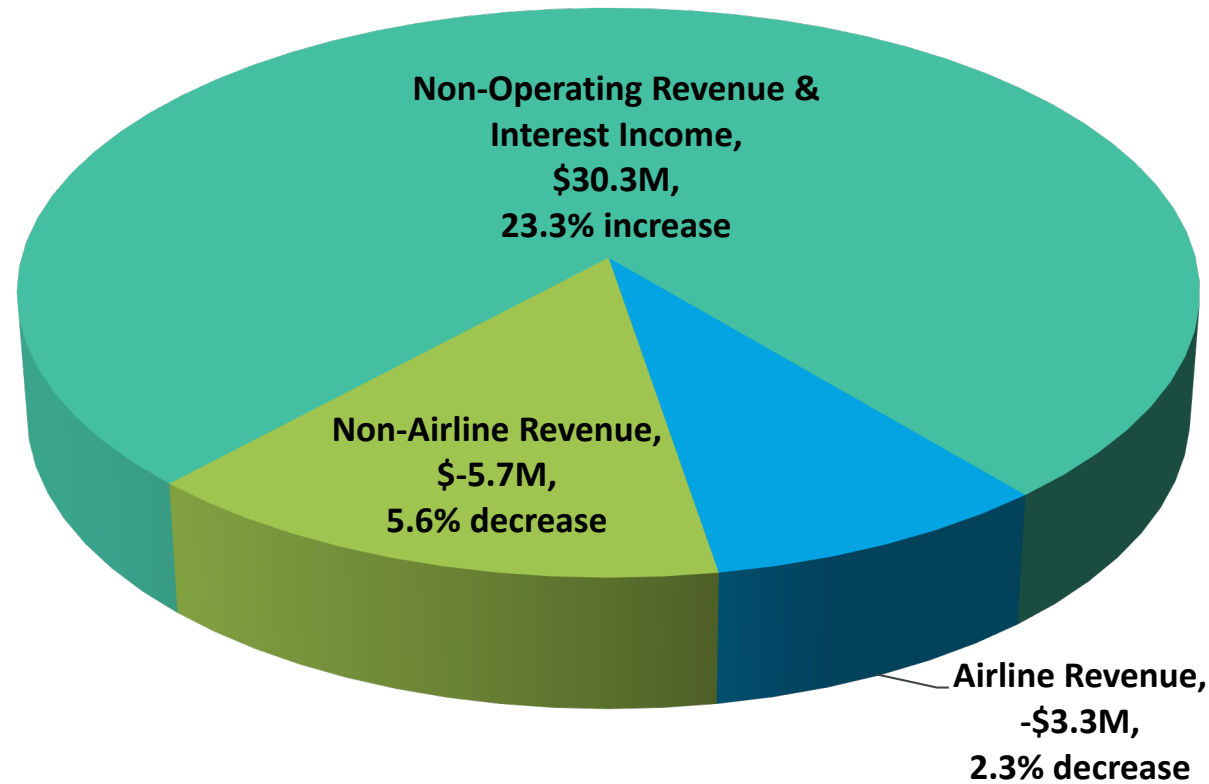
FY 2022 – FY 2023 Proposed Revenue Budget Summary

(in thousands)

	FY2019 Actuals	FY2020 Actuals	FY2021 Budget	FY2022 Proposed Budget	Inc / (Dec) FY22 vs FY21 Budget	% Change	FY2023 Conceptual Budget	Inc / (Dec) FY23 Conceptual vs FY22 Budget	% Change
Operating Revenue									
Airline Revenue									
Landing Fees	\$ 32,848	\$ 33,241	\$ 36,135	\$ 33,619	\$ (2,516)	-7.0%	\$ 54,141	\$ 20,521	61.0%
Aircraft Parking Fees	3,471	8,354	9,034	8,466	(568)	-6.3%	13,535	5,070	59.9%
Building Rentals	96,438	82,453	91,092	93,420	2,328	2.6%	139,297	45,878	49.1%
Common Use Fees	1,408	7,628	7,917	7,927	10	0.1%	11,008	3,080	38.9%
Incentive Program	-	-	-	(2,671)	(2,671)	0.0%	(5,521)	(2,850)	106.7%
Other Aviation Revenue	188	161	91	171	79	86.5%	174	3	2.0%
Total Airline Revenue	134,354	131,838	144,269	140,932	(3,337)	-2.3%	212,634	71,702	50.9%
Non-Airline Revenue									
Terminal Rent Non-Airline	2,163	2,461	2,515	2,608	93	3.7%	2,600	(8)	-0.3%
Terminal Concessions	30,102	24,999	21,237	13,236	(8,002)	-37.7%	18,889	5,654	42.7%
Rental Car License Fees	34,305	26,070	22,718	18,711	(4,007)	-17.6%	24,372	5,661	30.3%
License Fees - Other	6,850	6,175	3,535	4,235	699	19.8%	4,894	659	15.6%
Parking Revenue	46,585	36,440	22,454	26,061	3,607	16.1%	33,599	7,538	28.9%
Ground Transportation Permits and Citations	16,233	14,311	9,662	7,197	(2,465)	-25.5%	13,012	5,815	80.8%
Ground Rentals	20,647	18,925	18,350	22,616	4,266	23.2%	22,751	135	0.6%
Grant Reimbursements	450	301	296	386	90	30.5%	296	(90)	-23.4%
Other Operating Revenue	1,990	1,517	1,070	1,059	(11)	-1.0%	1,065	6	0.6%
Total Non-Airline Revenue	159,325	131,198	101,836	96,108	(5,728)	-5.6%	121,478	25,370	26.4%
Total Operating Revenue	293,679	263,036	246,105	237,040	(9,065)	-3.7%	334,112	97,072	41.0%
Interest Income	16,812	19,690	7,590	10,388	2,798	36.9%	23,273	12,885	124.0%
Non-Operating Revenue									
Passenger Facility Charges	49,198	34,393	24,170	23,962	(209)	-0.9%	33,740	9,778	40.8%
Customer Facility Charges	41,919	30,240	20,739	20,609	(129)	-0.6%	29,098	8,488	41.2%
Quieter Home Program	11,550	12,156	12,181	15,347	3,166	26.0%	13,437	(1,910)	-12.4%
BAB Interest Rebate	4,686	2,089	-	-	-	0.0%	-	-	0.0%
Federal Relief	-	36,895	54,326	80,000	25,674	47.3%	-	(80,000)	-100.0%
Capital Grant Contributions	8,213	4,072	10,912	9,912	(1,000)	-9.2%	29,284	19,372	195.4%
Other Non Operating Revenue	8,211	14,191	(10)	-	10	-100.0%	-	-	0.0%
Total Non-Operating Revenue	123,777	134,037	122,319	149,831	27,511	22.5%	105,559	(44,272)	-29.5%
Total Revenue	\$ 434,268	\$ 416,763	\$ 376,014	\$ 397,258	\$ 21,244	5.6%	\$ 462,943	\$ 65,685	16.5%

FY 2022 Budget Revenue Increase vs. FY 2021 Budget

\$21.2M (5.6%)



Total FY 2022 Budget is \$397.3M

FY 2022 Airline Revenue Decrease

(in thousands)

	FY2021 Budget	FY2022 Proposed Budget	Inc / (Dec) FY22 vs FY21 Budget	% Change
Operating Revenue				
Airline Revenue				
Landing Fees	\$ 36,135	\$ 33,619	\$ (2,516)	-7.0%
Aircraft Parking Fees	9,034	8,466	(568)	-6.3%
Building Rentals	91,092	93,420	2,328	2.6%
Common Use Fees	7,917	7,927	10	0.1%
Incentive Program	-	(2,671)	(2,671)	0.0%
Other Aviation Revenue	91	171	79	86.5%
Total Airline Revenue	144,269	140,932	(3,337)	-2.3%

- **Landing Fees:** decrease of \$2.5M due to use of federal relief funds partially offset by an increase in debt service and bond reserves requirement contributions
- **Aircraft Parking Fees:** decrease of \$0.6M due to decrease in airfield costs
- **Building Rentals:** increase of \$2.3M due to increase in terminal operations expenses, debt service and bond reserves requirement contributions, partially offset by use of federal relief funds
- **Air Service Incentive Program:** decrease of \$2.7M to revenue assuming return to service incentives

FY 2022 Non-Airline Revenue Decrease

(in thousands)

	FY2021 Budget	FY2022 Proposed Budget	Inc / (Dec) FY22 vs FY21 Budget	% Change
Non-Airline Revenue				
Terminal Rent Non-Airline	2,515	2,608	93	3.7%
Terminal Concessions	21,237	13,236	(8,002)	-37.7%
Rental Car License Fees	22,718	18,711	(4,007)	-17.6%
License Fees - Other	3,535	4,235	699	19.8%
Parking Revenue	22,454	26,061	3,607	16.1%
Ground Transportation Permits and Citations	9,662	7,197	(2,465)	-25.5%
Ground Rentals	18,350	22,616	4,266	23.2%
Grant Reimbursements	296	386	90	30.5%
Other Operating Revenue	1,070	1,059	(11)	-1.0%
Total Non-Airline Revenue	101,836	96,108	(5,728)	-5.6%

- **Terminal Concessions:** decrease of \$8.0M reflecting revenue based on gross sales
- **Rental Car License Fees:** decrease of \$4.0M reflecting revenue based on gross sales
- **Inflight & Ground Handling License Fees:** increase of \$0.7M due to increase in enplanements
- **Parking Revenue:** increase of \$3.6M due to higher transactions per originating passenger (OP) based on current trends
- **Ground Transportation Revenue:** decrease of \$2.5M due to lower transactions per (OP)
- **Ground Rentals:** increase of \$4.3M due to recognition of fuel farm projects cost recovery and opening of Airline Support Building (ASB)

FY 2022 Interest Income & Non-Operating Revenue Increase

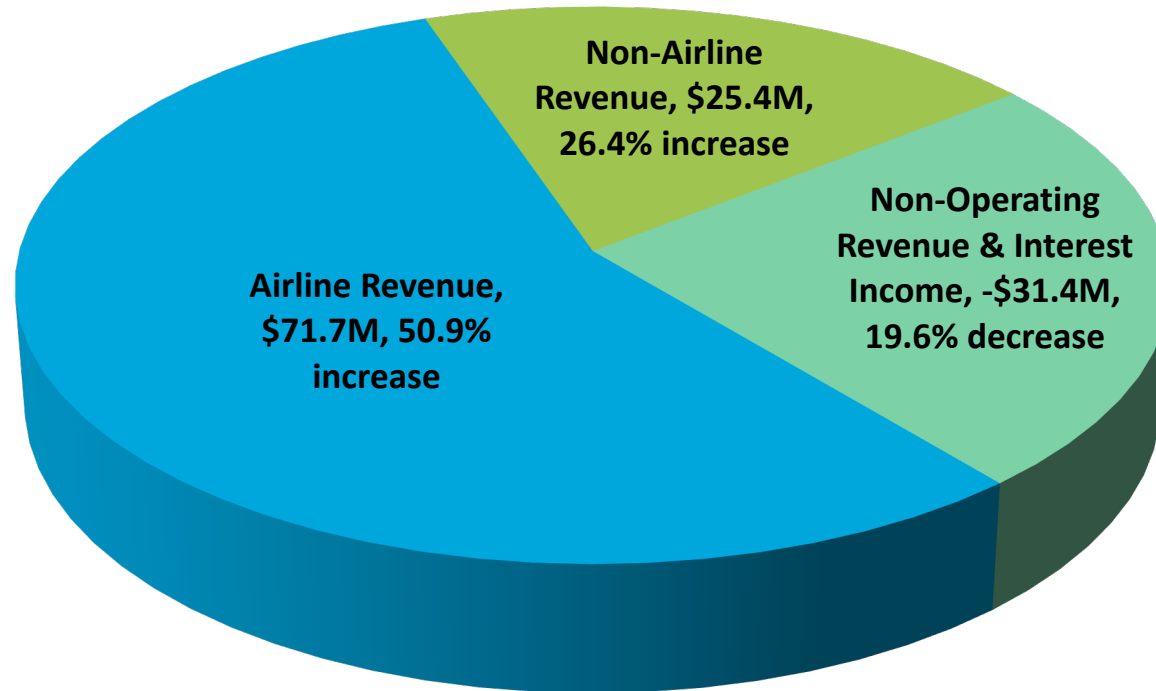
(in thousands)

	FY2021 Budget	FY2022 Proposed Budget	Inc / (Dec) FY22 vs FY21 Budget	% Change
Interest Income	7,590	10,388	2,798	36.9%
Non-Operating Revenue				
Passenger Facility Charges	24,170	23,962	(209)	-0.9%
Customer Facility Charges	20,739	20,609	(129)	-0.6%
Quieter Home Program	12,181	15,347	3,166	26.0%
BAB Interest Rebate	-	-	-	0.0%
Federal Relief	54,326	80,000	25,674	47.3%
Capital Grant Contributions	10,912	9,912	(1,000)	-9.2%
Other Non Operating Revenue	(10)	-	10	-100.0%
Total Non-Operating Revenue	122,319	149,831	27,511	22.5%

- **Interest Income:** net increase of \$2.8M due to increase in cash balances partially offset by lower interest rates.
- **Quieter Home Program (QHP):** increase of \$3.2M due to additional federal relief
- **Federal Relief:** increase of \$25.7M reflecting American Rescue Plan Act of 2021 grant
- **Capital Grant Contributions:** decrease of \$1.0M due to the completion of several projects in 2021 including EMAS replacement and apron rehabilitation

FY 2023 Budget Revenue Increase vs. FY 2022 Budget

\$65.7M (16.5%)



Total FY 2023 Budget is \$462.9M

FY 2023 Airline Revenue Increase

(in thousands)

	FY2022 Proposed Budget	FY2023 Conceptual Budget	Inc / (Dec) FY23 Conceptual vs FY22 Budget	% Change
Operating Revenue				
Airline Revenue				
Landing Fees	\$ 33,619	\$ 54,141	\$ 20,521	61.0%
Aircraft Parking Fees	8,466	13,535	5,070	59.9%
Building Rentals	93,420	139,297	45,878	49.1%
Common Use Fees	7,927	11,008	3,080	38.9%
Incentive Program	(2,671)	(5,521)	(2,850)	106.7%
Other Aviation Revenue	171	174	3	2.0%
Total Airline Revenue	140,932	212,634	71,702	50.9%

- **Landing Fees:** increase of \$20.5M due to increases in airfield operations expenses, debt service and Major Maintenance Fund (MMF) contribution
- **Aircraft Parking Fees:** increase of \$5.1M due to increase in airfield costs
- **Building Rentals:** increase of \$45.9M due to increases in terminal operations expenses, debt service and Major Maintenance Fund (MMF) contribution
- **Common Use Fees:** increase of \$3.1M due to increase in terminal rental rate and common use maintenance
- **Air Service Incentive Program:** increase of \$2.9M in incentive reflecting new destinations incentives

FY 2023 Non-Airline Revenue Increase

(in thousands)

	FY2022 Proposed Budget	FY2023 Conceptual Budget	Inc / (Dec) FY23 Conceptual vs FY22 Budget	% Change
Non-Airline Revenue				
Terminal Rent Non-Airline	2,608	2,600	(8)	-0.3%
Terminal Concessions	13,236	18,889	5,654	42.7%
Rental Car License Fees	18,711	24,372	5,661	30.3%
License Fees - Other	4,235	4,894	659	15.6%
Parking Revenue	26,061	33,599	7,538	28.9%
Ground Transportation Permits and Citations	7,197	13,012	5,815	80.8%
Ground Rentals	22,616	22,751	135	0.6%
Grant Reimbursements	386	296	(90)	-23.4%
Other Operating Revenue	1,059	1,065	6	0.6%
Total Non-Airline Revenue	96,108	121,478	25,370	26.4%

- **Terminal Concessions:** increase of \$5.7M reflects increase in enplanements
- **Rental Car License Fees:** increase of \$5.7M in reflects increase in enplanement partially offset by decrease in sales per enplanement (SEP)
- **Inflight & Ground Handling License:** increase of \$0.7M due to increase in enplanements
- **Parking Revenue:** increase of \$7.5M due to increase in enplanements partially offset by decrease in transactions per OP
- **Ground Transportation Revenue:** increase of \$5.8M due to increase in enplanements and higher transactions per OP

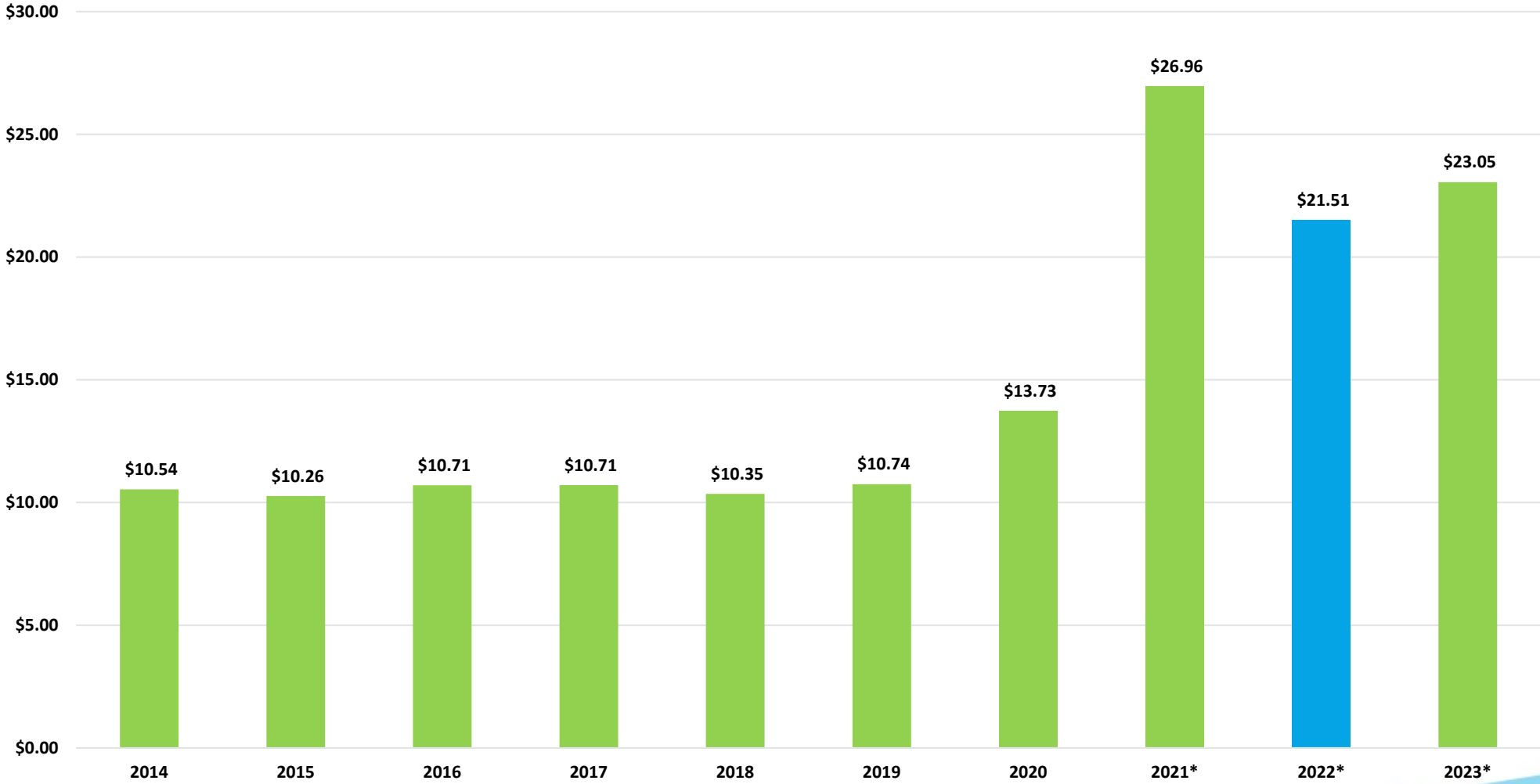
FY 2023 Interest Income & Non-Operating Revenue Decrease

(in thousands)

	FY2022 Proposed Budget	FY2023 Conceptual Budget	Inc / (Dec) FY23 Conceptual vs FY22 Budget	% Change
Interest Income	10,388	23,273	12,885	124.0%
Non-Operating Revenue				
Passenger Facility Charges	23,962	33,740	9,778	40.8%
Customer Facility Charges	20,609	29,098	8,488	41.2%
Quieter Home Program	15,347	13,437	(1,910)	-12.4%
BAB Interest Rebate	-	-	-	0.0%
Federal Relief	80,000	-	(80,000)	-100.0%
Capital Grant Contributions	9,912	29,284	19,372	195.4%
Other Non Operating Revenue	-	-	-	0.0%
Total Non-Operating Revenue	149,831	105,559	(44,272)	-29.5%
Total Revenue	\$ 397,258	\$ 462,943	\$ 65,685	16.5%

- **Interest Income:** increase of \$12.9M due to anticipated increase in interest rates and anticipated higher balances in bond funds
- **Passenger Facility Charges (PFCs):** increase of \$9.8M due to higher enplanements
- **Customer Facility Charges (CFCs):** increase of \$8.5M due to higher enplanements
- **Quieter Home Program (QHP):** decrease of \$1.9M due to timing of grants
- **Federal Relief:** decrease of \$80.0M
- **Capital Grant Contributions:** increase of \$19.4M reflects the grant funding for New T1 projects

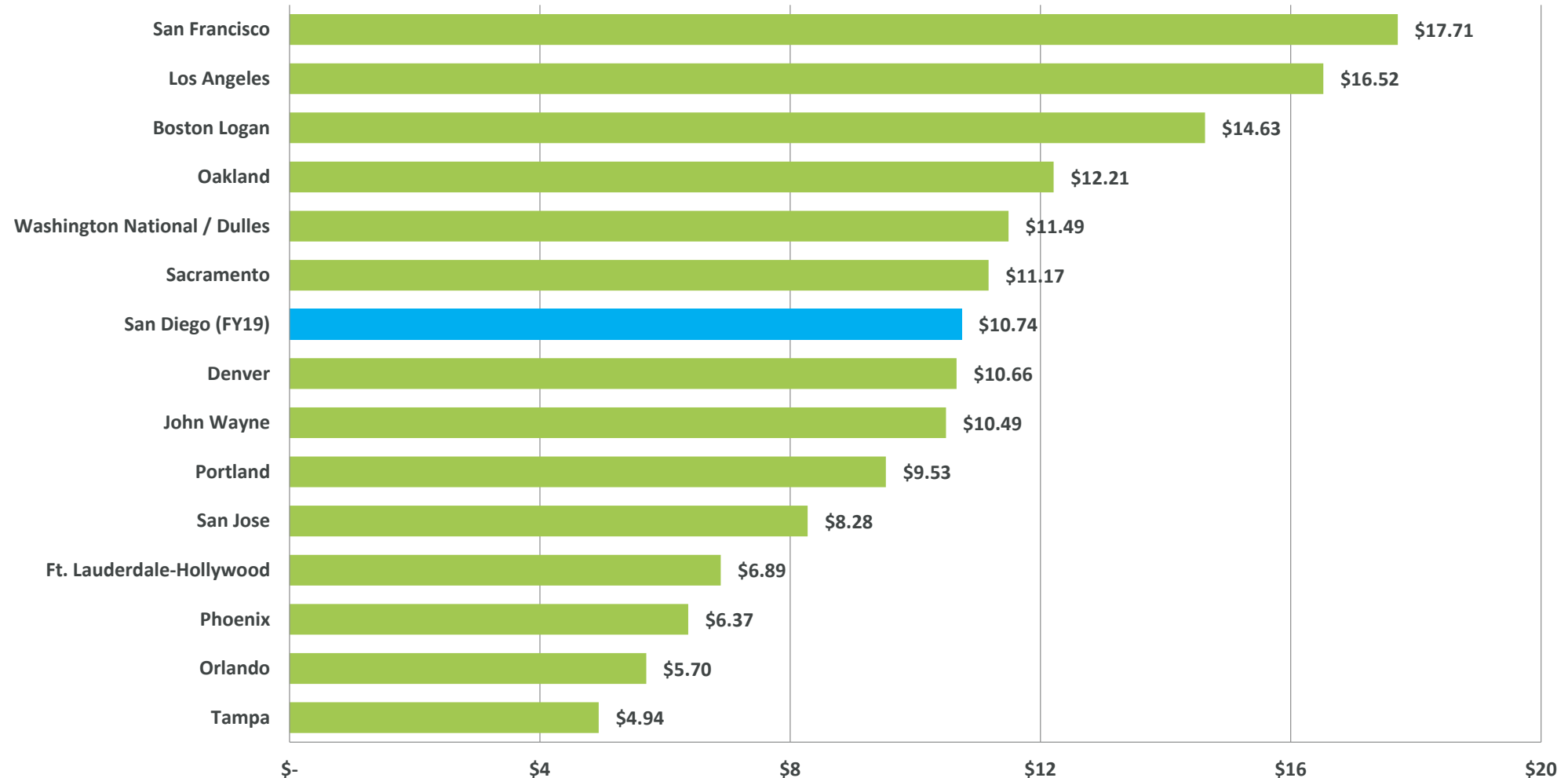
Airline Cost Per Enplaned Passenger



* Projected FY 2021, Budgeted FY 2022 & FY 2023

Airline Cost Per Enplaned Passenger

by Select Airports, as of FY 2019



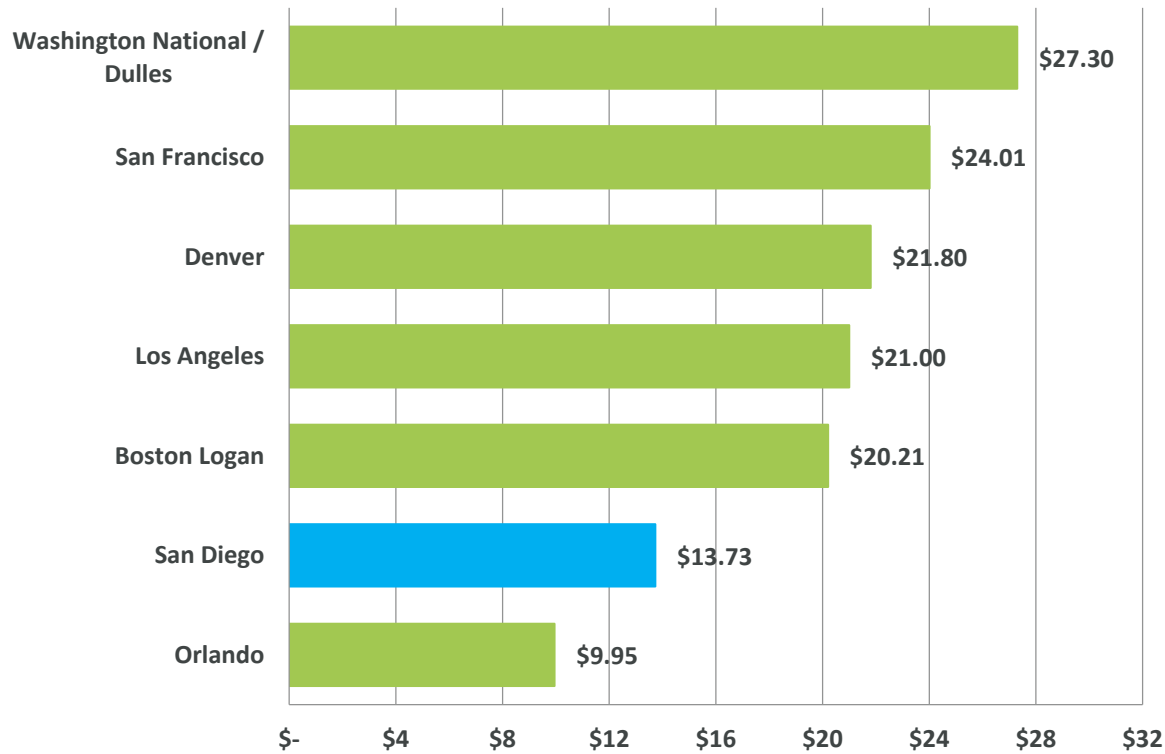
Median (\$10.66) for the above selected Moody's rated airports

Source: Moody's Investor Service, MFRA Database, as of April 2019. Peer Airports data as of FY 2018.

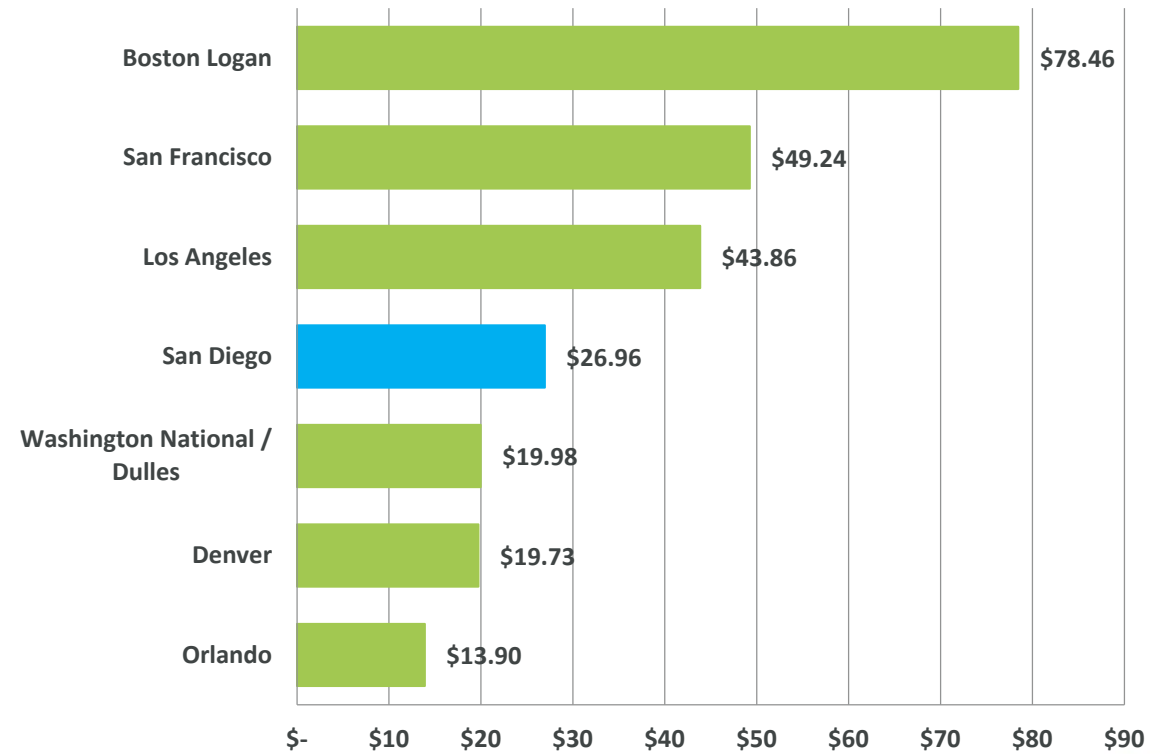
Airline Cost Per Enplaned Passenger

by Select Airports

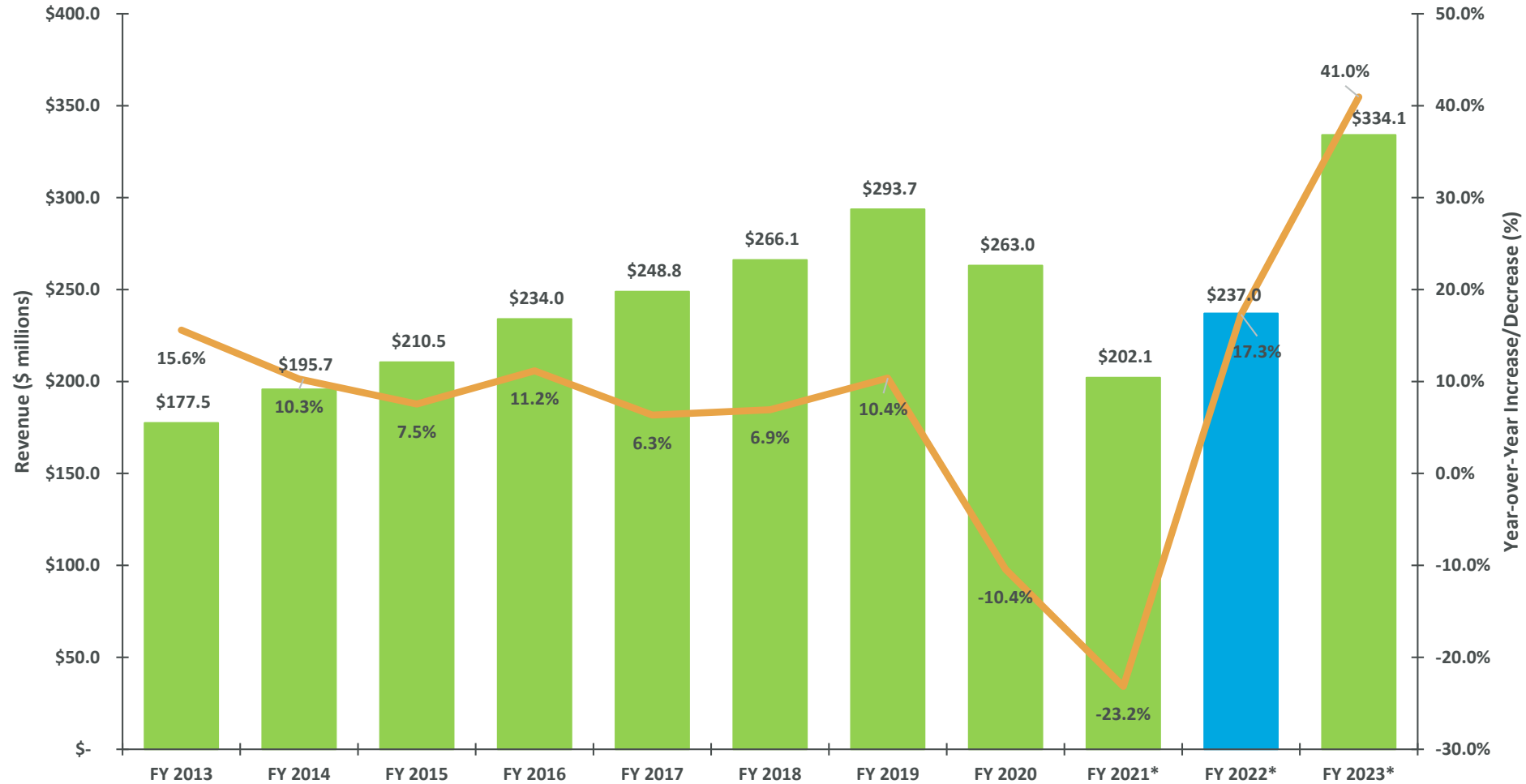
FY 2020



FY 2021*



Operating Revenue FY 2014 – FY 2023



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Cleveland Clinic

A STAR ALLIANCE MEMBER

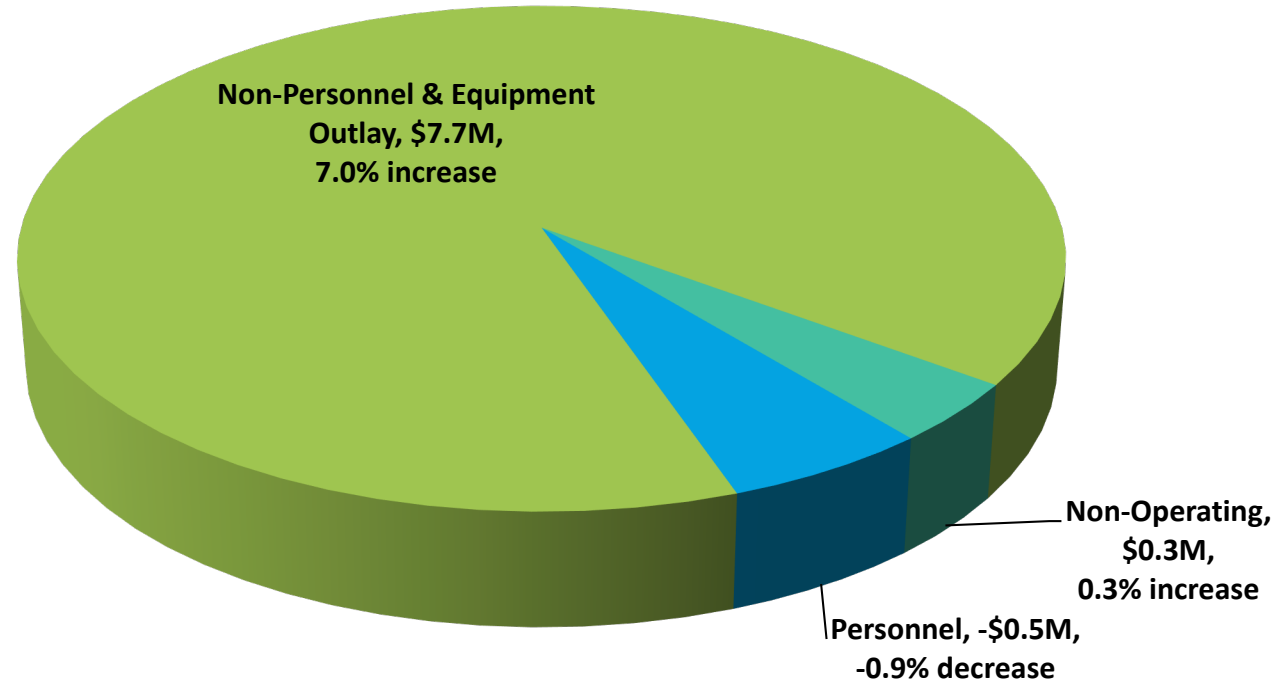
Expense Budget Overview

FY 2022 - FY 2023 Proposed Budget Expense Summary

<i>(In Thousands)</i>	FY2019	FY2020	FY2021	FY2022	Inc / (Dec)	%	FY2023	Inc / (Dec)	%
	Actuals	Actuals	Budget	Proposed Budget	FY22 Budget vs FY21 Budget	Change	Conceptual Budget	FY23 Conceptual vs FY22 Proposed	Change
Operating Expenses									
Salaries	\$ 36,995	\$ 37,159	\$ 37,784	\$ 37,099	\$ (686)	-1.8%	\$ 39,866	\$ 2,768	7.5%
Benefits	17,972	19,533	19,556	20,023	467	2.4%	21,701	1,678	8.4%
Subtotal	54,967	56,692	57,340	57,121	(218)	-0.4%	61,567	4,446	7.8%
Less: Capitalized Labor Recharge	(4,694)	(4,445)	(4,968)	(5,125)	(158)	3.2%	(5,711)	(586)	11.4%
Less: QHP Labor Recharge	(695)	(580)	(532)	(641)	(109)	20.4%	(670)	(30)	4.7%
Total Personnel Costs	49,578	51,667	51,841	51,355	(485)	-0.9%	55,186	3,830	7.5%
Contractual Services	49,903	37,694	29,071	33,128	4,058	14.0%	42,480	9,352	28.2%
Safety and Security	31,397	29,457	34,176	36,385	2,209	6.5%	37,739	1,354	3.7%
Space Rental	10,191	10,207	10,203	10,652	449	4.4%	10,655	3	0.0%
Utilities	13,194	12,748	14,299	14,693	395	2.8%	15,460	766	5.2%
Maintenance	13,436	11,584	12,433	11,342	(1,091)	-8.8%	11,584	242	2.1%
Operating Equipment & Systems	375	336	339	302	(37)	-11.0%	355	53	17.7%
Operating Supplies	656	651	624	618	(6)	-1.0%	686	69	11.1%
Insurance	1,200	1,308	1,558	1,813	254	16.3%	1,994	181	10.0%
Employee Development	1,045	967	806	803	(3)	-0.4%	827	24	3.0%
Business Development	2,630	2,033	1,236	1,849	614	49.7%	2,557	707	38.2%
Equipment Rentals and Repairs	2,853	2,801	3,540	3,952	412	11.6%	4,033	81	2.0%
Tenant Improvements	761	797	340	336	(4)	-1.2%	350	14	4.2%
Total Non-Personnel Costs	127,641	110,584	108,625	115,873	7,249	6.7%	128,719	12,846	11.1%
Total Operating Expenses	177,219	162,251	160,465	167,228	6,763	4.2%	183,904	16,676	10.0%
Joint Studies / Sound Attenuation	14,841	15,451	15,327	17,504	2,177	14.2%	16,763	(741)	-4.2%
Debt Service	97,690	107,530	112,319	110,473	(1,846)	-1.6%	112,503	2,030	1.8%
Legal Settlement Expense	-	10	10	10	-	0.0%	10	-	0.0%
Total Non-Operating Expenses	112,531	122,991	127,655	127,987	331	0.3%	129,276	1,289	1.0%
Total Expenses	289,749	285,242	288,120	295,215	7,095	2.5%	313,180	17,965	6.1%
Equipment Outlay Expenditures	779	1,098	268	686	417	155.4%	620	(65)	-9.5%
Total Authority Expenses Incl Equip Outlay	\$ 290,529	\$ 286,340	\$ 288,389	\$ 295,901	\$ 7,512	2.6%	\$ 313,800	\$ 17,900	6.0%

FY 2022 Budget Expense Increase vs. FY 2021 Budget

\$7.5M (2.6%)



Total FY 2022 Budget is \$295.9M

Major Drivers of FY 2022 Budget

<i>(in thousands)</i>	Total Inc / (Dec) FY22		Expense Category
	Budget vs FY21		
	Budget		
Total Increase in Expenses	\$	7,512	
Personnel:			
Contracted wage increases		362	Salaries & Wages
Retirement and retiree medical		268	Employee Benefits
New T1 support personnel		200	Salaries & Wages
Health insurance		(251)	Employee Benefits
Vacancy savings, net of capitalized labor and overtime		(1,164)	Salaries & Wages
Other, net		100	Salaries & Wages, Employee Benefits
Total Increase / (Decrease) in Personnel		(485)	
Debt Service:			
Principal and interest on revenue bonds		1,067	Debt Service
Cost of issuance and other fees		2,340	Debt Service
Interest and fees on variable rate debt		(1,208)	Debt Service
Amortization on bond premiums		(4,044)	Debt Service
Total Increase / (Decrease) in Debt Service		(1,846)	
Non Personnel:			
New T1 related expenses			
Employee shuttle		2,804	Contractual Services
Valet operations		696	Contractual Services
New T1 support non personnel		445	Contractual Services
Inter terminal shuttle		374	Contractual Services
Security & credentialing cost associated with start of New T1	\$	137	Contractual Services, Safety & Security, Office Supplies

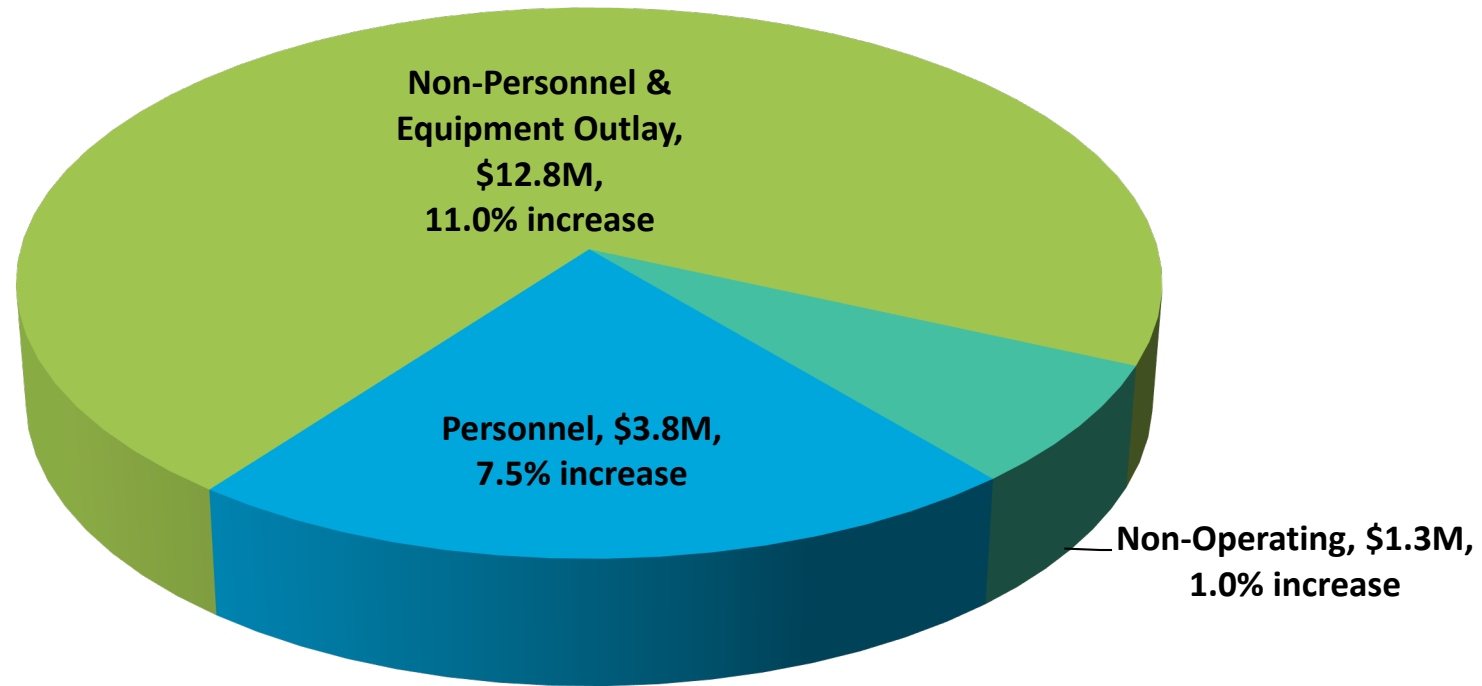
Major Drivers of FY 2022 Budget

(in thousands)

	Total Inc / (Dec) FY22		Expense Category
	Budget vs FY21		
	Budget		
Safety and Security			
Port District law enforcement - Harbor Police Department	\$	1,481	Safety and Security
Guard services and security equipment		799	Safety and Security
Credential services		(199)	Contractual Services
Terminal and Airside, Landside Operations and Maintenance			
Rental Car Center (RCC) buses		968	Contractual Services
Old Town connector shuttle		475	Contractual Services
Utilities - gas, electric, and water		414	Utilities
Equipment purchases		167	Equipment Outlay
Green oval painting		(346)	Maintenance, Equipment Outlay
Annual and major maintenance and supplies		(495)	Maintenance
Parking and shuttle operations		(1,745)	Contractual Services
Other Operating and Non-Operating Expenses			
Quieter Home Program (QHP)		2,177	QHP Expenses
Air Service Development incentives and advertising		609	Business Development
Space rent		449	Space Rent
Software, licenses, maintenance and support		270	Equipment Rentals and Repair
Insurance		254	Insurance
Other, net		107	
Total Increase / (Decrease)	\$	7,512	

FY 2023 Budget Expense Increase vs. FY 2022 Budget

\$17.9M (6.0%)



Total FY 2023 Budget is \$313.8M

Major Drivers of FY 2023 Budget

<i>(in thousands)</i>	Total Inc / (Dec) FY23 Budget vs FY22		Expense Category
		Budget	
Total Increase in Expenses	\$	17,900	
Personnel:			
Pay-for-Performance and contracted wage increases		1,454	Salaries & Wages
Retirement and retiree medical		802	Employee Benefits
Health insurance		670	Employee Benefits
Vacancies recruitment, net of capitalized labor and overtime		398	Salaries & Wages
New T1 support personnel		300	Salaries & Wages
Other, net		207	Employee Benefits
Total Increase / (Decrease) in Personnel		3,830	
Debt Service:			
Principal and interest on revenue bonds		1,655	Debt Service
Amortization on bond premiums		427	Debt Service
Other, net		(53)	Debt Service
Total Increase / (Decrease) in Debt Service		2,030	
Non Personnel:			
New T1 related expenses			
New T1 support non personnel	\$	1,200	Contractual Services

Major Drivers of FY 2023 Budget

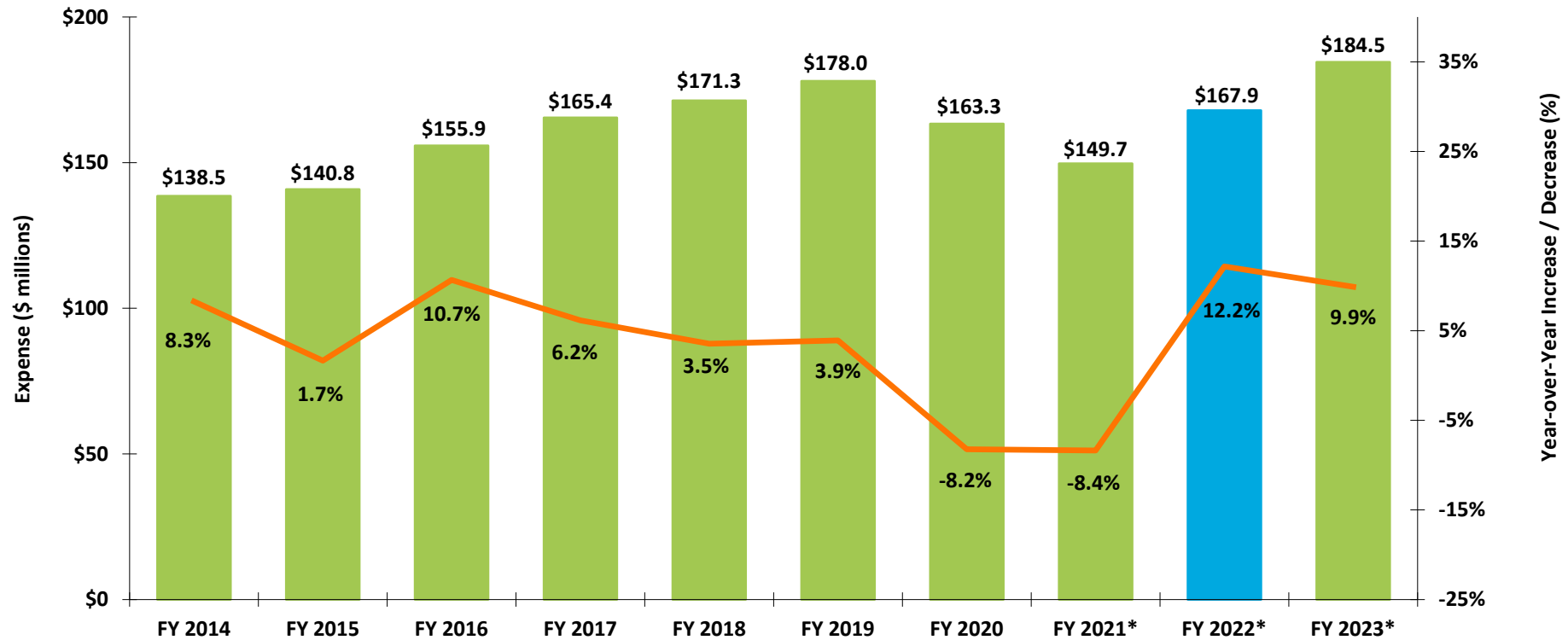
(in thousands)

	Total Inc / (Dec) FY23 Budget vs FY22		Expense Category
	Budget		
Safety and Security			
Port District law enforcement - Harbor Police Department	\$	937	Safety and Security
Aircraft Rescue and Fire Fight (ARFF)		261	Safety and Security
Guard services and security equipment		118	Safety and Security
Terminal and Landside Operations			
Shuttle Operations (includes Old Town Connector Shuttle)		2,978	Contractual Services
Rental Car Center (RCC) buses		2,344	Contractual Services
Parking operations		1,689	Contractual Services
Utilities - gas, electric, and water		741	Utilities
Terminal operations and improvements		528	Contractual Services
Annual and major maintenance and supplies		396	Maintenance
Green oval painting		(404)	Maintenance, Equipment Outlay
Other Operating and Non-Operating Expenses			
Air Service Development incentives		401	Business Development
Marketing consultant, advertising, and promotional activities		260	Business Development, Contractual Services
Credit card fees		213	Contractual Services
Insurance		181	Insurance
Other, net		198	
Total Increase / (Decrease)	\$	17,900	

Total Operating Expenses

(incl. Equipment Outlay)

FY 2014 – FY 2023



* Projected FY 2021, Budgeted FY 2022 & FY 2023
FY22 Budget is 4.5% higher than FY21 Budget



Capital Program Budget Fiscal Years 2022 - 2026

Capital Program Budget Summary

(in thousands)

Total FY 2021 - 2025 Beginning Capital Program Budget	\$ 3,728,201
Airline Support Building Tenant Improvements	21,300
FY 2021 - 2025 Project Closeouts	(93,409)
FY 2021 - 2025 Project Adjustments	<u>(35,304)</u>
FY 2021 - 2025 Ending Capital Program Balance	\$ 3,620,788
Proposed FY 2022 - 2026 Capital Projects	\$ <u>29,166</u> *
Proposed FY 2022 - 2026 Capital Program Budget	\$ <u>3,649,954</u>

* Pending Board approval

Current/Proposed Capital Program – Project Locations

(in thousands)

Capital Program Budget:

\$3,728,201

\$3,649,954

Project Location	FY2021-2025	FY2022-2026
Airside	20	21
Terminal	25	23
Landside/Ancillary	26	23
Administrative	10	8
Totals	81	75

Proposed New FY 2022 - 2026 CIP Projects

(in thousands)

	Description	Expected Start Date	Estimated Budget
1)	New T1 Offsite Intersection/Roadway Segment Improvements	Summer 2021	\$ 13,000
2)	Hyoco Digital Sign Replacement at Elevated Departure Roadway	Summer 2021	2,300
3)	Replace P-01 Perimeter Access Gate	Summer 2021	2,285
4)	Fleet Conversion to Hybrid or Electric Vehicles	FY22 – FY25	1,081
5)	Rehabilitate ARFF Station	Fall 2024	\$ 10,000

Proposed New FY 2022 - 2026 CIP Projects

(in thousands)

	Description	Expected Start Date	Estimated Budget
6)	Noise Exposure Map (NEM) Update	Spring 2026	\$ 500
Total FY2022-2026 Proposed New Capital Projects			<u>\$ 29,166</u>

Proposed FY2022 - 2026 Capital Program – Remaining Budget by Phase

(in thousands)

Project Phase	Budget	Costs to Date *	Budget Remaining
Pre-Construction	\$ 367,921	\$ 49,347	\$ 318,574
Construction	79,236	53,748	25,488
Closeout	<u>2,000</u>	<u>1,455</u>	<u>545</u>
Subtotal CIP	\$ 449,157	\$ 104,550	\$ 344,607
Airport Support Facilities	171,631	164,681	6,949
New T1	3,000,000	92,576	2,907,424
New CIP	<u>29,166</u>	<u>0</u>	<u>29,166</u>
Totals	\$ 3,649,954	\$ 361,807	\$ 3,288,146

* Estimated costs as of 6/30/21



Plan of Finance Fiscal Years 2022 - 2026

Uses of Funds by Location

Pre FY 2022 - FY 2026

(in thousands)

Location	Capital Program
Terminal	\$ 2,353,039
Landside & Ancillary	683,342
Airside	421,901
Administrative	191,672
Total	\$ 3,649,954

Uses of Funds

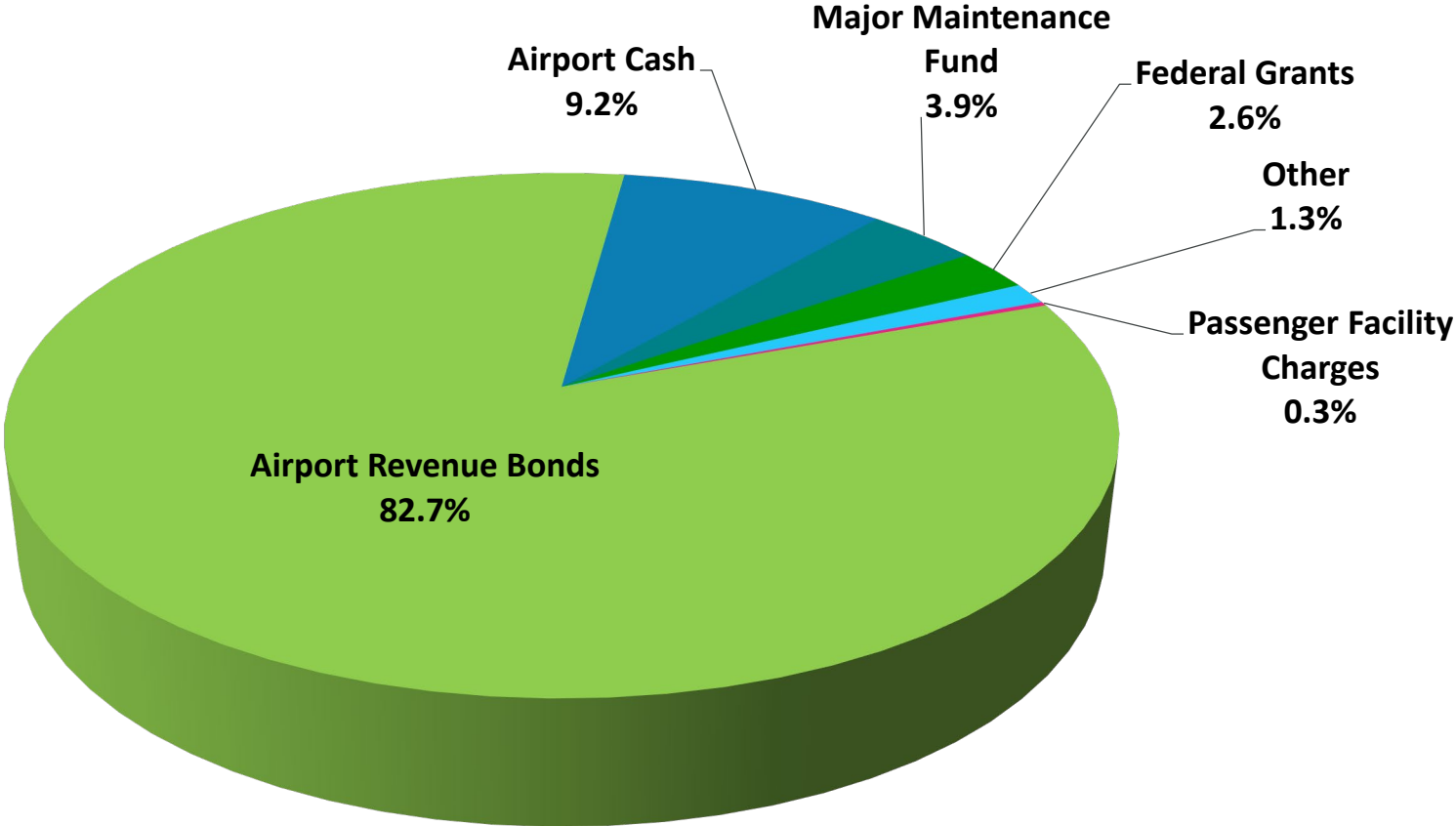
(in thousands)

	<u>Total Use of Funds</u>						
	Pre FY2022	FY2022	FY2023	FY2024	FY2025	FY2026	Total
ADP	\$ 104,151	\$ 391,842	\$ 734,473	\$ 700,373	\$ 502,150	\$ 567,011	\$ 3,000,000
CIP Program	278,929	83,692	88,287	77,848	75,874	45,324	649,954
Total	\$ 383,080	\$ 475,534	\$ 822,760	\$ 778,221	\$ 578,024	\$ 612,335	\$ 3,649,954

Sources of Funds

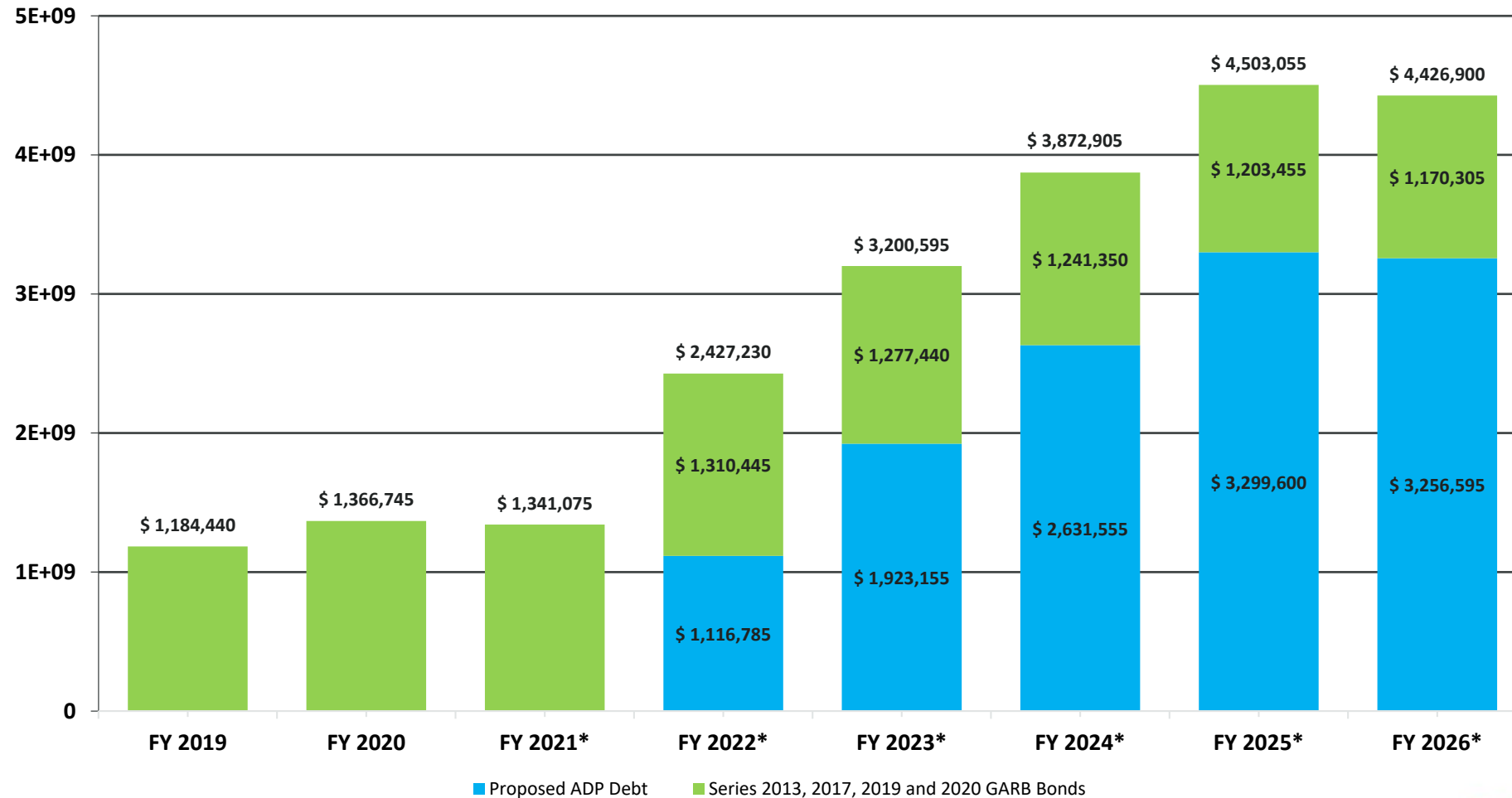
	<u>CIP Total Sources of Funds</u>						
	Pre FY2022	FY2022	FY2023	FY2024	FY2025	FY2026	Total
Airport Revenue Bonds	\$ 148,545	\$ 356,169	\$ 753,208	\$ 699,472	\$ 495,956	\$ 566,145	\$ 3,019,495
Airport Cash	199,739	65,076	3,931	18,392	39,462	9,824	336,424
Major Maintenance Fund	15,622	21,974	20,679	28,728	25,047	29,594	141,644
Federal Grants	9,269	9,137	29,284	24,488	15,965	6,771	94,914
Other	8,439	23,178	14,698	385	1,595	-	48,295
Passenger Facility Charges	1,466	-	959	6,757	-	-	9,181
TOTAL SOURCES OF FUNDS	\$ 383,080	\$ 475,534	\$ 822,760	\$ 778,221	\$ 578,024	\$ 612,335	\$ 3,649,954

Total Sources of Funds Pre FY 2022 – FY 2026



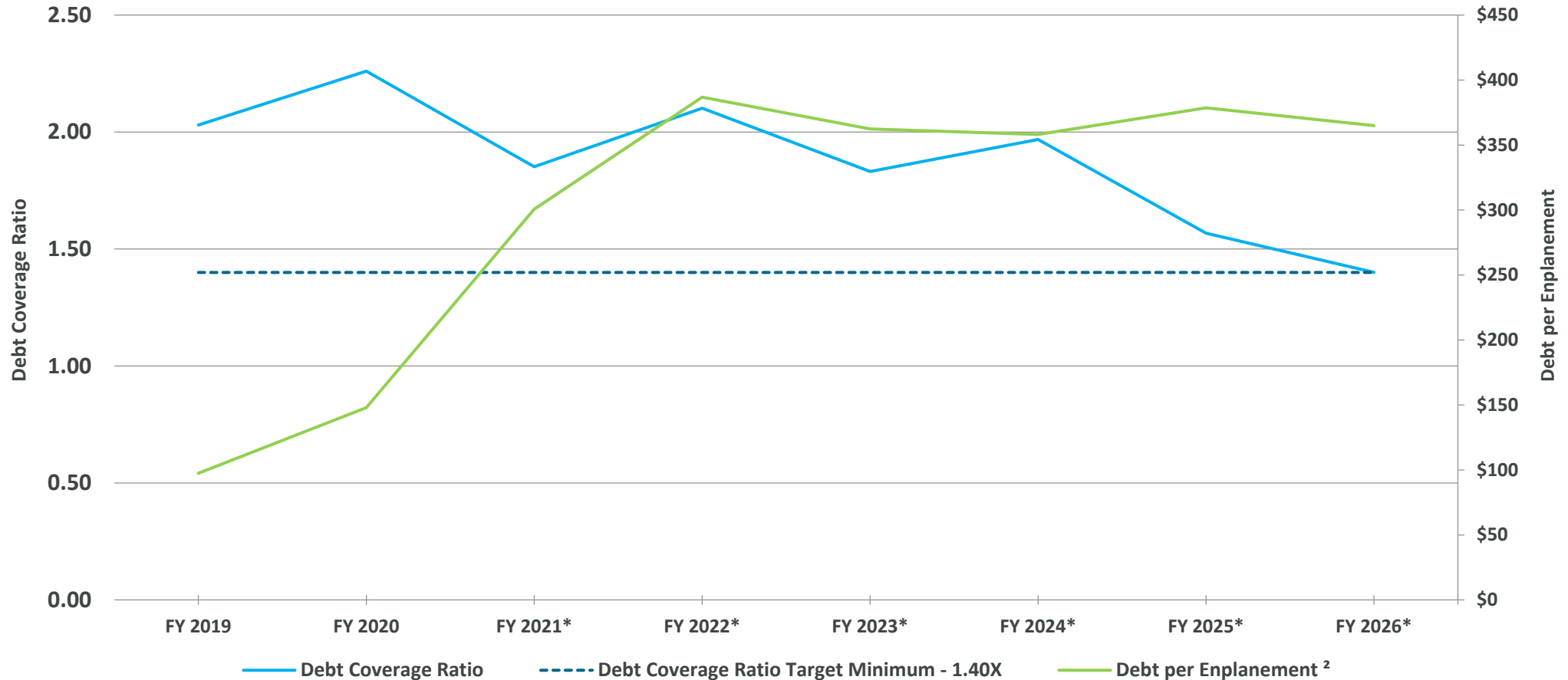
Aggregate Debt FY 2019 – FY 2026

(in thousands)



* Forecasted FY 2021 - FY 2026

Coverage Ratio and Debt Per Enplanement ¹



¹ Debt excludes special facility bonds

² Debt per Enplanement target of \$150 was temporarily suspended

* Forecasted FY 2021- FY 2026

Coverage Ratio and Debt Per Enplanement

Fiscal Year	Outstanding Debt ¹ (in thousands)	Debt per Enplanement ²	Debt Coverage Ratio ³
FY 2019	\$1,198,144	\$97.49	2.03
FY 2020	\$1,366,745	\$148.00	2.26
FY 2021*	\$1,341,075	\$300.69	1.85
FY 2022*	\$2,427,230	\$386.81	2.10
FY 2023*	\$3,200,595	\$362.39	1.83
FY 2024*	\$3,872,905	\$358.17	1.97
FY 2025*	\$4,503,055	\$378.60	1.57
FY 2026*	\$4,426,900	\$364.89	1.40

¹ Debt excludes Special Facility Bonds

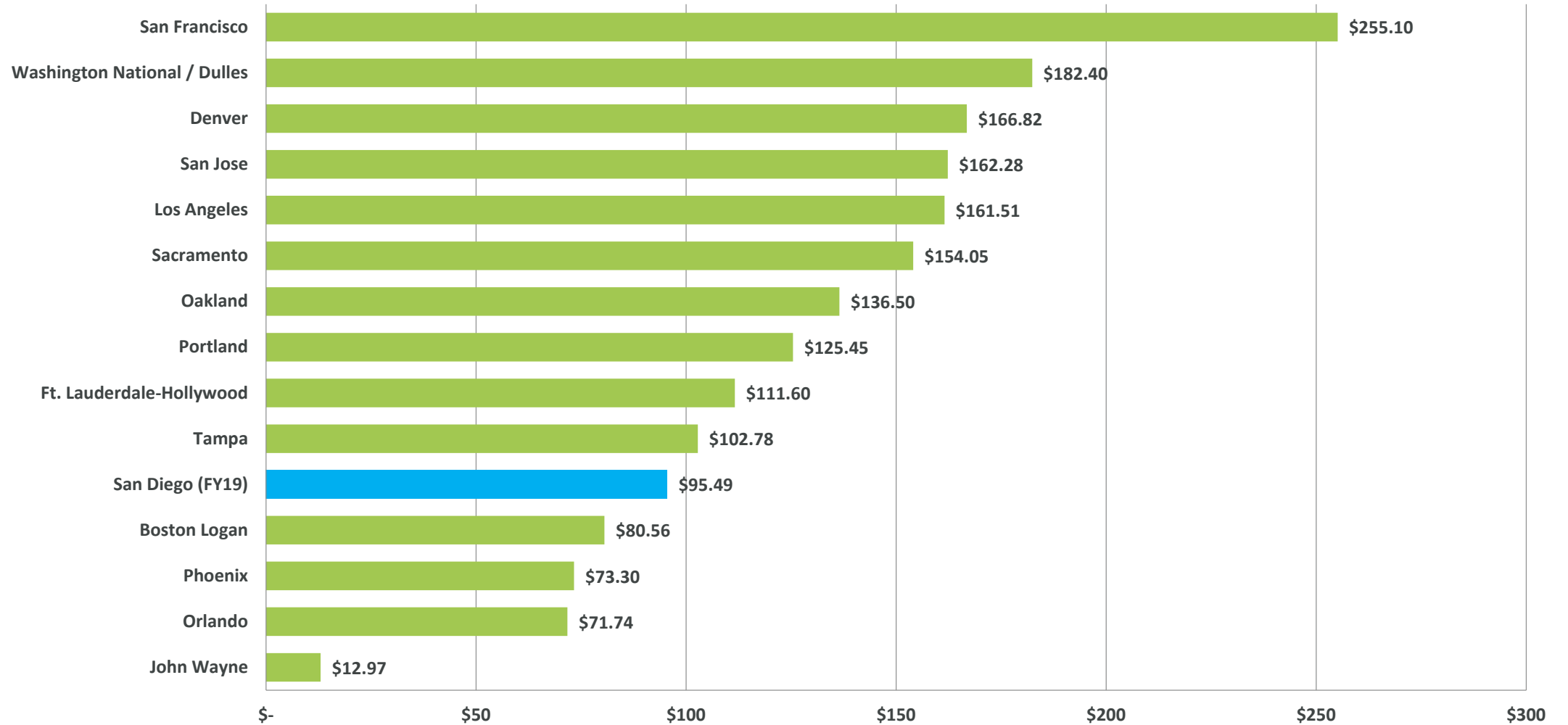
² Debt per Enplanement target of \$150 was temporarily suspended

³ Target minimum Debt Policy Coverage Ratio 1.40x

* Forecasted FY 2021 - FY 2026

Airport Debt Per Enplanement

by Select Airports, as of FY 2019



Median (\$125.45) for the above selected Moody's rated airports

Source: Moody's Investor Service, MFRA Database, as of April 2019. Peer Airports data as of FY 2018.



Conclusion

Conclusion

- Follows the Authority's legislative and regulatory mandates
- Includes funds for essential operational expenses to manage the Airport through recovery from COVID-19 pandemic
- Reflects collaboration with business stakeholders
- Preserves Authority's financial position through the financial resilience plan measures and cost containment efforts
- Demonstrates the discipline necessary to remain a sustainable enterprise
- Supports continued efforts to advance a feasible five-year Capital Plan
- Provides necessary resources to proceed with the New T1
- Includes resources to maintain employee safety, confidence and engagement
- The Authority will continue to assess and refine the revenue forecast and spending plan based on changing economic environment



Questions?