

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Members

C. April Boling
Chairman

Greg Cox
Jim Desmond
Mark Kersey
Robert T. Lloyd
Paul Robinson
Johanna S. Schiavoni
Michael Schumacher
Mark B. West

SPECIAL BOARD AGENDA

Thursday, May 16, 2019
9:00 A.M.

San Diego International Airport
SDCRAA Administration Building – Third Floor
Board Room
3225 N. Harbor Drive
San Diego, California 92101

Ex-Officio Board Members

Cory Binns
Col. Charles B. Dockery
Jacqueline Wong-Hernandez

President / CEO

Kimberly J. Becker

***Live webcasts of Authority Board meetings can be accessed at
<http://www.san.org/Airport-Authority/Meetings-Agendas/Authority-Board>***

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.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.***

The Authority has identified a local company to provide oral interpreter and translation services for public meetings. If you require oral interpreter or translation services, please telephone the Board Services /Authority Clerk Department with your request at (619) 400-2400 at least three (3) working days prior to the meeting.

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

BUDGET WORKSHOP:

**1. DISCUSSION REGARDING THE SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY FISCAL YEAR 2020 PROPOSED BUDGET AND FISCAL YEAR
2021 PROPOSED CONCEPTUAL BUDGET:**

The Board is requested to discuss the proposed budgets.

RECOMMENDATION: Discuss the Fiscal Year 2020 Proposed Budget and
Fiscal Year 2021 Proposed Conceptual Budget.

(Finance & Risk Management: John Dillon, Director; Maya Dayan, Manager)

BOARD COMMENT:

ADJOURNMENT:

**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 complete a "Request to Speak" form 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 complete a form 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.
- 6) 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) 400-2400 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.

**San Diego County Regional Airport Authority
FY 2020 Proposed Budget &
FY 2021 Proposed Conceptual Budget**



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S GO.

Budget Workshop

May 16, 2019

Agenda

1. Strategic Plan
2. Economic, Industry and Credit Overview
3. Budget Process
4. Budget Overview
 - Revenue
 - Expense
5. Capital Program Budget
6. Plan of Finance FY 2020-2024
7. Conclusion

Strategic Plan

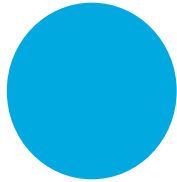
Authority Vision

Mastering the Art of Airports

Future State Description

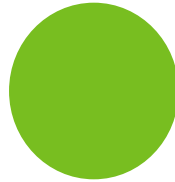
In 2022, our integrated leadership team has continued to evolve the Authority into a passenger-focused, business-driven, community-centered enterprise. We have achieved our five-year strategic plan and are widely recognized for successfully managing our financial, social and environmental sustainability.

Strategic Goals



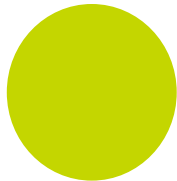
Community

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



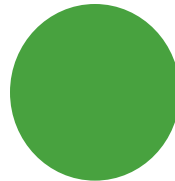
Financial

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.



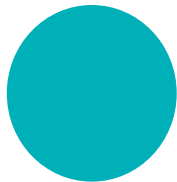
Customer

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



Operations

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



Employee

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

FY 2020 Focus Areas

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 Airport Development Plan (ADP)
- 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.



Economic, Industry and Credit Overview



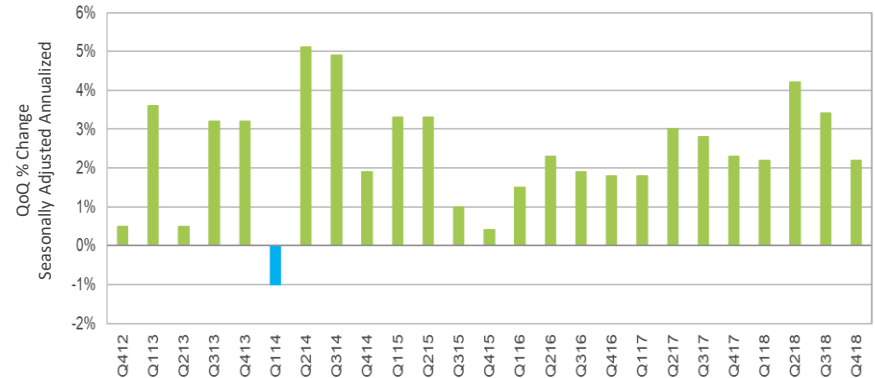
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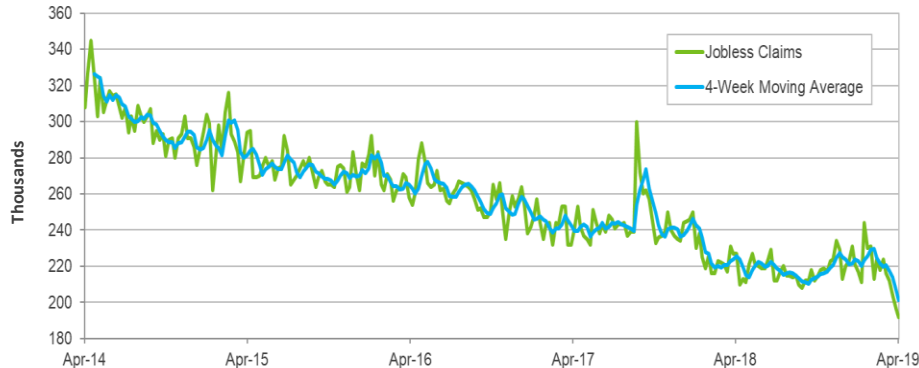
Economic Overview

- Main economic indicators all showed growth:
 - Annualized GDP for Q4 2018 is 2.2%
 - As of March 2019, current U.S. unemployment rate is at 3.8% and San Diego unemployment is at 3.5% as of February 2019
 - The Consumer Price Index (CPI) rose 2.0% from March 2017 to March 2018

U.S. Gross Domestic Product (GDP)



U.S. Unemployment Rates



Consumer Price Index (CPI)



Economic Overview

- YTD 2019 equity markets have been volatile:
 - DJIA: up 13.4%
 - S&P 500: up 15.7%
- Current oil price trades in the \$64+/- range (above the 12-month average of \$62.96)
- The Treasury yield curve has flattened with short-term rates higher and long-term rates lower on a year-over-year basis.

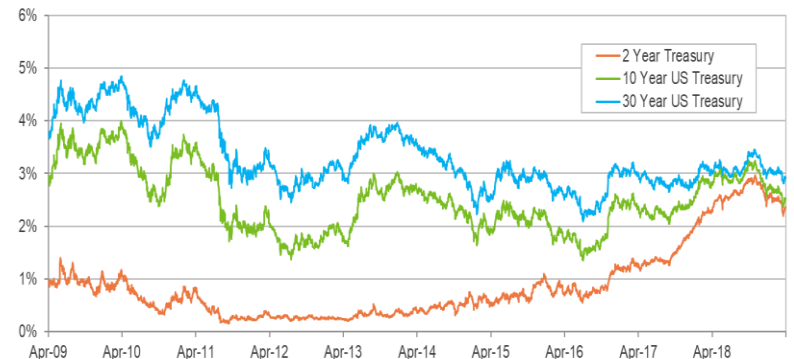
Dow Jones Industrial Avg. and S&P 500 Indices



WTI Crude Oil Price (Per Barrel)



U.S. Treasury Yields Rates

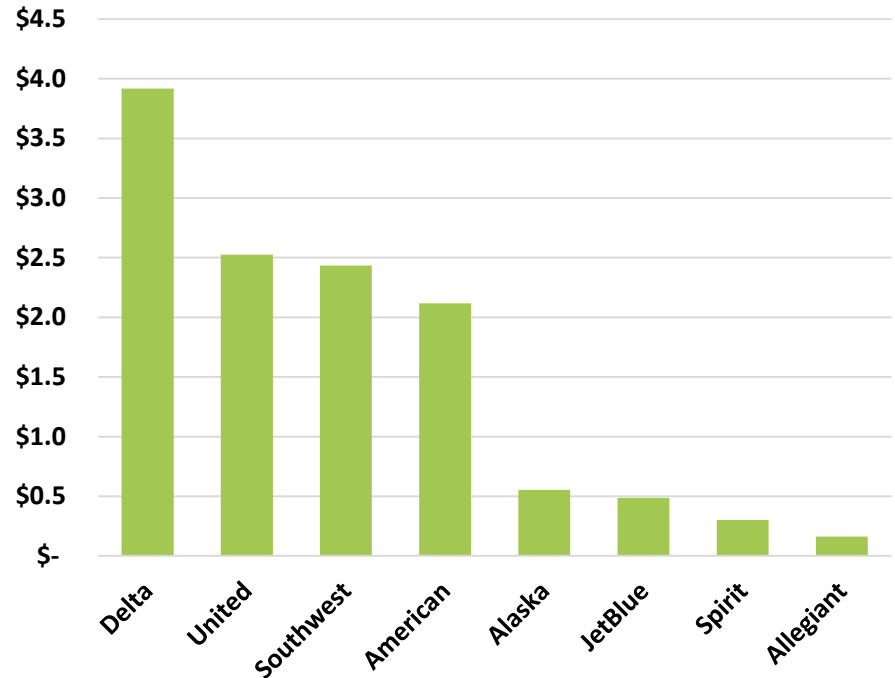


Airline Industry Overview

- All major U.S. airlines reporting to date have recorded a profit in CY 2018 despite the significant increase in fuel prices and labor costs
- Airline revenues are expected to take a hit in Q1 2019 due to low demand during the government shutdown and concerns about a slowing global economy
- Delta, Southwest, United, and American focused on customer experience to drive revenue growth through premium economy products and loyalty program

2018 Net Profit (excluding Special Items)

(in billions)



Source: Airline Financial Reports

Rating Agencies Airport Outlook

Moody's – positive
S&P and Fitch – stable

Key drivers:

- Continued U.S. economic expansion
- Additional seat capacity added by U.S. Airlines
- Expected enplanement growth
- Higher non-airline revenues
- Increased level of debt service

SDCRAA Strong Credit

Fitch: A+ Senior and A Subordinate ratings with a positive outlook

Moody's: A1 Senior and A2 Subordinate ratings with a stable outlook; A3 rating with stable outlook on special facility bonds

S&P: A+ and A Subordinate ratings with a stable outlook; A rating for special facility bonds with a stable outlook (upgraded)



Budget Process



Budget Process



Expense Budget

- Review current expenses
- Discuss future needs
- Consider alternative methods and solutions
- Identify risks and opportunities



Revenue Budget

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



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



Budget Overview





Revenue Budget Overview



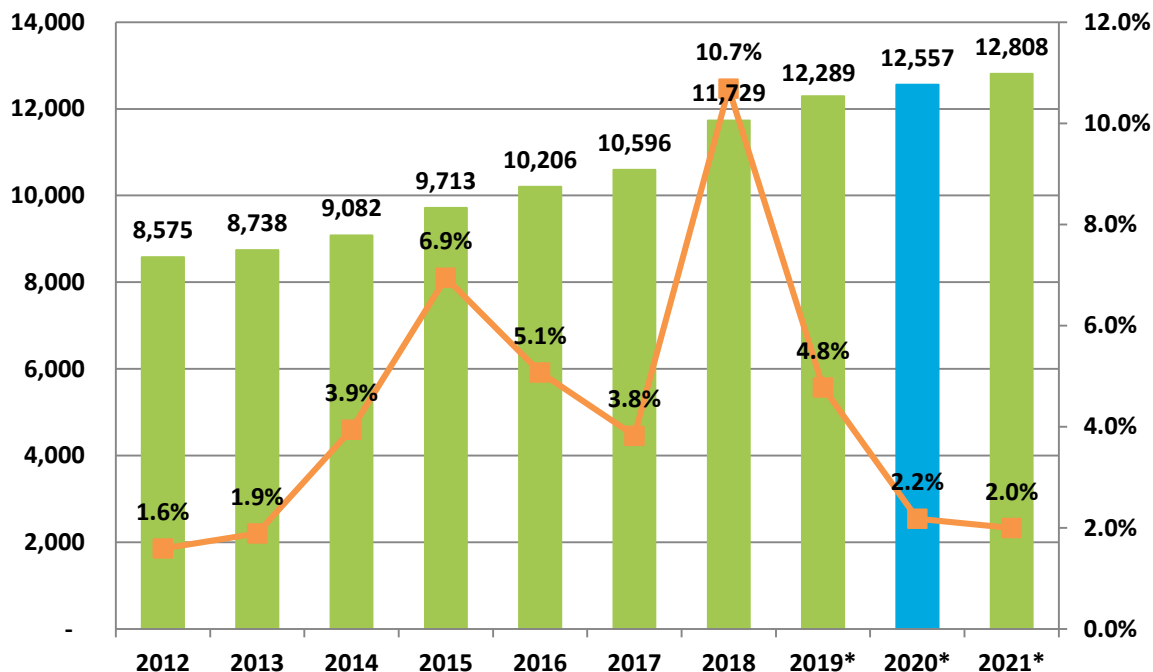
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Annual Enplaned Passenger Traffic

- FY 2020 Proposed Budget of 12.6M, 2.2% increase vs. FY 2019 Forecast of 12.3M
- FY 2021 Proposed Conceptual Budget of 12.8M, 2.0% increase vs. FY 2020 Budget of 12.6M

(in thousands)



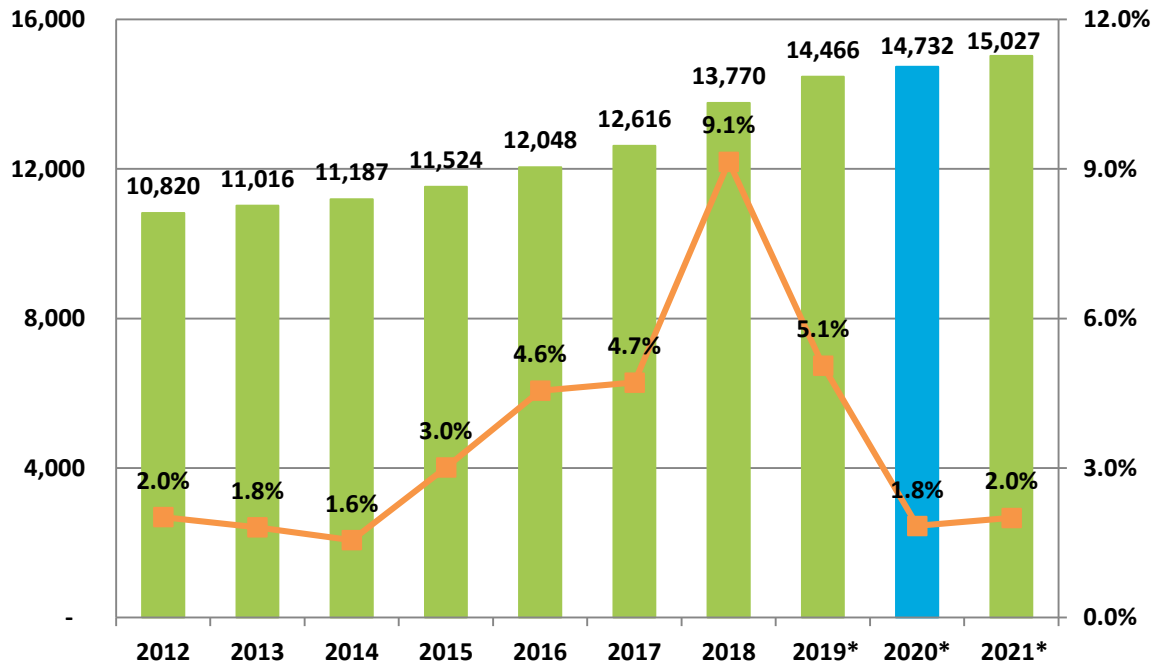
Fiscal Year	Enplaned Passengers	% Change
2012	8,575	1.6%
2013	8,738	1.9%
2014	9,082	3.9%
2015	9,713	6.9%
2016	10,206	5.1%
2017	10,596	3.8%
2018	11,729	10.7%
2019 [^]	12,289	4.8%
2020*	12,557	2.2%
2021*	12,808	2.0%

[^] FY 2019 Forecast is 4.1% higher than FY 2019 Budget of 11,801

Landed Weight

- FY 2020 Proposed Budget of 14.7M, 1.8% increase vs. FY 2019 Forecast of 14.5M
- FY 2021 Proposed Conceptual Budget of 15.0M, 2.0% increase vs. FY 2020 Budget of 14.7M

(in millions)



Fiscal Year	In million lbs.	% Change
2012	10,820	2.0%
2013	11,016	1.8%
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*^	14,466	5.1%
2020*	14,732	1.8%
2021*	15,027	2.0%

^ FY 2019 Forecast is 3.2% higher than FY 2019 Budget of 14,020

FY 2020 – FY 2021 Revenue Budget Summary

<i>(in thousands)</i>	FY 2018 Actuals	FY 2019 Budget	FY 2020 Proposed Budget	Inc / (Dec) FY20 vs FY19 Budget	% Change	FY 2021 Conceptual Budget	Inc / (Dec) FY21 Conceptual vs FY20 Budget	% Change
Operating Revenue								
Airline Revenue								
Landing Fees	\$ 31,734	\$ 35,839	\$ 47,170	\$ 11,332	31.6%	\$ 52,348	\$ 5,178	11.0%
Aircraft Parking Fees	3,236	3,223	11,839	8,616	267.3%	13,087	1,248	10.5%
Building Rentals	86,711	97,557	115,057	17,500	17.9%	122,221	7,164	6.2%
Common Use Fees	1,293	1,378	9,688	8,310	602.8%	13,309	3,621	37.4%
Other Aviation Revenue	184	182	185	2	1.2%	185	-	0.0%
Total Airline Revenue	123,157	138,180	183,939	45,760	33.1%	201,150	17,211	9.4%
Non-Airline Revenue								
Terminal Rent Non-Airline	2,036	2,133	2,158	25	1.2%	2,163	5	0.2%
Terminal Concessions	28,363	27,935	30,211	2,275	8.1%	31,379	1,169	3.9%
Rental Car License Fees	31,464	30,651	35,676	5,025	16.4%	36,450	774	2.2%
Licenses Fees Other	5,782	5,821	6,531	710	12.2%	6,580	48	0.7%
Parking Revenue	43,519	45,956	43,010	(2,946)	-6.4%	42,712	(298)	-0.7%
Ground Transportation Permits and Citations	9,735	14,937	20,312	5,375	36.0%	23,845	3,532	17.4%
Ground Rentals	20,073	19,982	17,328	(2,654)	-13.3%	18,497	1,169	6.7%
Grant Reimbursements	541	517	307	(210)	-40.6%	296	(11)	-3.6%
Other Operating Revenue*	1,409	770	1,055	285	37.0%	1,061	6	0.6%
Total Non-Airline Revenue[^]	142,922	148,703	156,588	7,885	5.3%	162,983	6,395	4.1%
Total Operating Revenue	266,079	286,882	340,527	53,645	18.7%	364,133	23,606	6.9%
Interest Income	13,374	14,006	17,835	3,829	27.3%	18,630	795	4.5%
Non-Operating Revenue								
Passenger Facility Charges	46,953	46,627	49,629	3,002	6.4%	50,622	993	2.0%
Customer Facility Charges (Rental Car Center)	41,037	40,204	41,509	1,305	3.2%	42,339	830	2.0%
Quieter Home Program	8,389	11,981	11,981	(0)	0.0%	11,981	-	0.0%
BAB Interest Rebate	4,666	4,631	4,686	55	1.2%	4,686	-	0.0%
Capital Grant Contributions	13,079	8,149	10,642	2,493	30.6%	3,704	(6,938)	-65.2%
Other Non-operating Revenue	(13,212)	-	(10)	(10)	0.0%	(10)	-	0.0%
Total Non-Operating Revenue	100,911	111,593	118,439	6,845	6.1%	113,323	(5,115)	-4.3%
Total Revenue	\$ 380,365	\$ 412,482	\$ 476,801	\$ 64,320	15.6%	\$ 496,087	\$ 19,286	4.0%

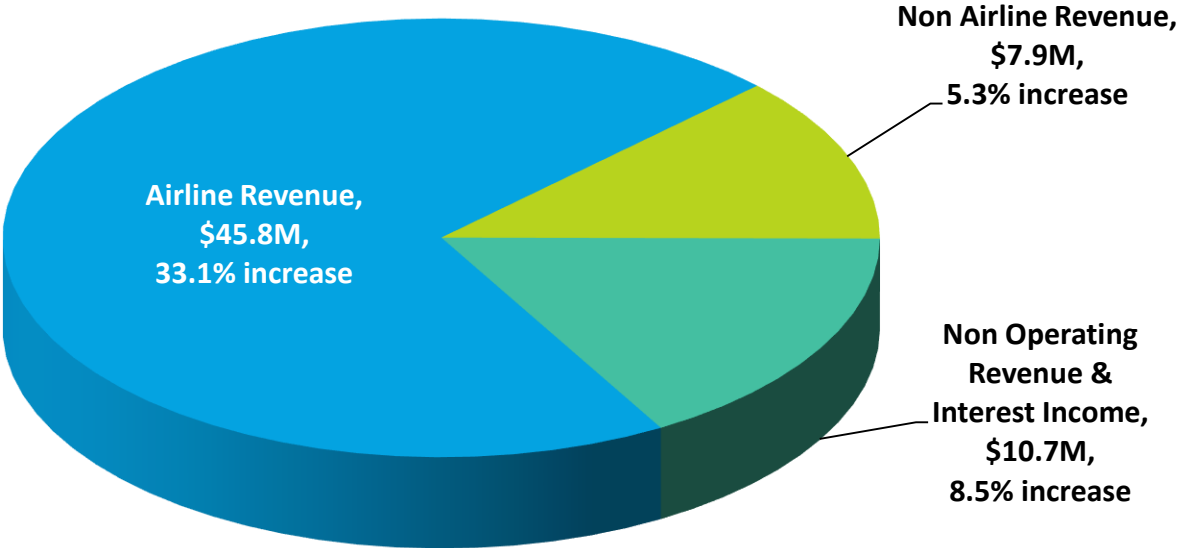
* Other Operating Revenue includes finger printing fees, utilities reimbursements, service charges, equipment rental and miscellaneous revenues

[^] Assuming new Airline Operating Lease Agreement (AOLA) starting FY 2020. Airline Revenue categories were adjusted based on the new agreement

FY 2020 Budget Revenue Increase vs. FY 2019 Budget

\$64.3M (15.6%)

(in millions)



Total FY 2020 Budget is \$476.8M

FY 2020 Airline Revenue Increase

\$45.8M (33.1%)

Net increase in airline revenue primarily reflects:

- New AOLA that includes recovery of \$30M in Major Maintenance Fund
- Increase in debt service due to 2020 Bonds issuance for Airport Support and other projects
- Increase in amortization due to new cash-funded projects
- Increase in operations & maintenance (O&M) expenses

FY 2020 Non Airline Revenue Increase

\$7.9M (5.3%)

Net increase in non-airline revenue primarily reflects:

- Increase of \$5.4M in Ground Transportation revenue due to increased trip fees
- Increase of \$5.0M in Rental Car License Fees revenue due to higher enplanements and sales per enplanement (SEP)
- Increase of \$2.3M in Terminal Concession revenue due to higher enplanements and SEP
- Decrease of \$2.9M in Parking revenue due to the full year closure of Economy lot offset by an increase in employee Parking revenue
- Decrease of \$2.7M in Ground Rental revenue due to transfer of cargo carriers' apron rent to the landing fees based on new AOLA and the completion of cost recovery for the Fuel Farm

FY 2020 Interest Income & Non-Operating Revenue Increase

\$10.7M (8.5%)

Interest income increase of \$3.8M due to increase in interest rates and cash balances

Net increase in non-operating revenue primarily reflects:

- Increase of \$3.0M in Passenger Facility Charges (PFCs) due to higher enplanements
- Increase of \$2.5M in Capital Grant Contributions due to continued rehabilitation of cross-taxiways and purchase of new electrical buses partially offset by the completion of other grant eligible projects
- Increase of \$1.3M in Customer Facility Charges (CFCs) due to higher enplanements

Ground Transportation Revenue

Current Trip Fees

Proposed Trip Fee	Base Fee	AFV ¹	Non-AFV
Taxi	\$3.86	\$2.90	\$7.71
VFH	\$3.07	\$2.30	\$6.14
TNC ²	\$3.00	n/a ⁴	n/a ⁴
Courtesy Modes ³	\$1.89	\$1.41	\$3.77

Permit Fee	Base Fee	AFV	Non-AFV
Limousines	\$204	n/a	n/a

¹ AFV refers to Alternative Fuel Vehicle

² TNC are companies such as Uber and Lyft. VFH are shuttle services such as Super Shuttle

³ Courtesy Modes include Off Airport Parking and Hotel Motel Shuttles

⁴ TNCs GHG program is based on fleet performance

Ground Transportation Revenue

Proposed Trip Fees

Proposed Trip Fee	Base Fee	AFV ¹	Non-AFV
Taxi	\$3.97	\$2.98	\$7.94
VFH	\$3.16	\$2.37	\$6.32
TNC ²	\$3.50	n/a ⁴	n/a ⁴
Courtesy Modes ³	\$1.94	\$1.46	\$3.88

Permit Fee	Base Fee	AFV	Non-AFV
Limousines	\$210.12	n/a	n/a

¹ AFV refers to Alternative Fuel Vehicle

² TNC are companies such as Uber and Lyft. VFH are shuttle services such as Super Shuttle

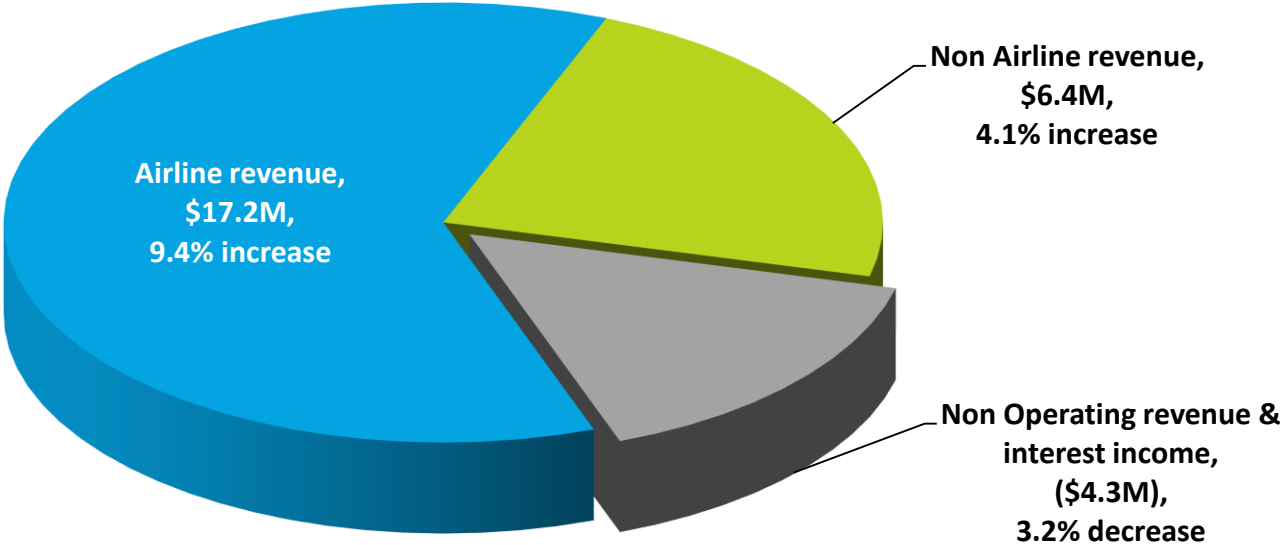
³ Courtesy Modes include Off Airport Parking and Hotel Motel Shuttles

⁴ TNCs GHG program is based on fleet performance

FY 2021 Budget Revenue Increase vs. FY 2020 Budget

\$19.3M (4.0%)

(in millions)



Total FY 2021 Budget is \$496.1M

FY 2021 Airline Revenue Increase

\$17.2M (9.4%)

Net increase in airline revenue primarily reflects:

- Increase of \$7.3M in Building Rentals due to increases in terminal operations expenses, amortization for cash-funded terminal projects and debt service
- Increase of \$5.0M in Landing Fees due to increases in airfield maintenance and debt service
- Increase of \$2.2M in Common Use due to amortization for cash-funded project
- Increase of \$1.2M in Aircraft Parking Fees due to increases in airfield maintenance and debt service

FY 2021 Non-Airline Revenue Increase

\$6.4M (4.1%)

Net increase in non-airline revenue primarily reflects:

- Increase of \$3.5M in Ground Transportation due to increased trip fees
- Increase of \$1.2M in Terminal Concessions revenue due to higher enplanements and SEP
- Increase of \$1.2M in Ground Rents due to the opening of the Airport Support Building
- Increase of \$0.8M in Rental Car revenue due to higher enplanements
- Decrease of \$0.3M in Parking revenue due to closure of Harbor Dr. lot in Spring '21 partially offset by further increase in employee parking revenue

FY 2021 Interest Income & Non-Operating Revenue Increase

(\$4.3M) (-3.2%)

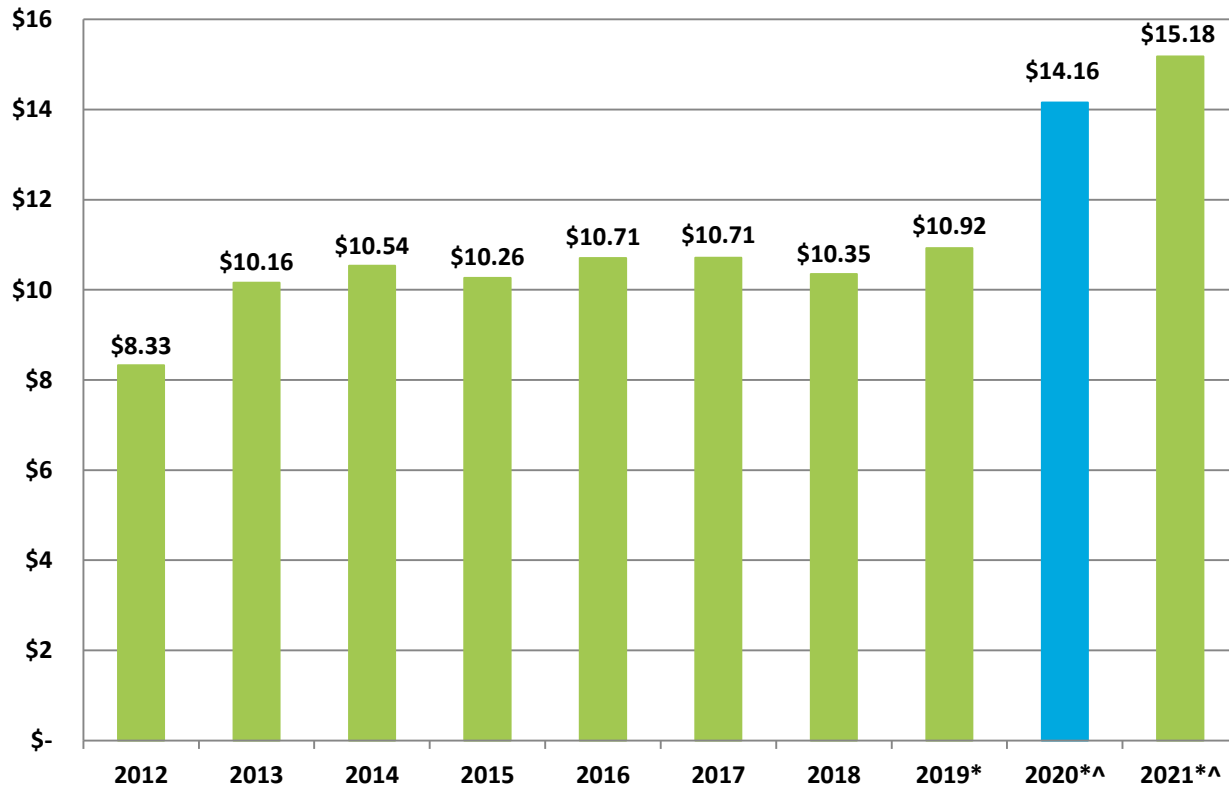
Interest income increase of \$0.8M due to increase in interest rates and cash balances

Net decrease in non-operating revenue primarily reflects:

- Decrease of \$6.9M in Capital Grant Contributions due to the completion of cross-taxiways rehabilitation offset by the progress of apron pavement rehabilitation project
- Increase of \$1.0M in PFCs due to higher enplanements
- Increase of \$0.8M in CFCs due to higher enplanements

Airline Cost Per Enplaned Passenger

Starting FY 2020 based on new AOLA, airline cost per enplaned passenger includes the following fees: landing, aircraft parking, terminal rents, joint use, and common use.

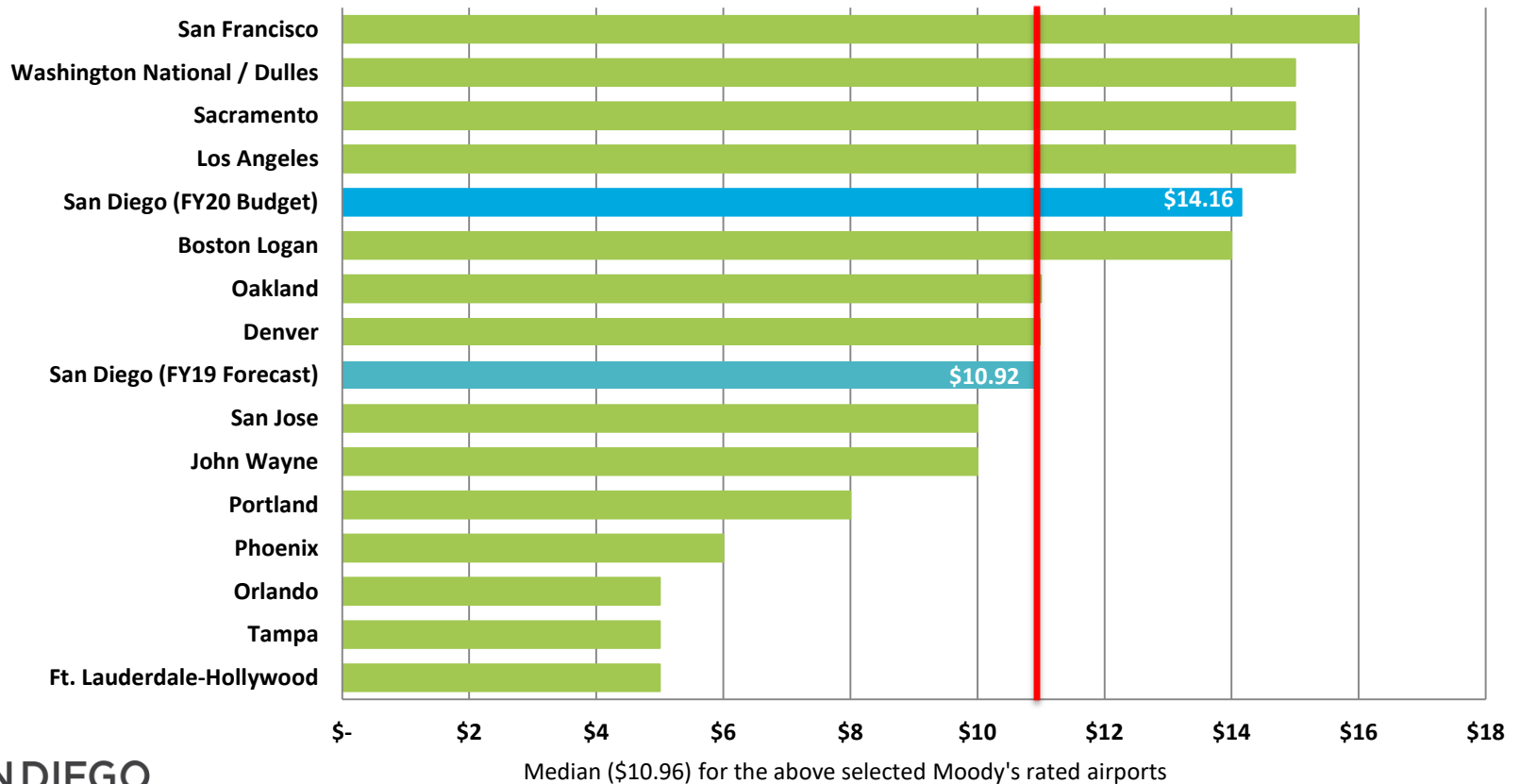


* Projected FY 2019, Budgeted FY 2020 & FY 2021

^ Assuming new AOLA

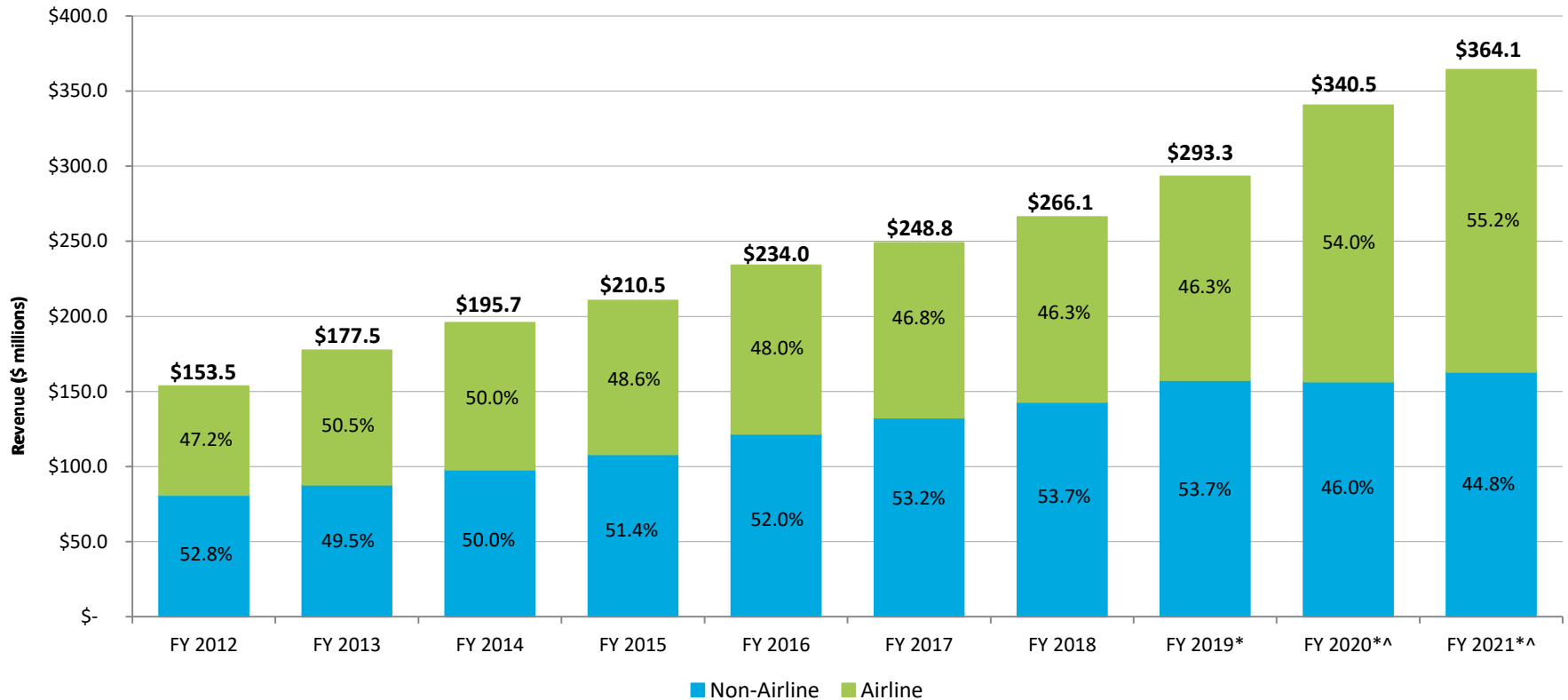
Airline Cost Per Enplaned Passenger

by Select Airports, as of FY 2017



Median (\$10.96) for the above selected Moody's rated airports

Operating Revenue FY 2012 – FY 2021





Expense Budget Overview



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Personnel Considerations

Productivity and Efficiency



- **Realigned organizational structure** to support strategy execution and collaborative decision making
- **Workforce Planning**
- **Justify all positions prior to (re)filling/new additions:**
 - Costs/risks associated with elimination
 - Savings/revenues to fund the position
 - Alternatives to permanent staffing model
 - Realign/restructure responsibilities
- **Executive team review and prioritization**

Benefits



- Deliver a program that attracts and retains top talent
- Manage expense growth rate benchmarked against a five year market average
- Incentivize employees to manage wellness through cost share model

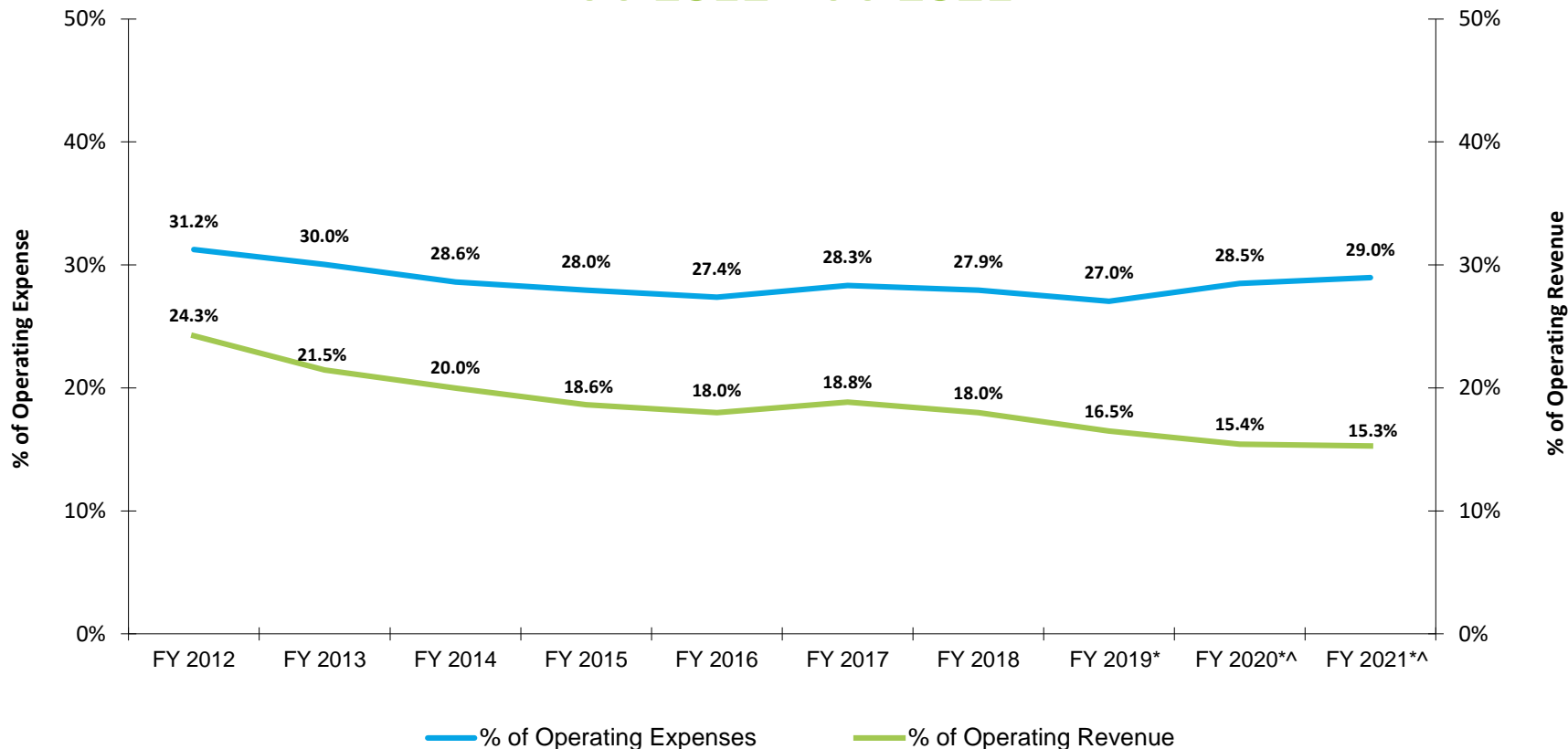
Retention



- **Labor Market** - San Diego unemployment is at 3.5%, below the national rate of 3.8%
- **US Bureau of Labor Statistics** reports real average hourly earnings for all employees increased 1.9%, seasonally adjusted, from February 2018 to February 2019
- **Airport Authority voluntary turnover** remains high at 6.65% in 2018
- **Compensation Philosophy** update to address evolving workforce acquisition and retention

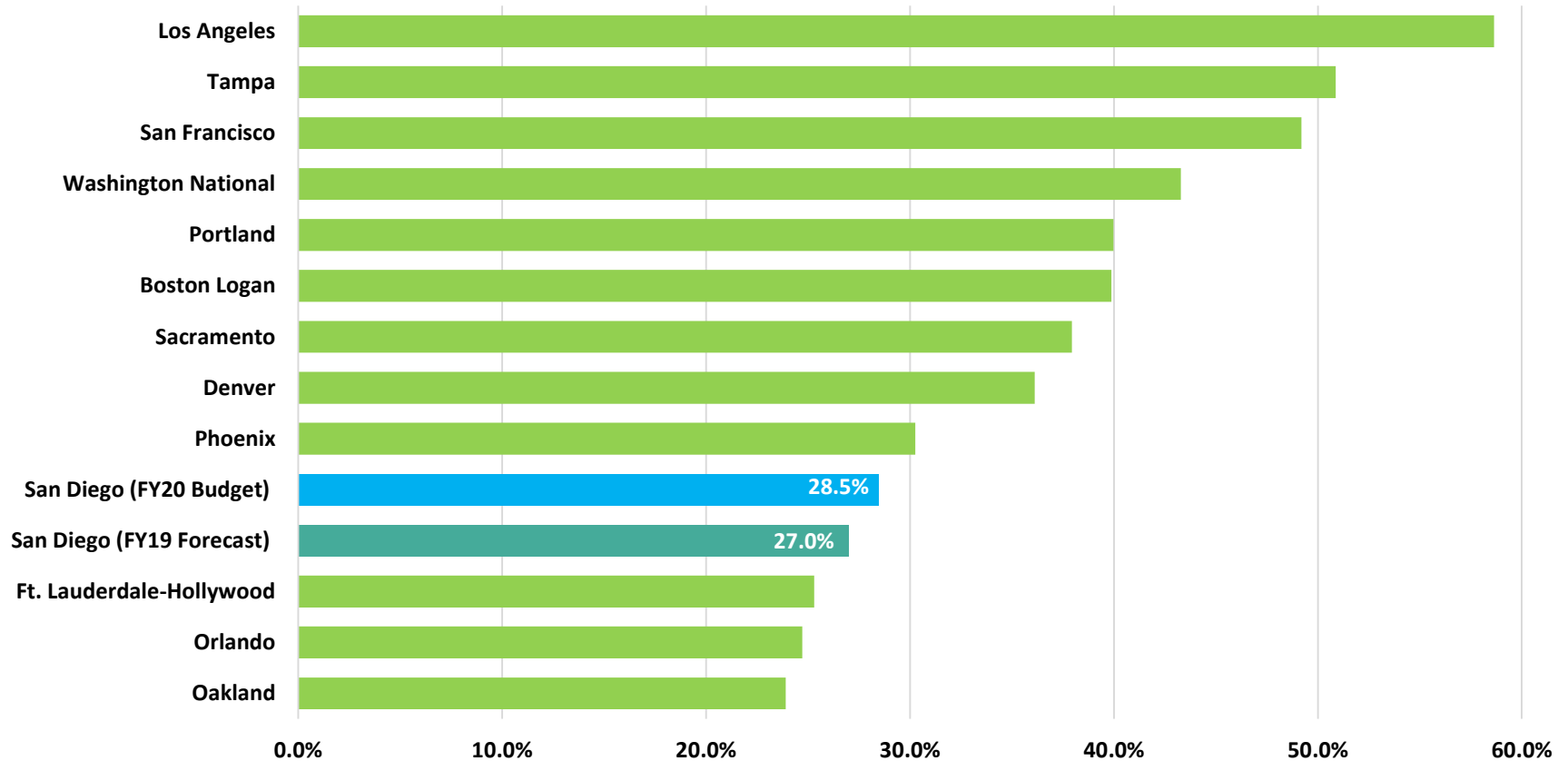
Personnel Costs as % Operating Expense / Revenue

FY 2012 – FY 2021



Personnel Costs as % of Operating Expense

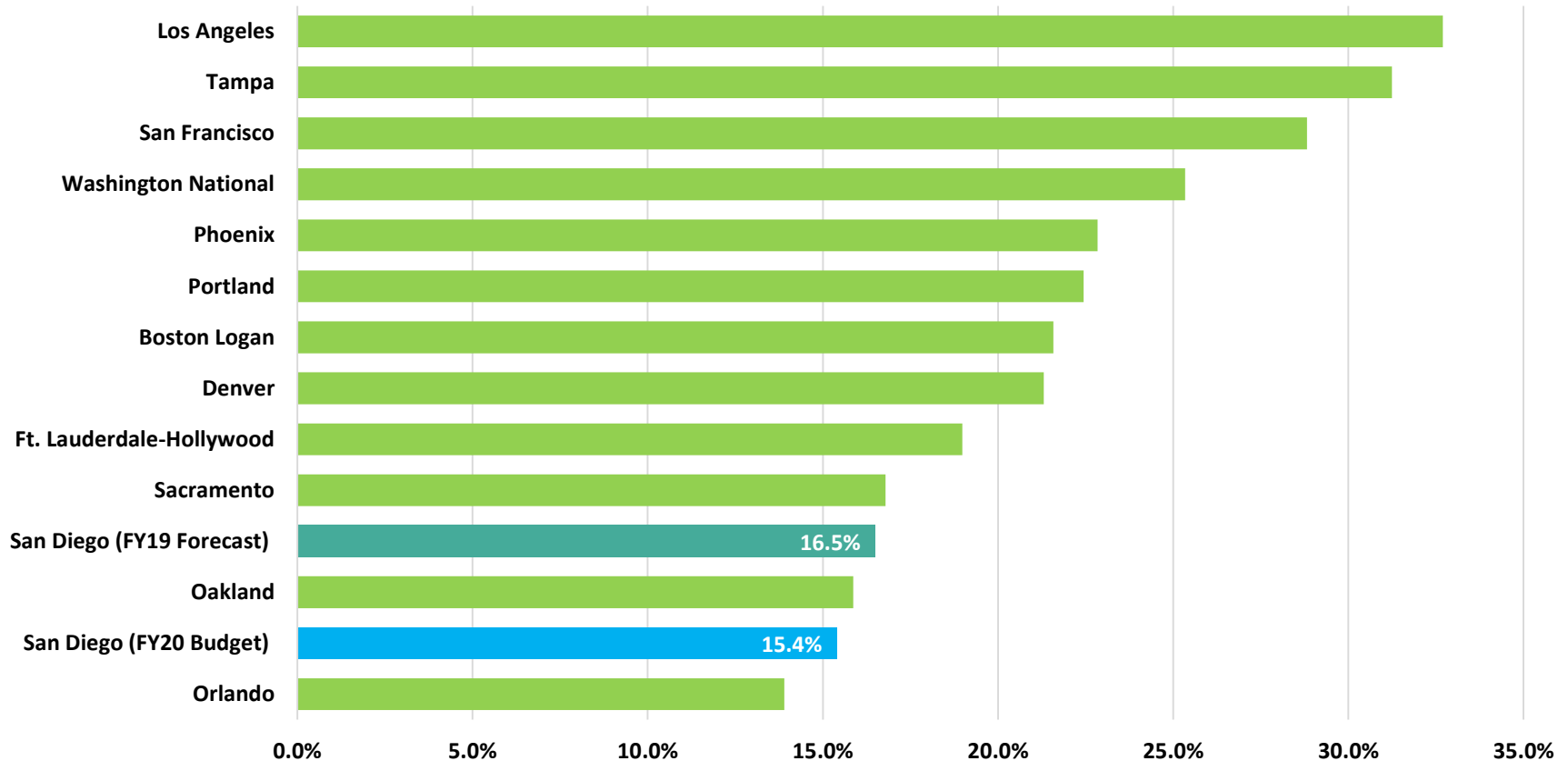
by Select Airports, as of FY 2017



Source: Airports Council International- North America (ACI-NA) Airport Financial Benchmarking Survey 2018. Peer Airports data as of FY 2017.

Personnel Costs as % of Operating Revenue

by Select Airports, as of FY 2017



Source: Airports Council International- North America (ACI-NA) Airport Financial Benchmarking Survey 2018. Peer Airports data as of FY 2017.

FY 2020 – FY 2021 Budget Expense Summary

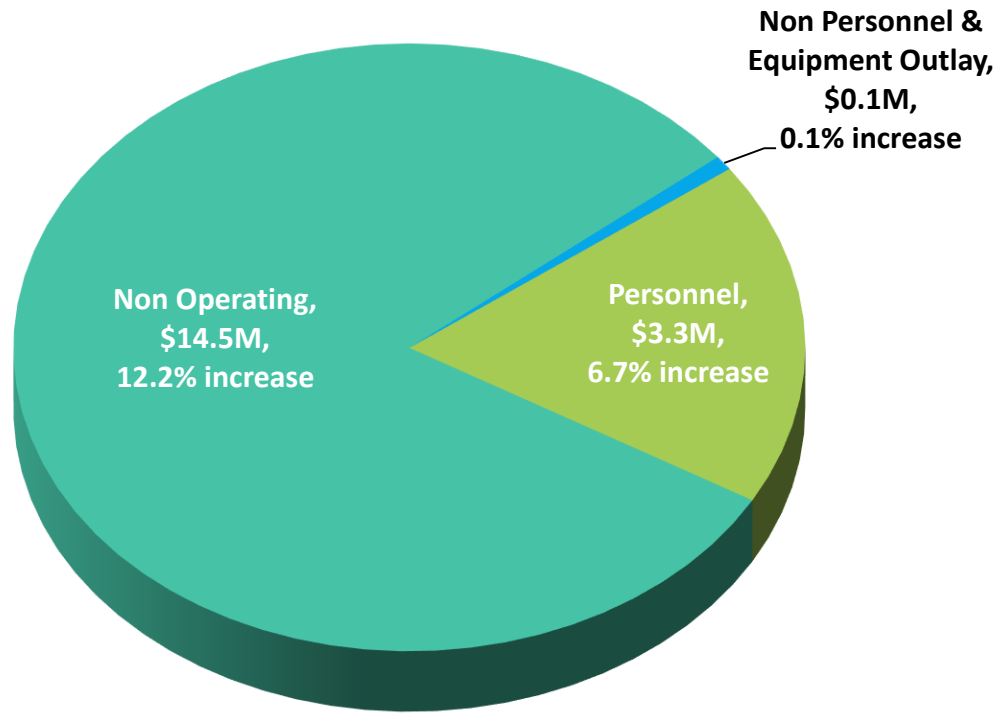
(in thousands)

	FY2018 Actuals	FY2019 Budget	FY2020 Proposed Budget	Inc / (Dec) FY20 Proposed vs FY19 Budget	% Change	FY2021 Conceptual Budget	Inc / (Dec) FY21 Conceptual vs FY20 Budget	% Change
Operating Expenses								
Salaries & Wages	\$ 35,175	\$ 37,795	\$ 38,580	\$ 785	2.1%	\$ 40,657	\$ 2,077	5.4%
Overtime	742	713	869	156	21.9%	844	(25)	-2.9%
Benefits	18,237	18,004	18,987	983	5.5%	20,537	1,550	8.2%
Subtotal	54,155	56,512	58,436	1,923	3.4%	62,037	3,602	6.2%
Less: Capitalized Labor Recharge	(5,647)	(6,662)	(5,324)	1,337	-20.1%	(5,765)	(441)	8.3%
Less: QHP Labor Recharge	(642)	(610)	(578)	32	-5.2%	(602)	(24)	4.2%
Total Personnel Costs	47,866	49,241	52,533	3,292	6.7%	55,670	3,137	6.0%
Contractual Services	45,249	49,764	47,994	(1,770)	-3.6%	48,774	780	1.6%
Safety and Security	30,733	33,144	34,004	860	2.6%	35,195	1,191	3.5%
Space Rental	10,190	10,191	10,191	-	0.0%	10,191	-	0.0%
Utilities	12,510	13,357	14,385	1,028	7.7%	15,189	804	5.6%
Maintenance	12,603	13,788	13,189	(599)	-4.3%	14,890	1,701	12.9%
Operating Equipment & Systems	598	353	335	(18)	-5.1%	373	38	11.4%
Operating Supplies	656	542	630	87	16.1%	631	1	0.2%
Insurance	1,098	1,248	1,506	258	20.7%	1,591	85	5.7%
Employee Development	1,248	1,160	1,264	104	9.0%	1,277	13	1.0%
Business Development	3,246	3,045	3,155	110	3.6%	3,176	21	0.7%
Equipment Rentals and Repairs	2,464	3,364	3,805	441	13.1%	3,797	(7)	-0.2%
Tenant Improvements	661	800	800	-	0.0%	800	-	0.0%
Total Non-Personnel Costs	121,255	130,755	131,257	502	0.4%	135,883	4,626	3.5%
Total Operating Expenses	169,120	179,996	183,790	3,794	2.1%	191,553	7,764	4.2%
Joint Studies / Sound Attenuation	11,249	15,077	15,077	-	0.0%	15,077	-	0.0%
Debt Service	68,412	103,585	118,109	14,524	14.0%	127,794	9,685	8.2%
Legal Settlement Expense	-	10	10	-	0.0%	10	-	0.0%
Other Non-Operating Expenses	17	-	-	-	0.0%	-	-	0.0%
Other Non-Operating Expenses	79,678	118,671	133,196	14,524	12.2%	142,881	9,685	7.3%
Total Expenses	248,798	298,667	316,985	18,318	6.1%	334,434	17,449	5.5%
Equipment Outlay Expenditures	2,185	990	628	(362)	-36.6%	694	66	10.5%
Total Authority Expenses Incl Equip Outlay	\$ 250,983	\$ 299,658	\$ 317,614	\$ 17,956	6.0%	\$ 335,128	\$ 17,515	5.5%

FY 2020 Budget Expense Increase vs. FY 2019 Budget

\$18.0M (6.0%)

(in millions)



Total FY 2020 Budget is \$317.6M

FY 2020 Proposed Staffing Changes

FY 2019 Budget		442
Division	Department	Proposed New Positions
Operations	Ground Transportation	2 Airport Traffic Officers
Operations	Ground Transportation	Project Analyst
Operations	Aviation Security & Public Safety	Sr. Communication Center Specialist
Finance	Information & Technology Services	Sr. Application Development Analyst
Executive	Communications	External Relations Specialist
Total FY 2020 Proposed New Positions		6
FY 2020 Proposed Budget*		448

* The FY20 Proposed Budget includes conversion of 6 limited positions into permanent: 4 Air Traffic Officers & 2 Terminal Operations Coordinator.

Major Drivers of FY 2020 Budget

(in thousands)

	Total Inc / (Dec) FY20 Budget vs FY19 Budget	<u>Expense Category</u>
Total Increase in Expenses	\$ 17,956	
Personnel:		
Capitalized labor decrease	1,369	Capitalization
Pay-for-Performance and contracted wage increases	1,250	Salaries & Wages
Health Insurance	640	Employee Benefits
6 new positions (salaries & burden), net of capitalized labor	478	Salaries & Wages, Employee Benefits
Retirement	272	Employee Benefits
Savings due to turnover, organizational changes and other, net	(717)	Salaries & Wages, Employee Benefits
Total Increase / (Decrease) in Personnel	3,292	
Debt Service:		
Interest on revolving credit facility	2,198	Debt Service
Interest and principal on proposed 2020 debt issuance	7,994	Debt Service
Cost of issuance for 2020 bonds and refunding of 2010 bonds	4,184	Debt Service
Other, net	148	
Total Increase / (Decrease) in Debt Service	14,524	
Non Personnel:		
Safety and Security		
Aircraft Rescue and Fire Fight (ARFF) and Emergency Medical Services (EMS)	658	Safety and Security
Employee security screening	226	Safety and Security
Guard services	\$ 172	Safety and Security

Major Drivers of FY 2020 Budget

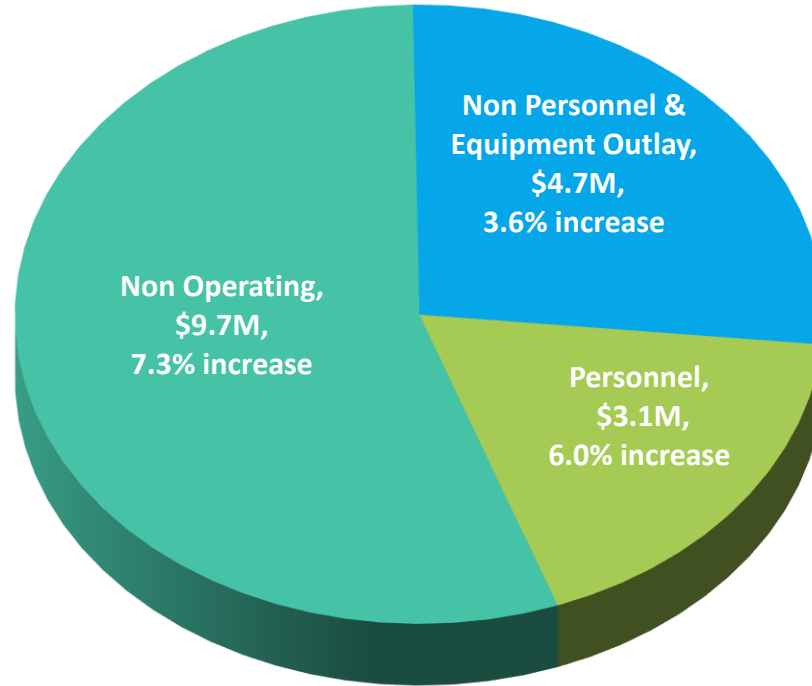
(in thousands)

	Total Inc / (Dec) FY20 Budget vs FY19 Budget	Expense Category
Terminal, Landside Operations and Maintenance		
Rental Car Center (RCC) buses	\$ 2,307	Contractual Services
Utilities	1,038	Utilities
Facial biometric exit software implementation and support	251	Contractual Services
Parking and shuttle operations	(393)	Contractual Services
Common use support and maintenance	(402)	Contractual Services
Major and annual maintenance	(599)	Maintenance
Janitorial services	(3,860)	Contractual Services
Other Operating and Non-Operating Expenses		
Software licenses, support, and cyber security	370	Contractual Services, Equipment Rentals
Property insurance	258	Insurance
Ground Transportation planning and improvements	210	Contractual Services, Equipment Rentals
Marketing and messaging services	185	Contractual Services
Parking revenue optimization	150	Contractual Services
Customer experience design preparing for ADP	150	Contractual Services
Temporary staffing	(182)	Contractual Services
Environmental consulting services	(350)	Contractual Services
Equipment outlay expenditures	(362)	Equipment Outlay
Other, net	314	
Total Increase / (Decrease)	\$ 17,956	

FY 2021 Budget Expense Increase vs. FY 2020 Budget

\$17.5M (5.5%)

(in millions)



Total FY 2021 Budget is \$335.1M

FY 2021 Proposed Staffing Changes

FY 2020 Proposed Budget		448
Division	Department	Proposed New Positions
Revenue Management & Innovation	Customer Experience Design & Innovation	2 Customer Experience Analysts
Operations	Ground Transportation	2 Airport Traffic Officers
Finance	Information & Technology Services	Application Development Analyst
Total FY 2021 Proposed New Positions		5
FY 2021 Proposed Budget		453

Major Drivers of FY 2021 Budget

(in thousands)

	Total Inc / (Dec) FY21 Budget vs FY20 Budget	<u>Expense Category</u>
Total Increase in Expenses	\$ 17,515	
Personnel:		
Pay-for-Performance and contracted wage increases	1,436	Salaries & Wages
Retirement	677	Employee Benefits
Health Insurance	660	Employee Benefits
5 new positions (salaries & burden), net of capitalized labor	420	Salaries & Wages, Employee Benefits
Other, net	(56)	Salaries & Wages, Employee Benefits and Capitalization
Total Increase / (Decrease) in Personnel	3,137	
Debt Service:		
Full year of interest and principal on 2020 bonds	10,732	Debt Service
Savings on refunding 2010 bonds	(1,241)	Debt Service
Other, net	194	
Total Increase / (Decrease) in Debt Service	\$ 9,685	

Major Drivers of FY 2021 Budget

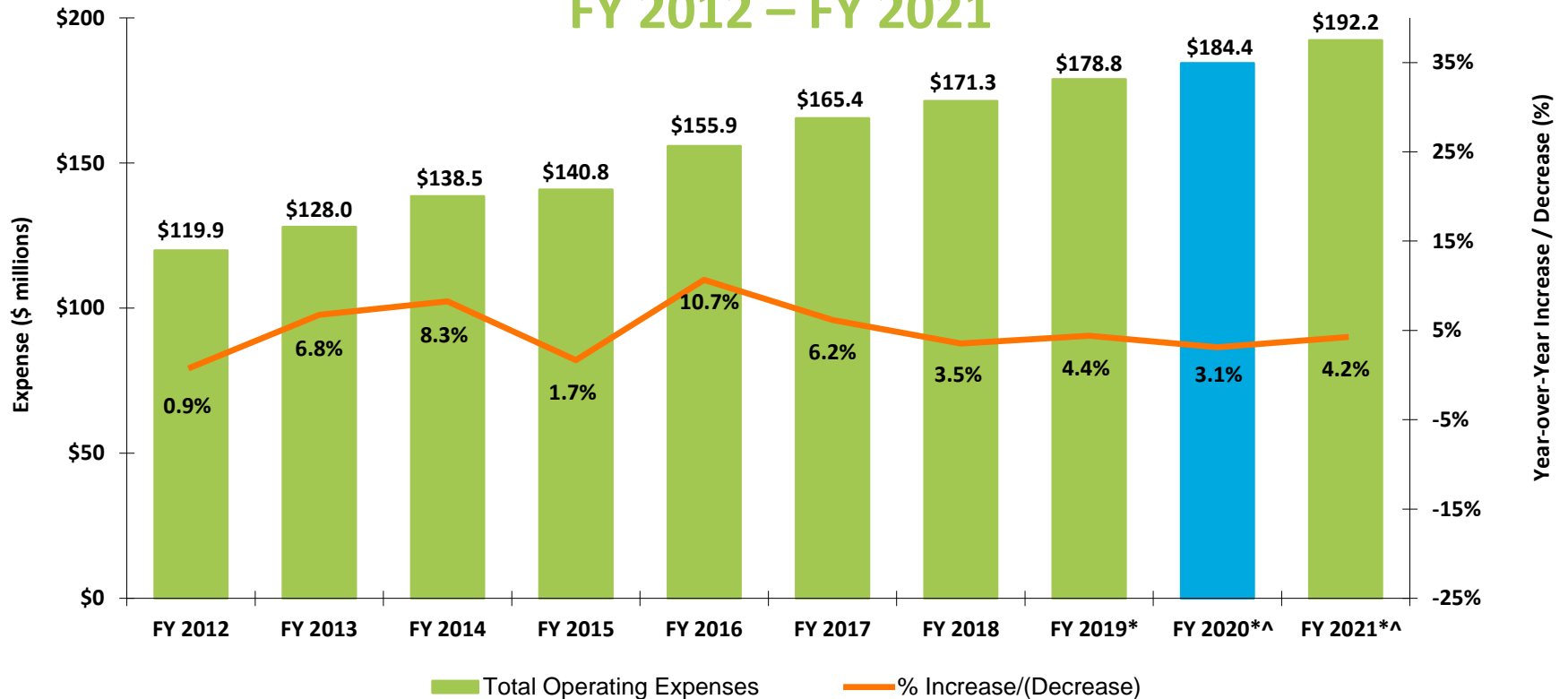
(in thousands)

	Total Inc / (Dec) FY21 Budget vs FY20 Budget	Expense Category
Non Personnel:		
Safety and Security		
Port District Harbor Police Department law enforcement	\$ 792	Safety and Security
Aircraft Rescue and Fire Fight (ARFF) and Emergency Medical Services (EMS)	368	Safety and Security
Terminal and Landside Operations		
Major and annual maintenance	1,701	Maintenance
Utilities	804	Utilities
Parking and shuttle operations	502	Contractual Services
Rental Car Center (RCC) buses	318	Contractual Services
Janitorial services	180	Contractual Services
Facial biometric exit software implementation	(170)	Contractual Services
Other, net	198	
Total Increase / (Decrease)	\$ 17,515	

Total Operating Expenses

(incl. Equipment Outlay)

FY 2012 – FY 2021





Capital Program Budget Fiscal Years 2020 – 2024



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Capital Program Budget Summary

(in thousands)

FY 2019 - 2023 Beginning Capital Program Budget	\$ 745,967
Terminal 2 Parking Plaza	127,800
Terminal 2 West FIS Build-out	<u>229,474</u>
FY 2019 - 2023 Beginning Capital Program Budget	1,103,241
FY 2019 - 2023 Project Closeouts/Eliminations/Adjustments	<u>(235,050)</u>
FY 2019 - 2023 Ending Capital Program Balance	\$ 868,192
Proposed FY 2020 - 2024 Capital Projects/Allowances *	<u>\$ 87,257</u>
Proposed FY 2020 - 2024 Capital Program Budget	<u><u>\$ 955,448</u></u>

* Pending Board approval

Current FY 2019 – 2023 Capital Program – Budget by Location

(in thousands)

Project Location	# Projects	Program Budgets by Location
Airside	23	\$ 315,832
Terminal	24	383,590
Landside/Ancillary	31	297,089
Administrative	<u>12</u>	<u>106,730</u>
Totals	<u>90</u>	<u>\$ 1,103,241</u>

Current FY 2019 – 2023 Capital Program – Project Closeouts/Cancellations/Adjustments

(in thousands)

Project Closeouts (22)	\$	(100,065)
Project Eliminated (2)		(17,089)
Project Adjustments (38)		9,904
Terminal 2 Parking Plaza Closeout		<u>(127,800)</u>
Total FY2019 Closeouts/Cancellations/Adj.	\$	<u><u>(235,050)</u></u>

Proposed New FY 2020 – 2024 CIP Projects

(in thousands)

	Description	Expected Start Date	Estimated Budget
1)	Stormwater Infiltration Beds - Southside	Jan 2020	\$ 19,585
2)	Perimeter Security Fencing/Perimeter Intrusion Detection System Replacement	Jan 2023	18,000
3)	Replace Baggage Handling System & Makeup Units in T2E	July 2019	15,946
4)	Rehabilitate Apron Pavement	Oct 2019	10,945
5)	CUP Cooling Tower Capacity Increase	Oct 2019	\$ 5,136

Proposed New FY 2020 – 2024 CIP Projects

(in thousands)

	Description	Expected Start Date	Estimated Budget
6)	Skidata Parking Revenue Control System	Sept 2019	3,815
7)	Replace Existing Sidewalk T2E – Phases 2-4	July 2019	3,542
8)	Server and Storage Hardware Refresh	Jan 2020	1,225
9)	Airfield Pavement Management Program	July 2019	<u>750</u>
Total FY2020-2024 Proposed New Capital Projects			<u>\$ 78,944</u>

Proposed FY 2020 – 2024 Capital Project Increases and Allowances

(in thousands)

	Description	Current Budget	Additional Budget	Estimated Budget
1)	ADP Phase 1 Programmatic Documents	\$ 18,367	\$ 2,983	\$ 21,350
2)	ZEV – Acquire Electric Buses	1,710	270	1,980
3)	Public Art Allowance (FY2020-2024)	2,141	60	2,201
4)	Capital Project Allowance (FY2020)	-	<u>5,000</u>	5,000
Total Proposed Current CIP Project Incr./Allowances			8,313	
Total Proposed FY2020-2024 New Capital Projects			<u>78,944</u>	
Total FY 2020-2024 Proposed New CIP Project & Allowance			<u>\$ 87,257</u>	

Proposed FY 2020 – 2024 Capital Program – Remaining Budget by Phase

(in thousands)

Project Phase	Budget	Cost to Date *	Budget Remaining
Pre-Construction	\$ 311,838	\$ 39,025	\$ 272,814
Construction	134,584	62,762	71,822
Closeout	<u>20,665</u>	<u>19,314</u>	<u>1,351</u>
Subtotal CIP	\$ 467,087	\$ 121,100	\$ 345,986
New CIP	87,257	-	87,257
Airport Support Facilities	171,631	37,445	134,186
FIS	<u>229,474</u>	<u>200,805</u>	<u>28,669</u>
Totals	<u>\$ 955,448</u>	<u>\$ 359,350</u>	<u>\$ 596,098</u>

* Estimated costs as of 6/30/19



Plan of Finance Fiscal Years 2020 – 2024

Uses of Funds by Location

Pre FY 2020 – FY 2024

(in thousands)

Location	Capital Program
Terminal	\$ 415,605
Airside	281,260
Landside and Ancillary	175,963
Administrative	82,620
Finance Costs	49,361
Total	\$ 1,004,809

Uses of Funds

(in thousands)

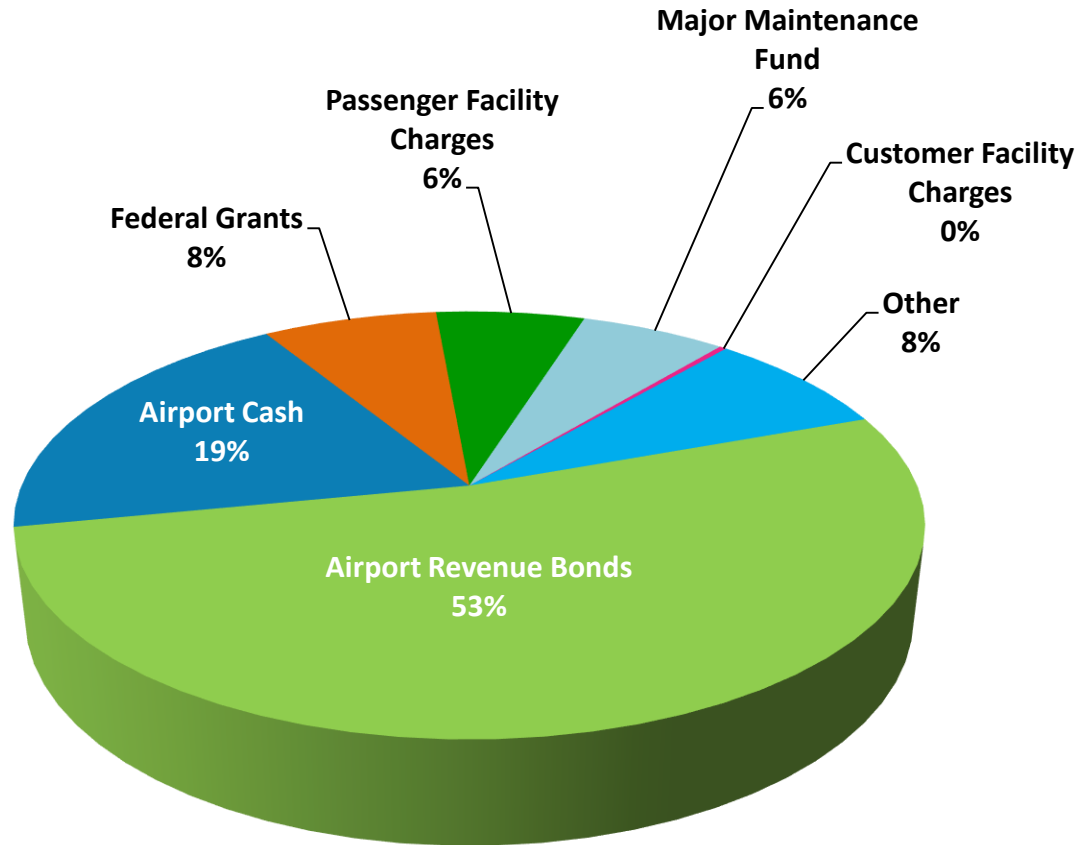
	Pre FY2020	FY2020	FY2021	FY2022	FY2023	FY2024	Total
Capital Program	\$ 374,814	\$ 273,407	\$ 131,681	\$ 71,967	\$ 57,004	\$ 46,577	\$ 955,448
Finance Costs	18,606	30,755	-	-	-	-	49,361
Total	\$ 393,420	\$ 304,161	\$ 131,681	\$ 71,967	\$ 57,004	\$ 46,577	\$ 1,004,809

Sources of Funds

	Pre FY2020	FY2020	FY2021	FY2022	FY2023	FY2024	Total
Airport Revenue Bonds	\$ 196,866	\$ 219,057	\$ 66,560	\$ 39,172	\$ 249	\$ 5,310	\$ 527,214
Airport Cash	157,054	(15,037)*	37,262	5,149	4,880	4,387	193,694
Federal Grants	9,585	10,642	3,704	10,223	22,439	17,753	74,348
Passenger Facility Charges	1,363	41,109	8,389	256	5,824	6,417	63,357
Major Maintenance Fund	-	3,890	7,538	14,085	23,611	12,710	61,834
Customer Facility Charges	2,953	-	-	-	-	-	2,953
Other	25,599	44,500	8,229	3,081	-	-	81,409
Total	\$ 393,420	\$ 304,161	\$ 131,681	\$ 71,967	\$ 57,004	\$ 46,577	\$ 1,004,809

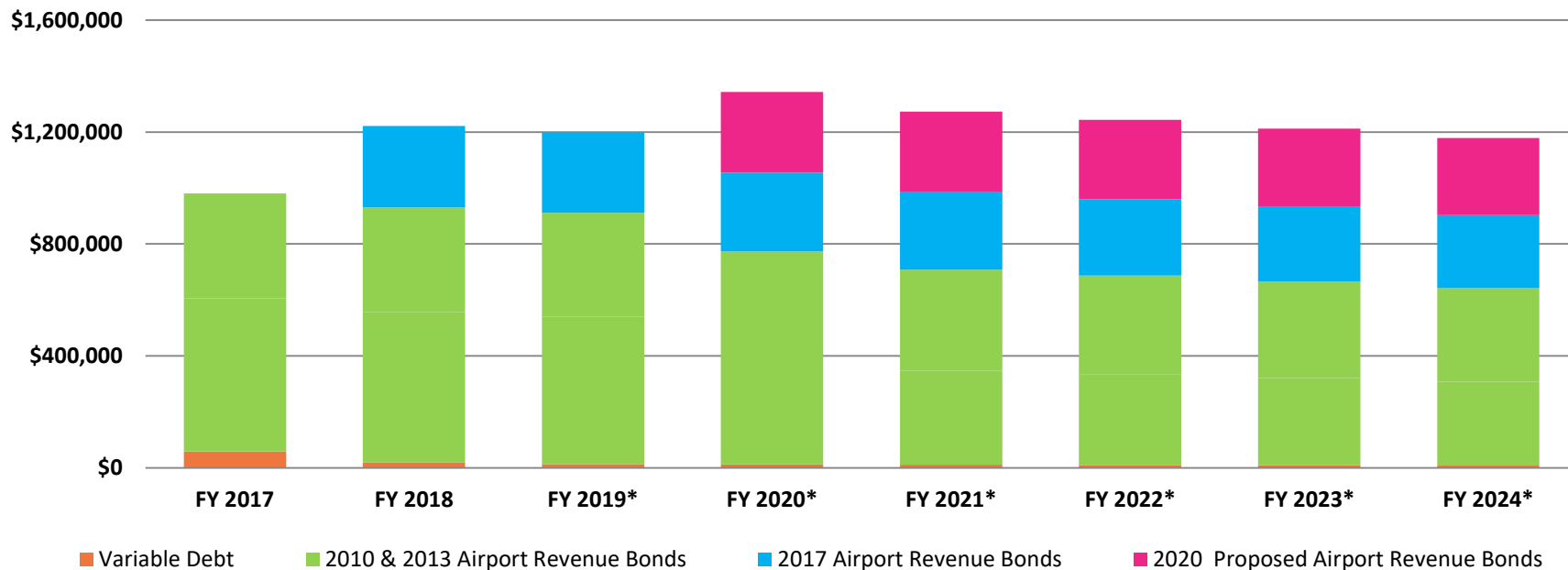
* Refunding airport cash after 2020 bonds issuance

Total Sources of Funds Pre FY 2020 – FY 2024



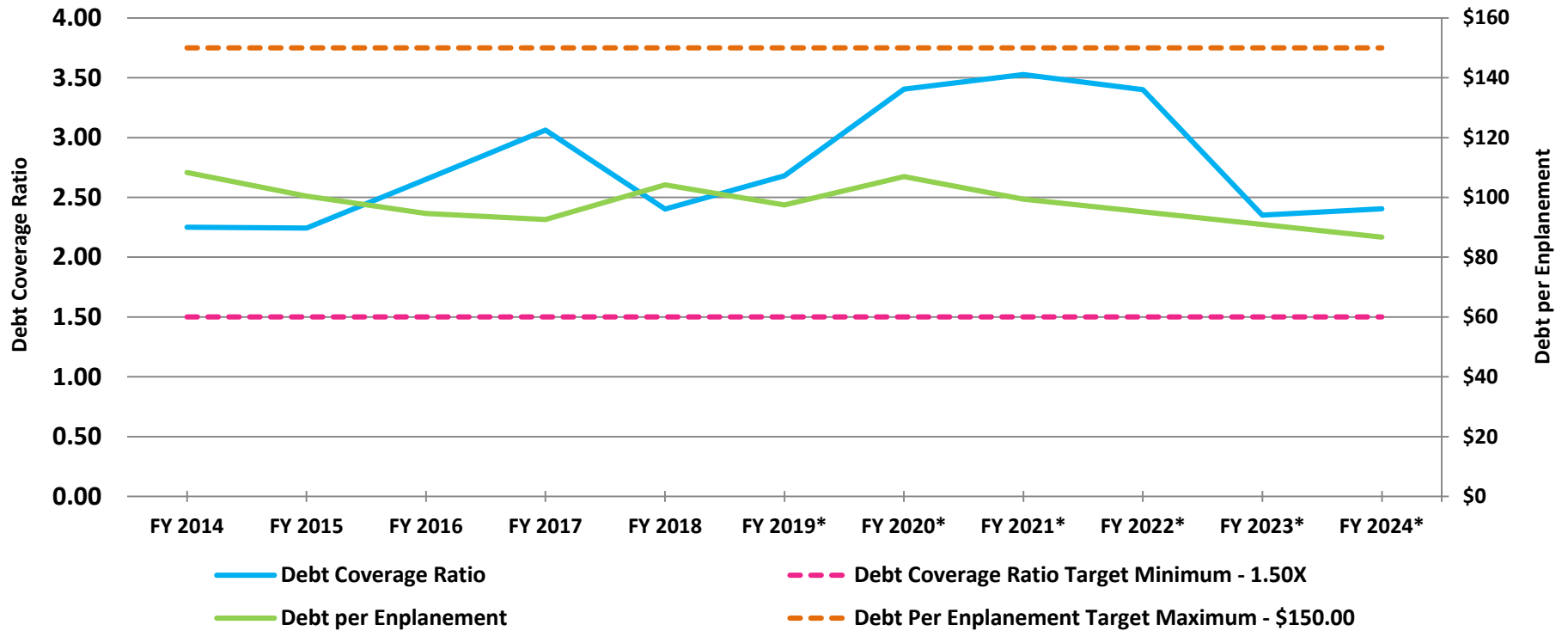
Aggregate Debt FY 2017 – FY 2024

(in thousands)



* Forecasted FY 2019 - FY 2024

Coverage Ratio and Debt Per Enplanement ¹



¹ Debt excludes special facility bonds

* Forecasted FY 2019 - FY 2024

Coverage Ratio and Debt Per Enplanement

Fiscal Year	Outstanding Debt ¹ (in thousands)	Debt per Enplanement ²	Debt Coverage Ratio ³
FY 2014	\$994,339	\$108.32	2.25
FY 2015	\$975,565	\$100.44	2.24
FY 2016	\$965,556	\$94.60	2.65
FY 2017	\$980,883	\$92.57	3.06
FY 2018	\$1,221,683	\$104.16	2.40
FY 2019*	\$1,198,144	\$97.49	2.68
FY 2020*	\$1,342,889	\$106.94	3.41
FY 2021*	\$1,273,149	\$99.40	3.53
FY 2022*	\$1,243,829	\$95.21	3.40
FY 2023*	\$1,212,019	\$90.95	2.35
FY 2024*	\$1,178,459	\$86.70	2.40

¹ Debt excludes Special Facility Bonds

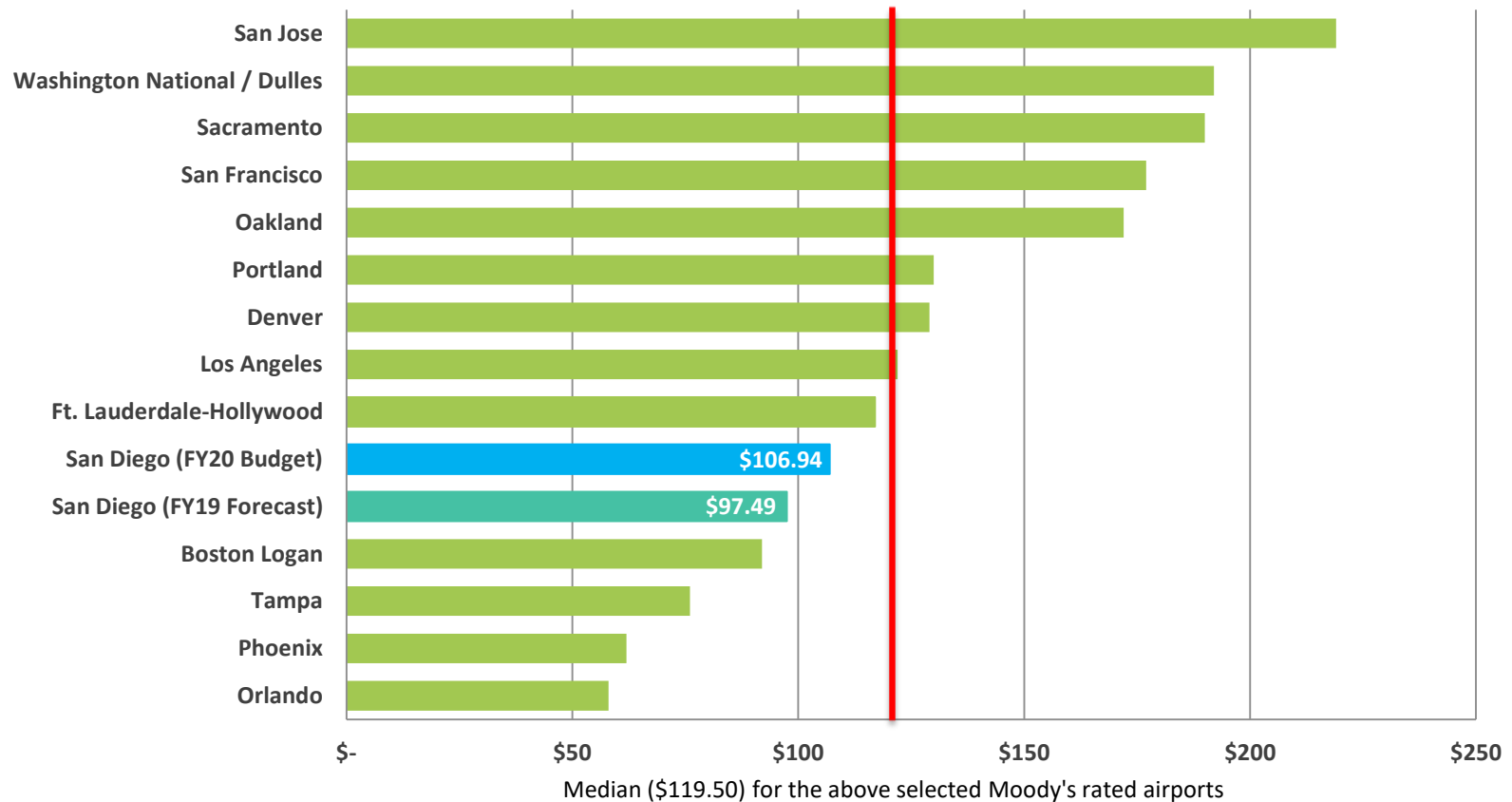
² Target maximum Debt per Enplanement \$150

³ Target minimum Debt Policy Coverage Ratio 1.50x

* Forecasted FY 2019 - FY 2024

Airport Debt Per Enplanement

by Select Airports, as of FY 2017



Source: Moody's Investor Service, MFRA Database, as of April 2019. Peer Airports data as of FY 2017.



Conclusion

Conclusion

- Follows the Authority's legislative and regulatory mandates
- Provides necessary resources to accomplish the Authority's Strategic Plan
- Enhances the financial position of the Authority through revenue growth and cost containment
- Demonstrates the discipline necessary to remain a sustainable enterprise
- Considers regional transportation partnerships and includes funding for Old Town shuttle
- Enhances community outreach
- Maintains competitive rates for airline tenants and airport users
- Supports continued efforts to create sustainable five year Capital Plan
- Includes funds to support aging facilities and increase in operations
- Provides resources necessary to continue advancing the Airport Development Program (ADP), as authorized



Questions?