

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

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President / CEO

Kimberly J. Becker

SPECIAL BOARD AGENDA

Thursday, May 17, 2018
9:00 A.M.

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

***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 Corporate & Information Governance 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 Corporate & Information Governance/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 Corporate & Information Governance /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:

NON-AGENDA PUBLIC COMMENT:

Non-Agenda Public Comment is reserved for members of the public wishing to address the Board on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Board. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

Note: Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board.

NEW BUSINESS:

1. DISCUSSION REGARDING THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FISCAL YEAR 2019 PROPOSED BUDGET AND FISCAL YEAR 2020 PROPOSED CONCEPTUAL BUDGET:

The Board is requested to discuss the proposed budgets.

RECOMMENDATION: Discuss the Fiscal Year 2019 Proposed Budget and Fiscal Year 2020 Proposed Conceptual Budget.

(Business & Financial Management: John Dillon, Director)

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 limited to eighteen (18) minutes and 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. A second Public Comment period is reserved for general public comment later in the meeting for those who could not be heard during the first Public Comment period.
- 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. Public comment on specific items is limited to twenty (20) minutes – ten (10) minutes for those in favor and ten (10) minutes for those in opposition of an item. Each individual speaker will be allowed three (3) minutes, and applicants and groups will be allowed five (5) minutes.
- 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 Administration Building by using public transit via the San Diego Metropolitan Transit System, Route 992. The MTS bus stop at Terminal 1 is a very short walking distance from the Administration Building. ADA paratransit operations will continue to serve the Administration Building as required by Federal regulation. For MTS route, fare and paratransit information, please call the San Diego MTS at (619) 233-3004 or 511. For other Airport related ground transportation questions, please call (619) 400- 2685.

Item 1

**San Diego County Regional Airport Authority
FY 2019 Proposed Budget &
FY 2020 Proposed Conceptual Budget**



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S GO.

Budget Workshop

May 17, 2018

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 2019-2023
7. Conclusion

Strategic Plan

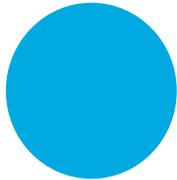
Authority Vision

Mastering the Art of Airports

Future State Description

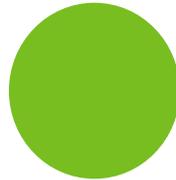
In 2022, our integrated leadership team has continued to evolve the Authority into a passenger-focused, business-driven, community-centered enterprise. We have achieved our five-year strategic plan and are widely recognized for successfully managing our financial, social and environmental sustainability

Strategic Goals



Community

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



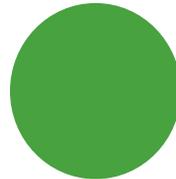
Financial

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.



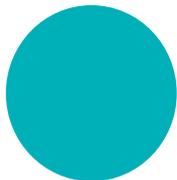
Customer

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.

Fundamental building blocks to advance the ADP:

- Programmatic Document
- Environmental
- Financial Buy-in and Alignment
- Dynamic Staffing and Resourcing



Economic, Industry and Credit Overview



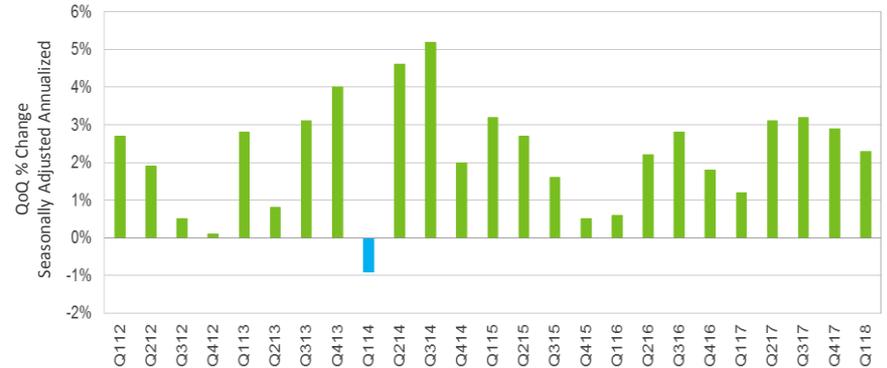
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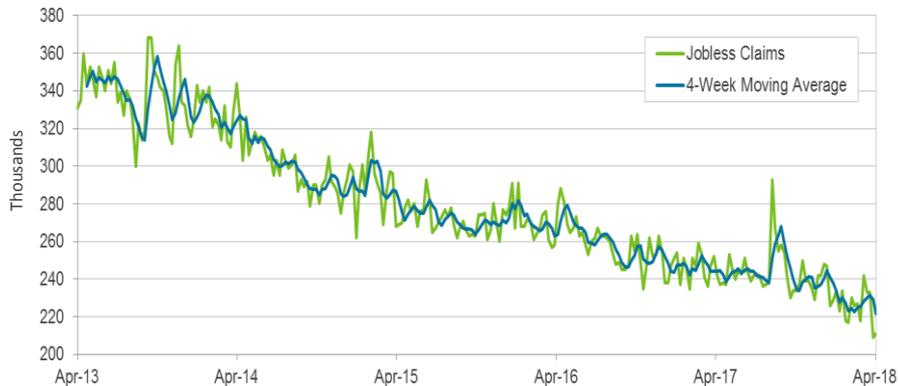
Economic Overview

- Main economic indicators all showed growth:
 - Annualized GDP for Q1 2018 is 2.3%
 - As of April 2018, current U.S. unemployment rate is at 3.9% and San Diego unemployment is at 3.2% as of March 2018
 - The Consumer Price Index (CPI) rose 2.4 percent from March 2017 to March 2018

U.S. Gross Domestic Product (GDP)



U.S. Unemployment Rates



Consumer Price Index (CPI)



Economic Overview

- YTD 2018 equity markets have been volatile:
 - DJIA: down 1.5%
 - S&P 500: roughly flat
- Current oil price trades in the \$70+/- range (above the 12-month average of \$55.28)
- The Fed increased the federal funds rate by 0.25% at its March 21 meeting. The upper bound is 1.75%

Dow Jones Industrial Avg. and S&P 500 Indices



WTI Crude Oil Price (Per Barrel)

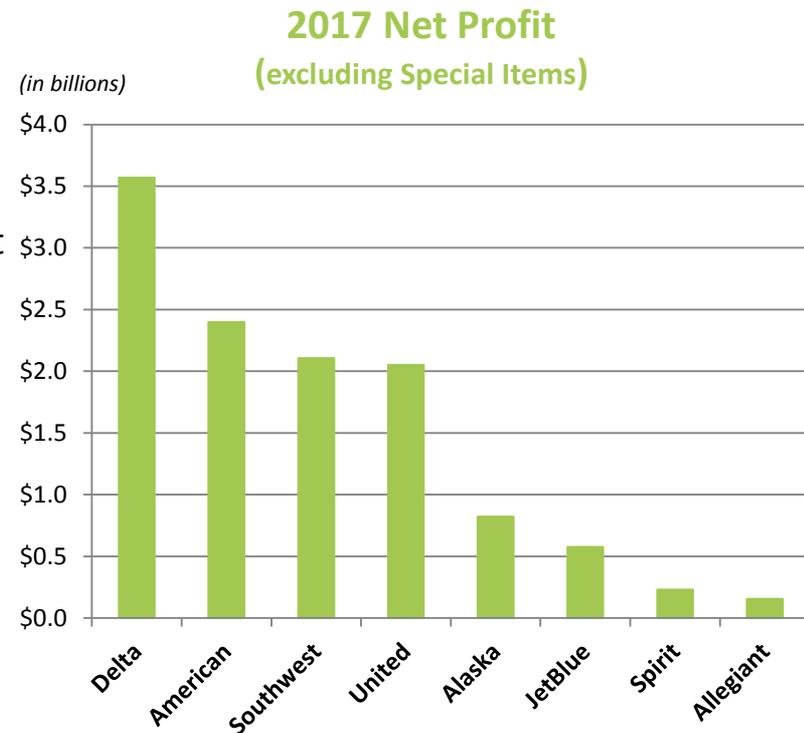


U.S. Treasury Yields Rates



Airline Industry Overview

- 2017 was another profitable year for airlines even though growth in expenses outpaced growth in revenues as fuel prices and labor costs grew significantly
- American, Delta, and United airlines have introduced “premium economy” capacity on international flights to boost revenue production
- All airlines noticed a drop in their earnings due to events such as hurricanes, the Las Vegas shooting, and wildfires in California
- Airlines profit expected to increase due to reduced U.S. corporate tax rates
- As airlines enjoy the recent trend in profits, they continue to add new routes to increase capacity, mitigated somewhat by continued increases in fuel prices



Source: Airline Financial Reports

Rating Agencies Airports Outlook

Moody's – Positive

S&P – Stable

Fitch – Stable-to-Positive

Key drivers:

- **Continued U.S. economic expansion**
- **Expected enplanement growth**
- **Airlines to expand seat capacity**
- **Larger capital programs results in higher debt service levels**
- **Airports face parking revenue declines from shifting transportation choices**

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

Key Rating Rationale:

- SDCRAA's sizable origination and destination enplanement base exceeding 10 million
- Strong financial performance, liquidity and all-in debt service coverage
- Diversified airline market share
- Expectation of continued favorable operating performance
- Strong management policies and practices as well as an experienced senior staff
- The authority's history of completing major projects on time and within budget



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
- Plan for future needs (new CIP projects)
- Project cost estimation and evaluate funding sources



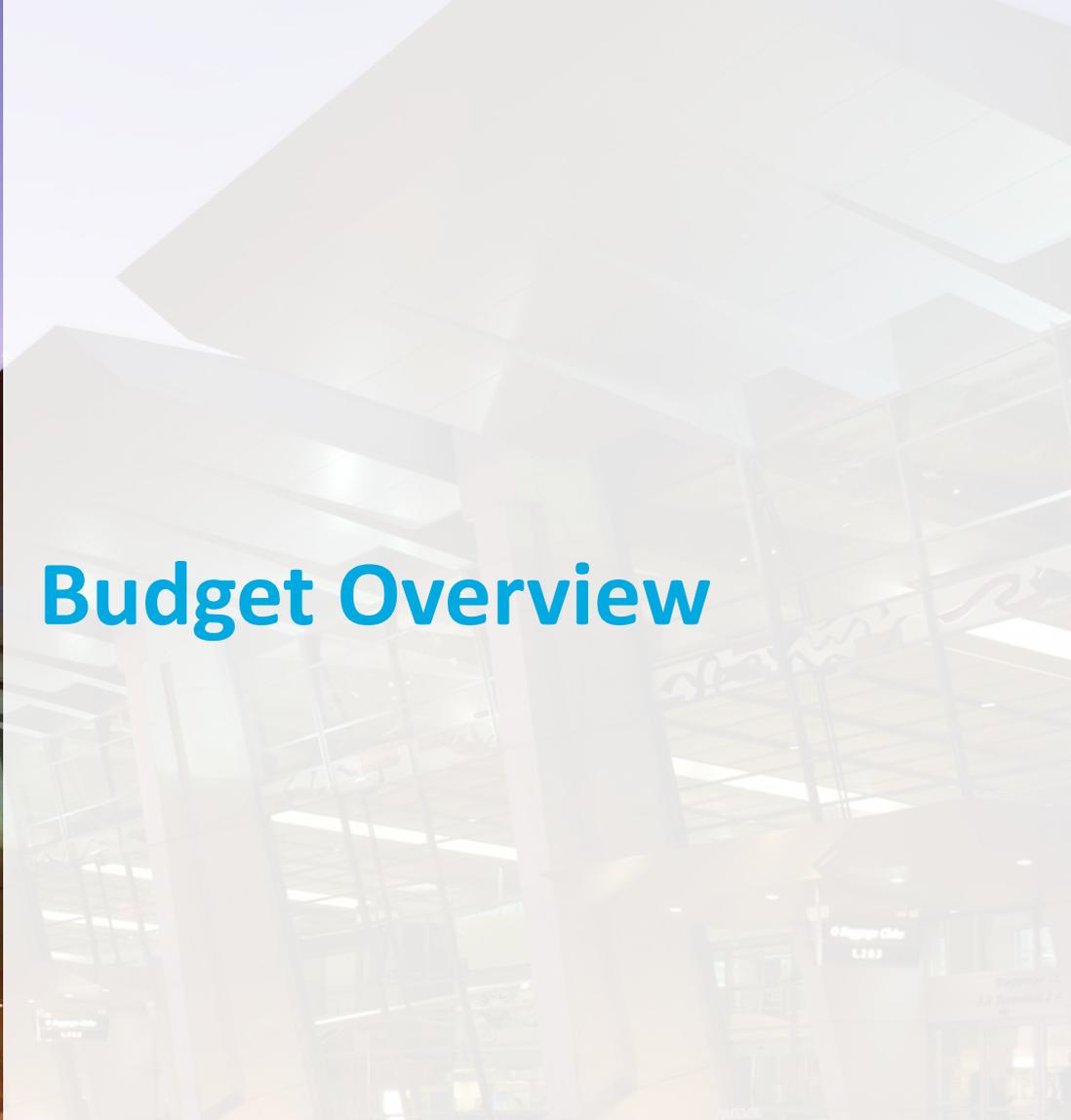
Financial Metrics Review

- 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



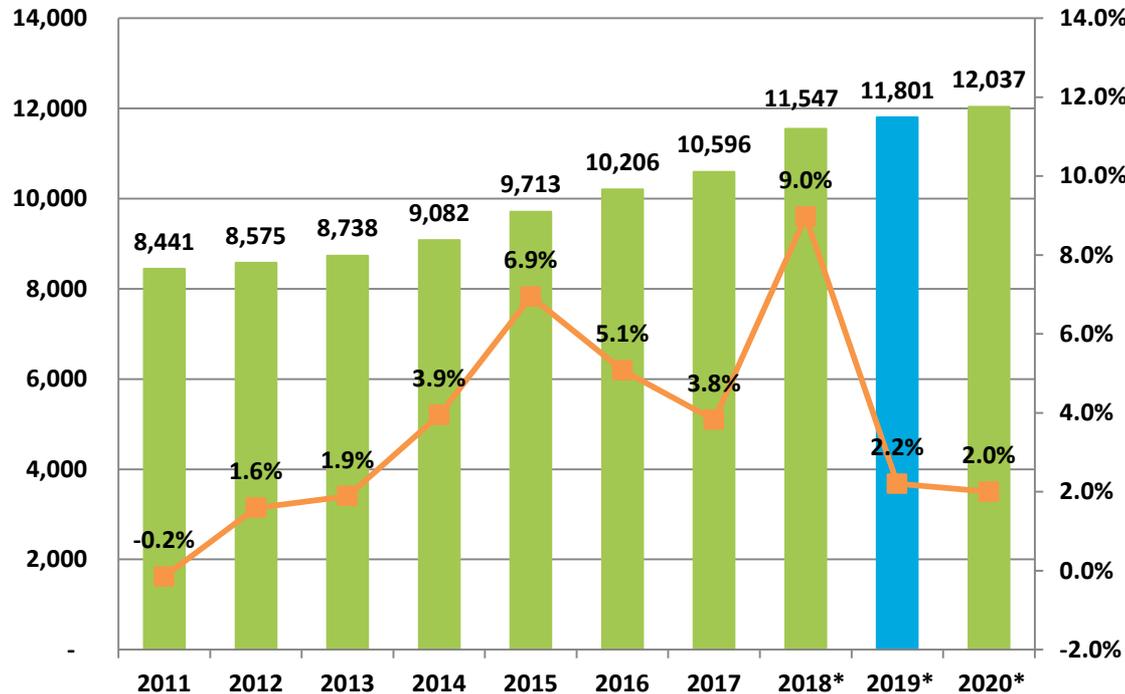
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Annual Enplaned Passenger Traffic

- FY 2019 Proposed Budget of 11.8M, 2.2% increase vs. FY 2018 Forecast of 11.5M
- FY 2020 Proposed Conceptual Budget of 12.0M, 2.0% increase vs. FY 2019 Budget of 11.8M

(in thousands)



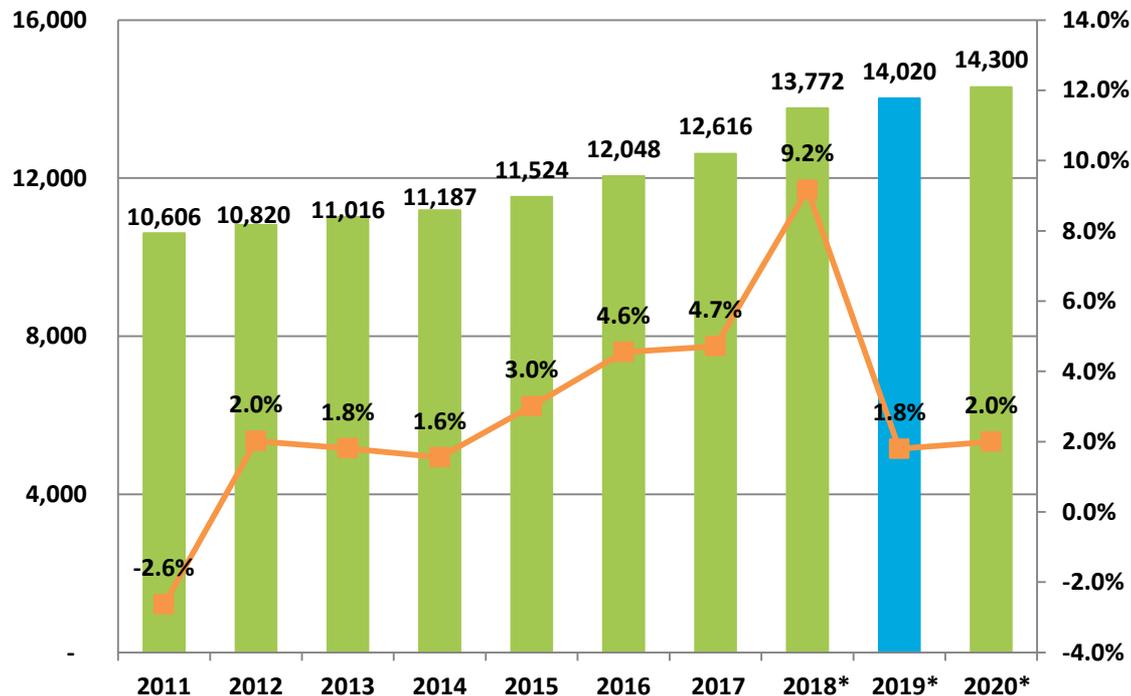
Fiscal Year	Enplaned Passengers	% Change
2011	8,441	-0.2%
2012	8,575	1.6%
2013	8,738	1.9%
2014	9,082	3.9%
2015	9,713	6.9%
2016	10,206	5.1%
2017	10,596	3.8%
2018* [^]	11,547	9.0%
2019*	11,801	2.2%
2020*	12,037	2.0%

[^] FY 2018 Forecast is 7.8% higher than FY 2018 Budget

Landed Weight

- FY 2019 Proposed Budget of 14.0M, 1.8% increase vs. FY 2018 Forecast of 13.8M
- FY 2020 Proposed Conceptual Budget of 14.3M, 2.0% increase vs. FY 2019 Budget of 14.0M

(in millions)



Fiscal Year	In million lbs.	% Change
2011	10,606	-2.6%
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* [^]	13,772	9.2%
2019*	14,020	1.8%
2020*	14,300	2.0%

[^] FY 2018 Forecast is 8.0% higher than FY 2018 Budget

FY 2019 – FY 2020 Revenue Budget Summary

(in thousands)

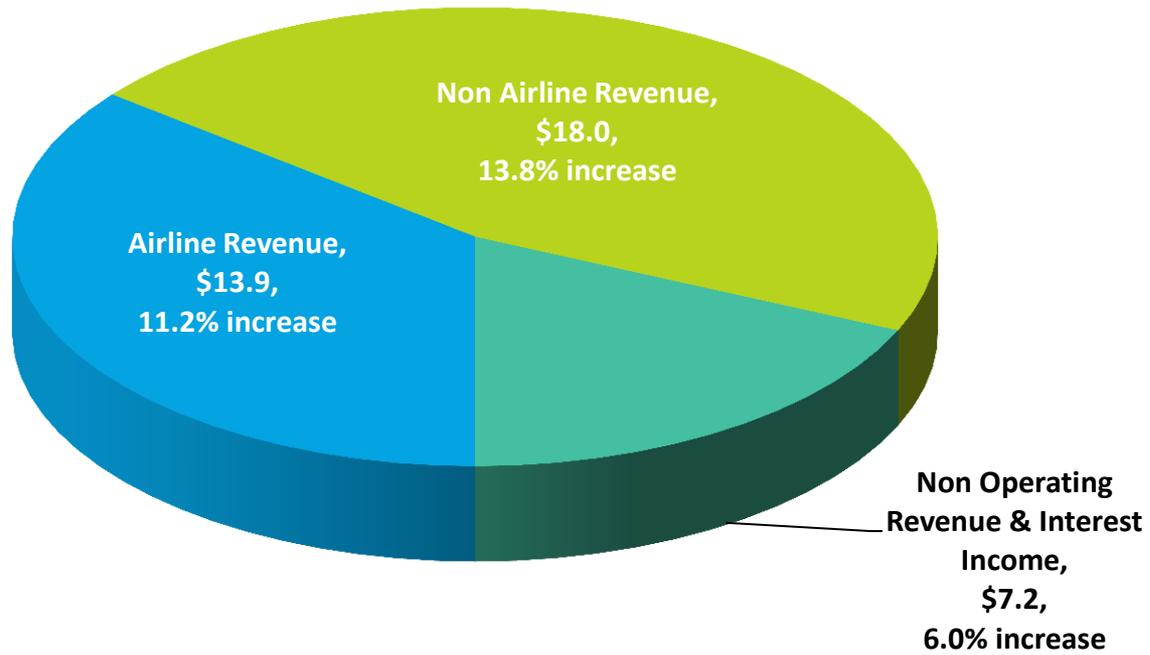
	FY 2017 Actuals	FY 2018 Budget	FY 2019 Proposed Budget	Inc / (Dec) FY19 vs FY18 Budget	% Change	FY 2020 Conceptual Budget	Inc / (Dec) FY20 Conceptual vs FY19 Proposed Budget	% Change
Operating Revenue:								
Airline Revenue								
Landing Fees	\$ 24,612	\$ 27,713	\$ 27,607	\$ (106)	-0.4%	\$ 30,274	\$ 2,667	9.7%
Aircraft Parking Fees	2,927	3,019	3,223	204	6.7%	3,521	298	9.2%
Building Rentals	56,575	59,008	70,764	11,756	19.9%	77,858	7,094	10.0%
Common Use System Support Charges	1,182	1,401	1,378	(23)	-1.6%	1,382	3	0.2%
Other Aviation Revenue	1,617	195	182	(13)	-6.7%	184	2	1.0%
Security Surcharge	29,468	32,916	35,025	2,109	6.4%	37,244	2,219	6.3%
Total Airline Revenue	116,381	124,253	138,180	13,927	11.2%	150,463	12,283	8.9%
Non-Airline Revenue								
Terminal rent non-Airline	1,556	1,585	2,133	548	34.6%	2,138	5	0.2%
Terminal concessions	26,146	25,702	27,935	2,233	8.7%	28,713	777	2.8%
Rental Car License Fees	30,162	30,082	30,651	569	1.9%	30,997	347	1.1%
License Fees Other	4,948	4,786	5,821	1,036	21.6%	5,938	116	2.0%
Parking Revenue	41,355	40,601	45,956	5,355	13.2%	43,297	(2,659)	-5.8%
Ground Transportation Permits and Citations	8,052	7,377	14,937	7,560	102.5%	15,385	448	3.0%
Ground Rentals	18,497	19,805	19,982	177	0.9%	20,766	784	3.9%
Grant Reimbursements	292	0	517	517	0.0%	307	(210)	-40.6%
Other Operating Revenue *	1,457	773	770	(4)	-0.5%	770	0	0.0%
Total Non-Airline Revenue	132,465	130,711	148,703	17,992	13.8%	148,312	(391)	-0.3%
Total Operating Revenue	248,847	254,963	286,882	31,919	12.5%	298,775	11,892	4.1%
Interest Income	8,134	8,783	14,006	5,223	59.5%	20,931	6,925	49.4%
Non-Operating Revenue								
Passenger facility charges	42,200	42,304	46,627	4,323	10.2%	47,560	933	2.0%
Customer facility charges (Rental Car Center)	36,528	40,009	40,204	196	0.5%	41,017	813	2.0%
Quieter Home Program	1,414	10,992	11,981	989	9.0%	11,981	0	0.0%
BAB Interest Rebate	4,651	4,656	4,631	0	0.0%	4,631	0	0.0%
Capital grant contributions	1,904	11,700	8,149	(3,551)	-30.4%	3,729	(4,420)	-54.2%
Other Nonoperating Revenue	(16,887)	0	0	0	0.0%	0	0	0.0%
Total Non-Operating Revenue	69,810	109,661	111,593	1,932	1.8%	108,918	(2,675)	-2.4%
Total Revenue	\$ 326,790	\$ 373,407	\$ 412,482	\$ 39,075	10.5%	\$ 428,624	\$ 16,143	3.9%

*Other Operating Revenue includes: Finger Printing Fees, Utilities Reimbursements, Service Charges, Equipment Rental and Miscellaneous Revenues

FY 2019 Budget Revenue Increase vs. FY 2018 Budget

\$39.1M (10.5%)

(in millions)



Total FY 2019 Budget is \$412.5M

FY 2019 Airline Revenue Increase

\$13.9M (11.2%)

Net increase in airline revenue primarily reflects:

- Increase of \$11.8M in building rentals reflecting increases in terminal expenses, amortization for cash-funded terminal projects and debt service
- Increase of \$2.1M in security surcharge reflecting increases in Port District Harbor Police cost, contract security services and security checkpoints rent due to higher terminal rate

FY 2019 Non Airline Revenue Increase

\$18.0M (13.8%)

Net increase in non-airline revenue primarily reflects:

- Increase of \$2.2M in concession revenue due to higher enplanements and higher Sales per Enplaned Passenger (SEP)
- Increase of \$1.0M in license fees-other revenue due to higher enplanements and SEP
- Increase of \$5.4M in Parking revenue due to opening of the Parking Plaza partially offset by the closure of Economy lot
- Increase of \$7.6M in Ground Transportation revenue due to collection of TNCs trip fees for pick-ups & drop-offs

FY 2019 Interest Income & Non-Operating Revenue Increase

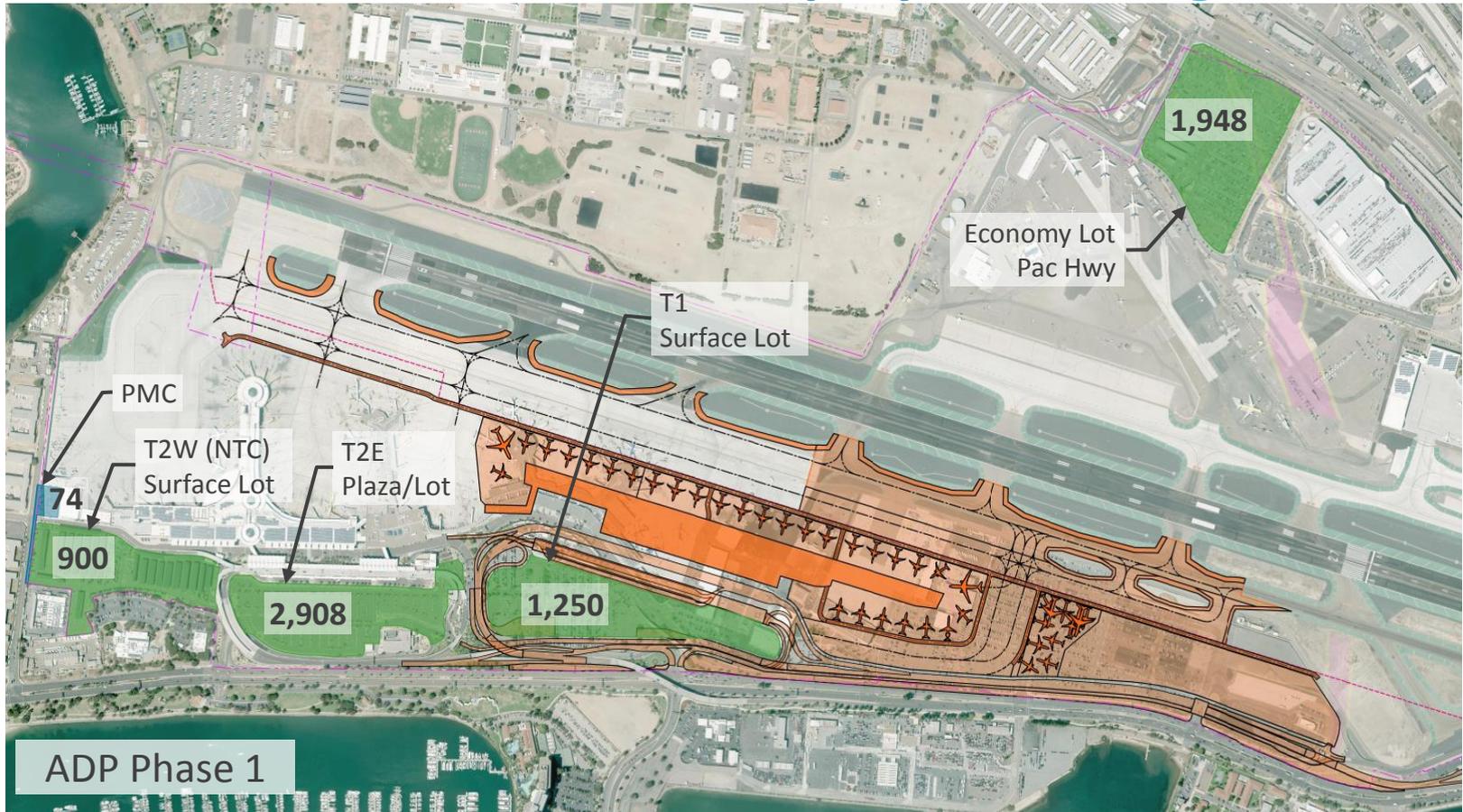
\$7.2M (6.0%)

Interest income increase of \$5.2M due to increase in interest rates and cash balances

Net increase in non-operating revenue primarily reflects:

- Increase of \$4.3M in Passenger Facility Charges (PFCs) due to higher enplanements
- Decrease of \$3.6M in capital grant contributions due to progress of the rehabilitation of Runway 9-27 pavement and other grant eligible projects
- Increase of \$1.0M in QHP Revenue due to the program being fully engaged

Future Revenue/Employee Parking



Tenants Employees Parking - Options

Number of Spaces Needed: 2,000

Short Term Solutions (Immediately implement)

- Economy Lot (1,948 spaces)
- T2W lot and Harbor Drive (2,264 spaces)- only for a year
- T2W lot and Parking Plaza
- Off-airport
- Tenants can find alternative solutions

Long Term Solutions

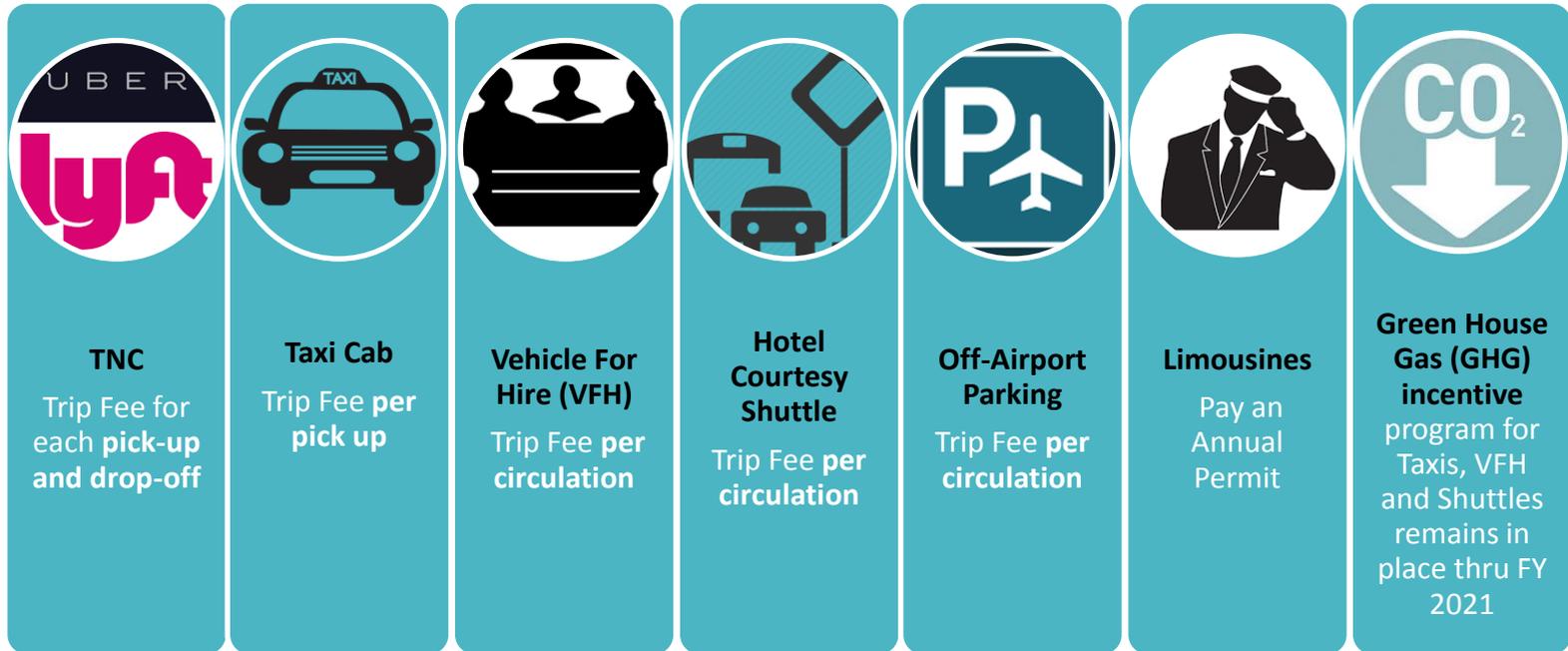
- Economy Lot (1,948 spaces)
- T2/T1 Parking Plaza
- Off-airport
- Tenants can find alternative solutions

Tenants Employees Parking - Options

Employee Lot Options	Economy Lot	T2W and Harbor Drive	T2W and Parking Plaza
Net Income Impact	(\$2.9M)	(\$3.7M)	(\$3.8M)
Pros	<ul style="list-style-type: none"> • Long term solution • Requires lowest increase to employee rates to offset Net Income impact • Reduces shuttle operations 	<ul style="list-style-type: none"> • Using underutilized lot (T2W) • Close to airport • Reduces shuttle operations 	<ul style="list-style-type: none"> • Close to the airport • Potential to fill plaza if underutilized
Cons	<ul style="list-style-type: none"> • Need to find new solution for Palm Street shuttle 	<ul style="list-style-type: none"> • Temp solution – only for a year 	<ul style="list-style-type: none"> • High risk of cannibalizing full price plaza revenue

Ground Transportation Revenue

Proposed Trip Fee Assumptions



Ground Transportation Revenue

Proposed 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

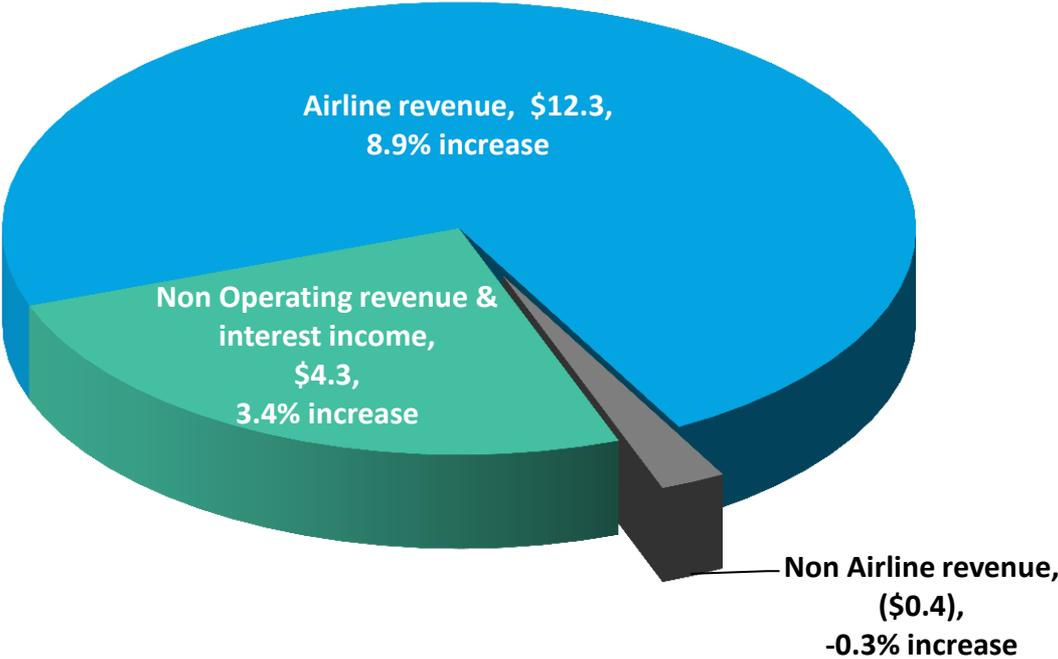
³ Courtesy Modes include Off Airport Parking and Hotel Motel Shuttles

⁴ TNCs GHG program is based on fleet performance

FY 2020 Budget Revenue Increase vs. FY 2019 Budget

\$16.1M (3.9%)

(in millions)



Total FY 2020 Budget is \$428.6M

FY 2020 Airline Revenue Increase

\$12.3M (8.9%)

Net increase in airline revenue primarily reflects:

- Increase of \$2.7M in landing fees reflecting increases in airfield maintenance (oval striping) and debt service
- Increase of \$7.1M in building rentals due to increases in terminal operations expenses, amortization for cash-funded terminal projects and debt service
- Increase of \$2.2M in security surcharge reflecting an increase in Port District Harbor Police cost

FY 2020 Non-Airline Revenue Increase

(\$0.4M) (-0.3%)

Net increase in non-airline revenue primarily reflects:

- Decrease of \$2.7M in Parking revenue due the closure of Harbor Dr. Parking lot for the construction of new capital improvement projects partially offset by an increase in enplanements
- Increase of \$0.8M in concession revenue due to higher enplanements and an increase in SEP
- Increase of \$0.8M in Ground Rents due to the opening of the Belly Cargo and Northside Cargo Facilities

FY 2020 Interest Income & Non-Operating Revenue Increase

\$4.3M (3.4%)

Interest income increase of \$6.9M due to increase in interest rates and cash balances

Net decrease in non-operating revenue primarily reflects:

- Increase of \$0.9M in PFCs due to higher enplanements
- Increase of \$0.8M in CFCs due to higher enplanements
- Decrease of \$4.4M in capital grant contributions due to completion of the rehabilitation of cross-taxiways offset by the progress of grant eligible projects

Airline Cost Per Enplaned Passenger

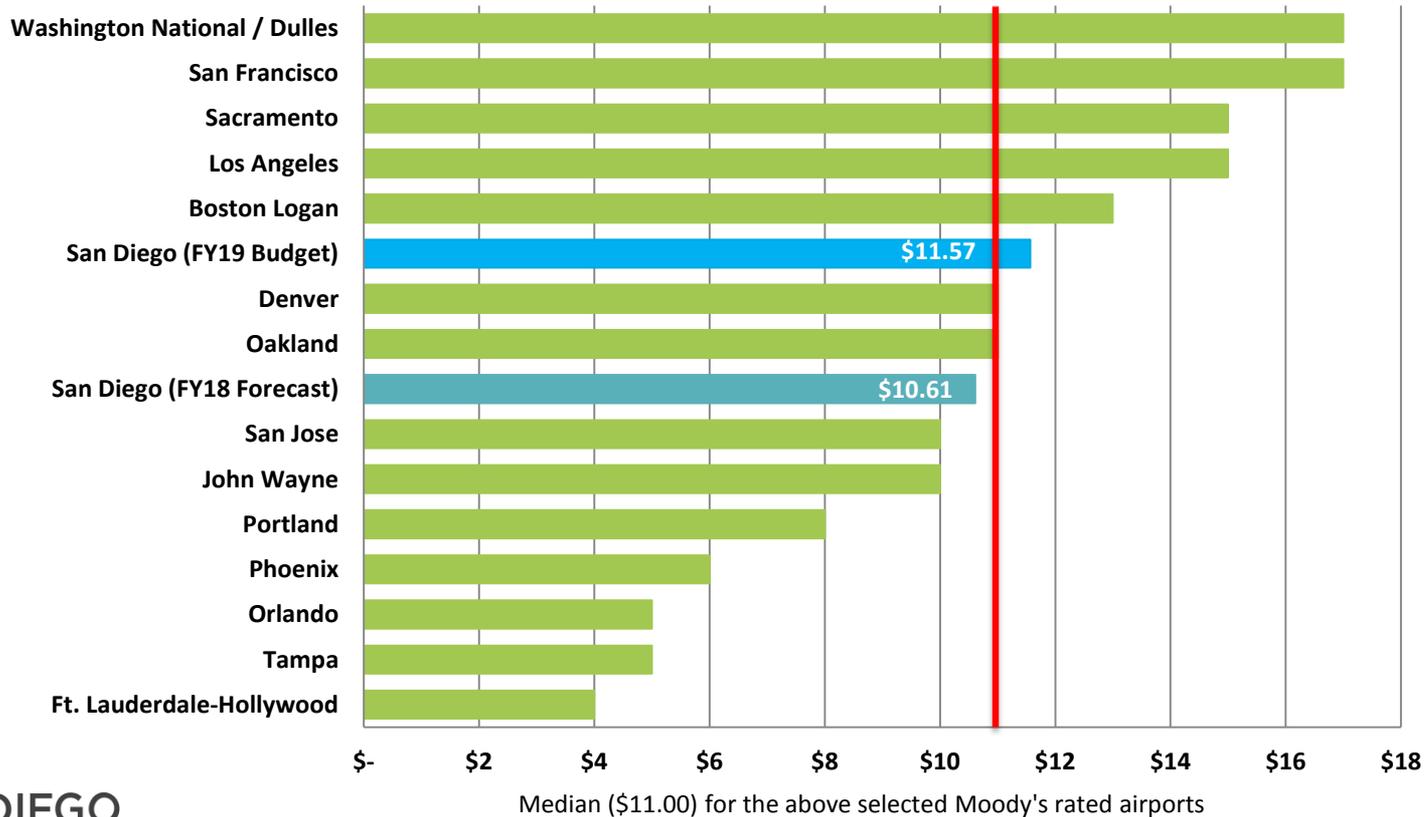
Airline derived cost per enplaned passenger includes landing fees, aircraft parking fees, terminal rents, Common Use System Support charges and security surcharge



* Projected FY 2018, Budgeted FY 2019 & FY 2020

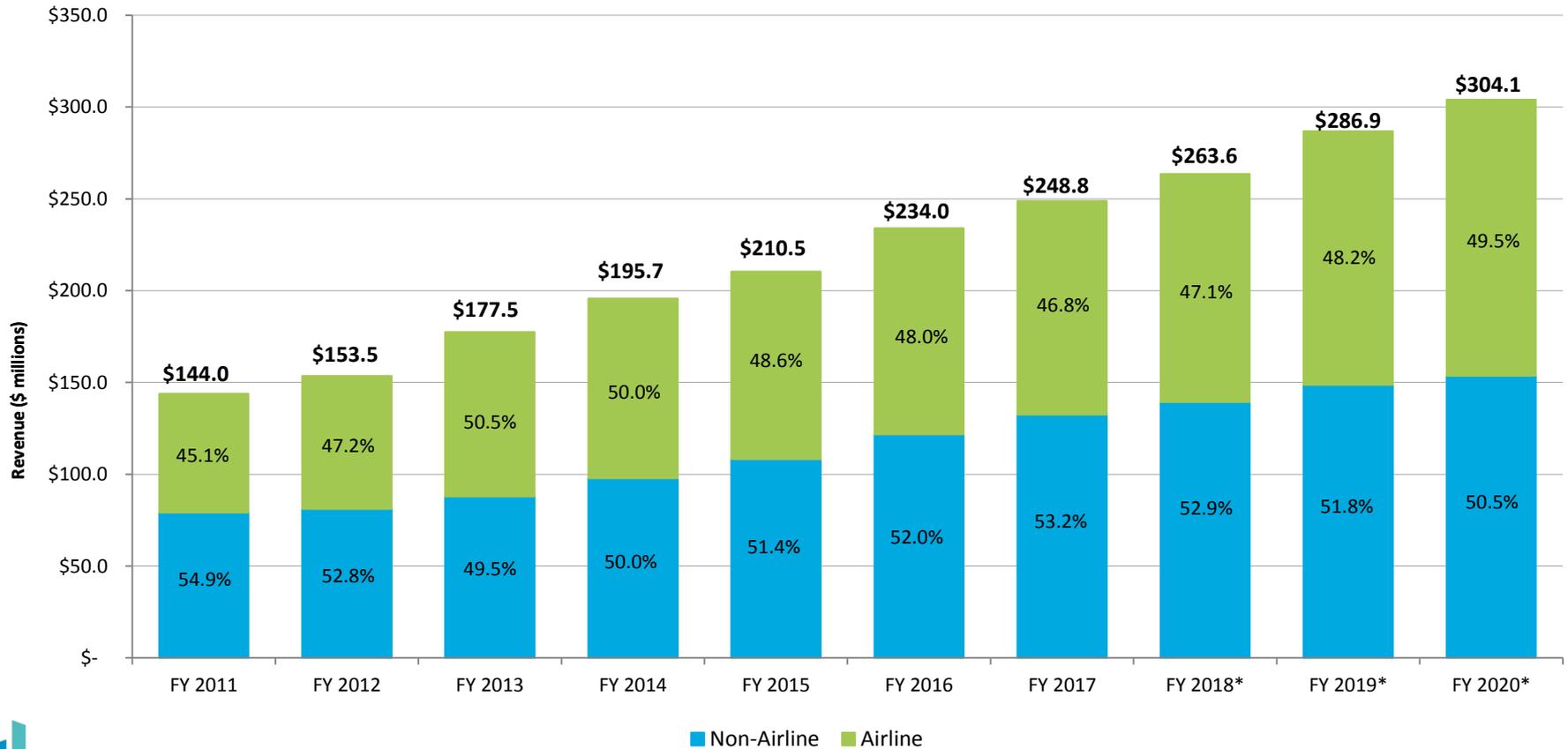
Airline Cost Per Enplaned Passenger

by Select Airports, as of FY 2016



Median (\$11.00) for the above selected Moody's rated airports

Operating Revenue FY 2011 – FY 2020





Expense Budget Overview



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Personnel Considerations



Productivity and Efficiency

- **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**

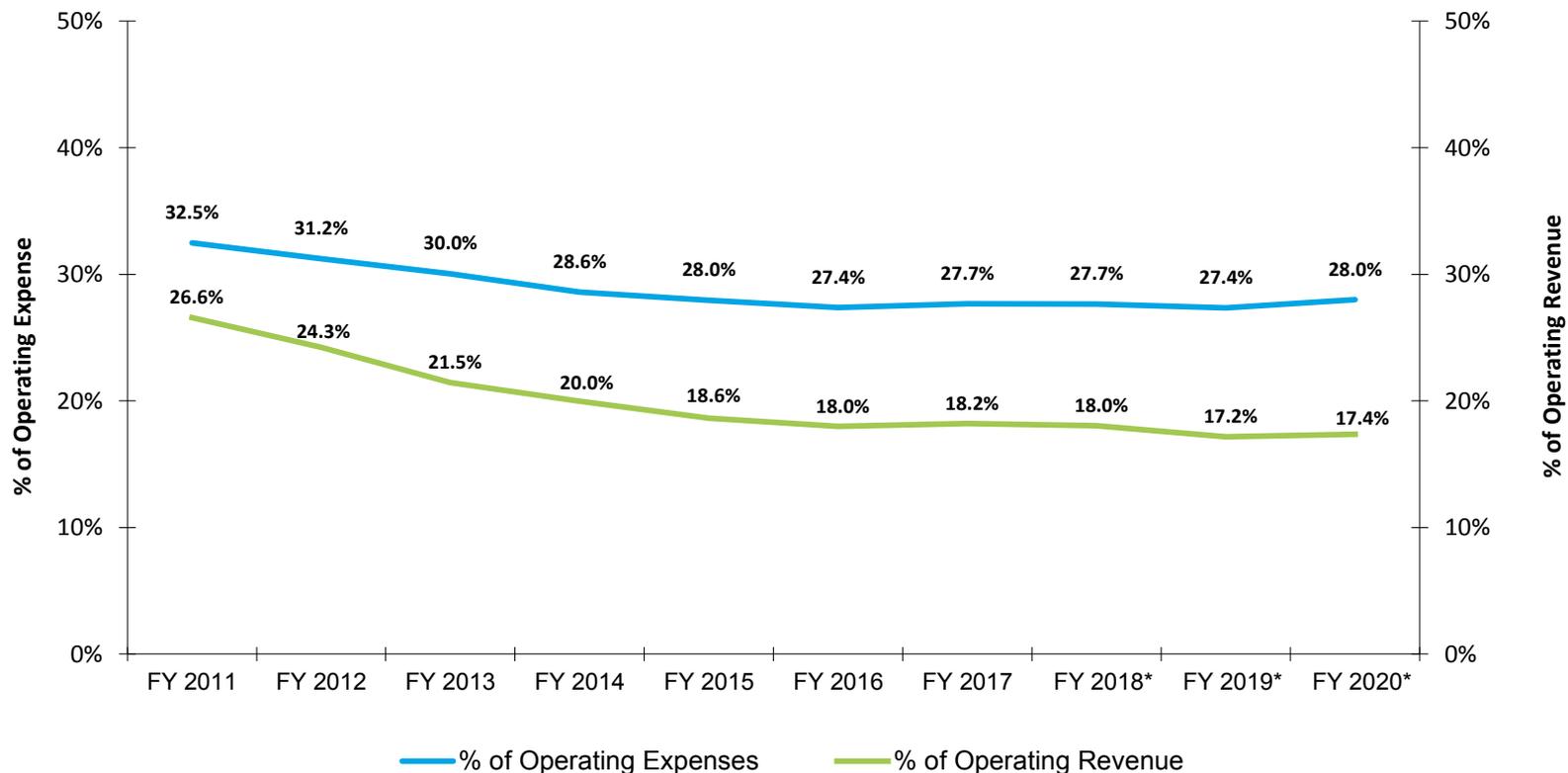


Retention

- **Labor Market-** San Diego unemployment at 3.2%, lowest in a decade and well below national 3.9%
- **World at Work reports** 3.1% increase in base wages in 2017 for Western U.S. employers
- **Airport Authority voluntary turnover** doubles since 2013

Personnel Costs as % Operating Expense / Revenue

FY 2011 – FY 2020



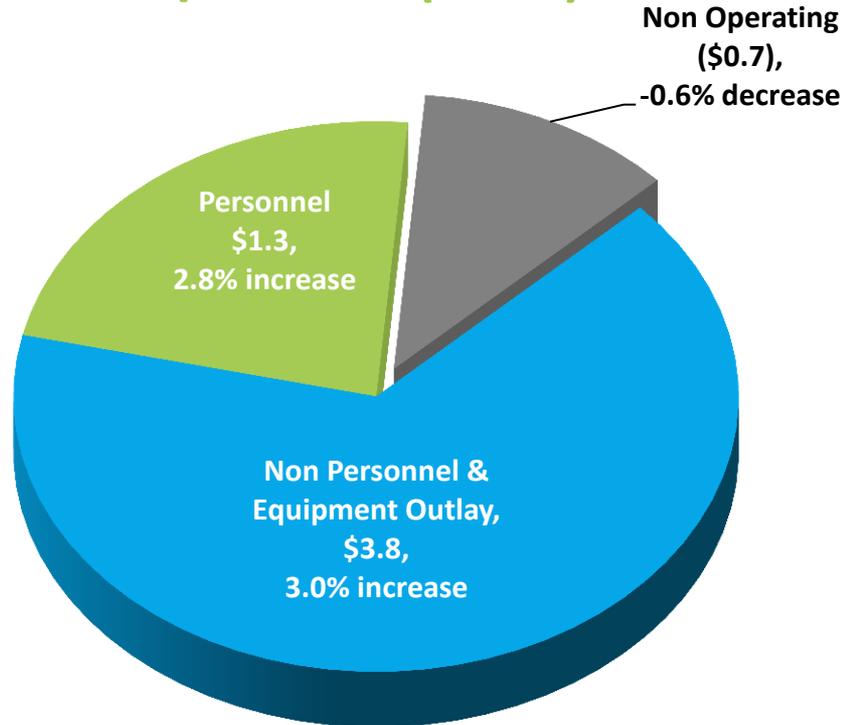
FY 2019 – FY 2020 Budget Expense Summary

<i>(in thousands)</i>	FY2017 Actuals	FY2018 Budget	FY 2019 Proposed Budget	Inc / (Dec) FY19 Proposed vs FY18 Budget	% Change	FY 2020 Conceptual Budget	Inc / (Dec) FY20 Conceptual vs FY19 Budget	% Change
Operating Expenses								
Salaries & Wages	\$ 34,583	\$ 36,215	\$ 37,795	\$ 1,580	4.4%	\$ 39,553	\$ 1,757	4.6%
Overtime	700	749	713	(36)	-4.8%	714	1	0.1%
Benefits	16,926	17,975	18,004	29	0.2%	19,255	1,251	6.9%
Subtotal	52,209	54,939	56,512	1,573	2.9%	59,522	3,009	5.3%
Capitalized Labor Recharge	(5,106)	(6,302)	(6,662)	(360)	5.7%	(6,968)	(307)	4.6%
QHP Labor Recharge	(229)	(717)	(609)	108	-15.0%	(649)	(39)	6.5%
Total Personnel Costs	46,874	47,920	49,241	1,321	2.8%	51,905	2,663	5.4%
Contractual Services	44,330	46,994	49,764	2,770	5.9%	49,424	(339)	-0.7%
Safety and Security	28,422	31,065	33,144	2,079	6.7%	34,383	1,240	3.7%
Space Rental	10,190	10,191	10,191	-	0.0%	10,191	-	0.0%
Utilities	10,736	12,250	13,357	1,106	9.0%	13,834	477	3.6%
Maintenance	14,270	15,352	13,788	(1,564)	-10.2%	14,771	983	7.1%
Operating Equipment & Systems	513	368	353	(16)	-4.3%	351	(2)	-0.5%
Operating Supplies	611	475	542	68	14.3%	549	7	1.2%
Insurance	956	1,203	1,248	45	3.7%	1,312	64	5.1%
Employee Development	1,353	1,318	1,160	(158)	-12.0%	1,164	4	0.4%
Business Development	2,341	3,745	3,045	(700)	-18.7%	3,038	(7)	-0.2%
Equipment Rentals and Repairs	2,533	2,666	3,364	698	26.2%	3,630	266	7.9%
Tenant Improvements	598	860	800	(60)	-7.0%	824	24	3.0%
Total Non-Personnel Costs	116,852	126,486	130,755	4,269	3.4%	133,472	2,717	2.1%
Total Operating Expenses	163,726	174,406	179,996	5,590	3.2%	185,376	5,380	3.0%
Joint Studies / Sound Attenuation	2,199	14,640	15,077	437	3.0%	15,011	(66)	-0.4%
Debt Service	75,370	104,692	103,585	(1,107)	-1.1%	113,634	10,049	9.7%
Legal Settlement Expense	10	10	10	-	0.0%	10	-	0.0%
Other Non-Operating Expenses	77,802	119,342	118,671	(670)	-0.6%	128,655	9,983	8.4%
Total Expenses	241,528	293,748	298,667	4,919	1.7%	314,031	15,364	5.1%
Equipment Outlay Expenditures	1,721	1,457	990	(467)	-32.0%	1,662	672	67.9%
Total Authority Expenses Incl Equip Outlay	\$ 243,249	\$ 295,205	\$ 299,658	\$ 4,453	1.5%	\$ 315,693	\$ 16,036	5.4%

FY 2019 Budget Expense Increase vs. FY 2018 Budget

\$4.5M (1.5%)

(in millions)



Total FY 2019 Budget is \$299.7M

FY 2019 Proposed Staffing Changes

FY 2018 Budget		437
Division	Department	Proposed New Positions
Operations	Ground Transportation	4 Airport Traffic Officers - Limited
Development	Airport Design & Construction	Estimator III
Total FY 2019 Proposed New Positions		5
FY 2019 Proposed Budget		442

Major Drivers of FY 2019 Budget

(in thousands)

	Total Inc / (Dec) FY19 Budget vs FY18 Budget	<u>Expense Category</u>
Total Increase in Expenses	\$ 4,453	
Personnel:		
Contracted wage increases and pay-for-performance	1,266	Salaries & Wages
Retirement and additional contribution of 1% of Actuarial Liability	1,087	Employee Benefits
5 new positions (salaries & burden), net of capitalized labor	263	Salaries & Wages
Health insurance	230	Employee Benefits
Retiree medical benefits and other, net	(1,526)	Employee Benefits, Salaries & Wages, Capitalized Labor
Total Increase / (Decrease) in Personnel	1,321	
Debt Service:		
Interest and Principal on 2017 Bond issuance	709	Debt Service
Interest and fees on revolving credit facilities and other, net	210	Debt Service
Cost of issuance	(2,026)	Debt Service
Total Increase / (Decrease) in Debt Service	\$ (1,107)	

Major Drivers of FY 2019 Budget

(in thousands)

	Total Inc / (Dec) FY19 Budget vs FY18 Budget	<u>Expense Category</u>
Non Personnel:		
Parking Plaza O&M		
Maintenance and utilities	\$ 640	Maintenance, Utilities
Credit card transactions and reservations fees	546	Contractual Services
Parking systems maintenance and support	203	Equipment Rentals and Repairs
Safety and Security and other, net	126	Safety and Security
Federal Inspection Station (FIS) O&M		
Maintenance and utilities	627	Maintenance, Utilities
Automated Passport Control (APC) kiosks and other systems support	374	Equipment Rentals and Repairs
Access control	200	Safety and Security
Insurance and other, net	78	Insurance
Safety and Security		
Port District Harbor Police Department law enforcement	791	Safety and Security
Customs and Border Protection (CBP) overtime	350	Safety and Security
Aircraft Rescue and Fire Fight (ARFF) & Emergency Medical Services	280	Safety and Security
Guard services	\$ 224	Safety and Security

Major Drivers of FY 2019 Budget

(in thousands)

Non Personnel:

Terminal and Landside Operations & Maintenance

	Total Inc / (Dec) FY19 Budget vs FY18 Budget	Expense Category
Inter-terminal shuttle operations	\$ 914	Contractual Services
Janitorial services	508	Contractual Services
Utilities	444	Utilities
Rental Car Center (RCC) buses	173	Contractual Services
Major and annual maintenance	(1,594)	Maintenance

Other Operating and Non-Operating Expenses

QHP and Joint Studies	437	Joint Studies / Sound Attenuation
Authority-wide computer replacements	(300)	Equipment Outlay
Environmental consulting services	(325)	Contractual Services
Sponsorships and marketing activities	(820)	Contractual Services

Other, net

365

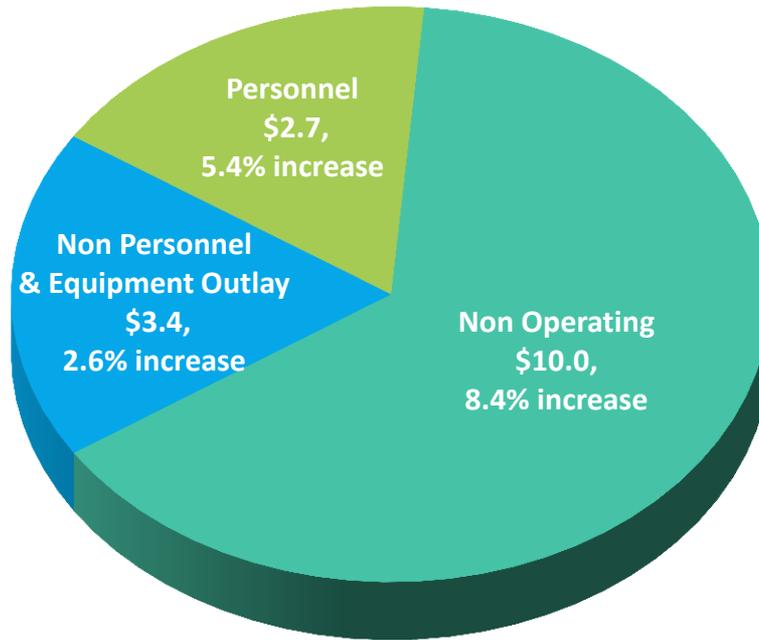
Total Increase / (Decrease)

\$ 4,453

FY 2020 Budget Expense Increase vs. FY 2019 Budget

\$16.0M (5.4%)

(in millions)



Total FY 2020 Budget is \$315.7M

FY 2020 Proposed Staffing Changes

FY 2019 Proposed Budget		442
Division	Department	Proposed New Positions
Operations	Facilities Management	Inspector, Planner & Estimator - Limited
Operations	Airside Operations	Airside Operations Duty Manager II - Limited
Operations	Aviation Security & Public Safety	Security & Emergency Response Coordinator - Limited
Operations	Aviation Security & Public Safety	2 Communication Center Specialists
Total FY 2020 Proposed New Positions		5
FY 2020 Proposed Budget		447

Major Drivers of FY 2020 Budget

(in thousands)

	Total Inc / (Dec) FY20 Budget vs FY19 Budget	<u>Expense Category</u>
Total Increase in Expenses	\$ 16,036	
Personnel:		
Contracted wage increases and pay-for-performance	1,399	Salaries & Wages
Retirement and additional contribution of 1% of Actuarial Liability	556	Employee Benefits
5 new positions (salaries & burden), net of capitalized labor	517	Salaries & Wages
Health insurance	385	Employee Benefits
Retiree medical benefits and other, net	152	Salaries & Benefits
Additional capitalized labor	(346)	Capitalized Labor
Total Increase / (Decrease) in Personnel	2,663	
Debt Service:		
Interest and Principal on new 2019 Bond issuance	6,469	Debt Service
Cost of issuance	3,406	Debt Service
Interest and fees on revolving credit facilities and other, net	174	Debt Service
Total Increase / (Decrease) in Debt Service	\$ 10,049	

Major Drivers of FY 2020 Budget

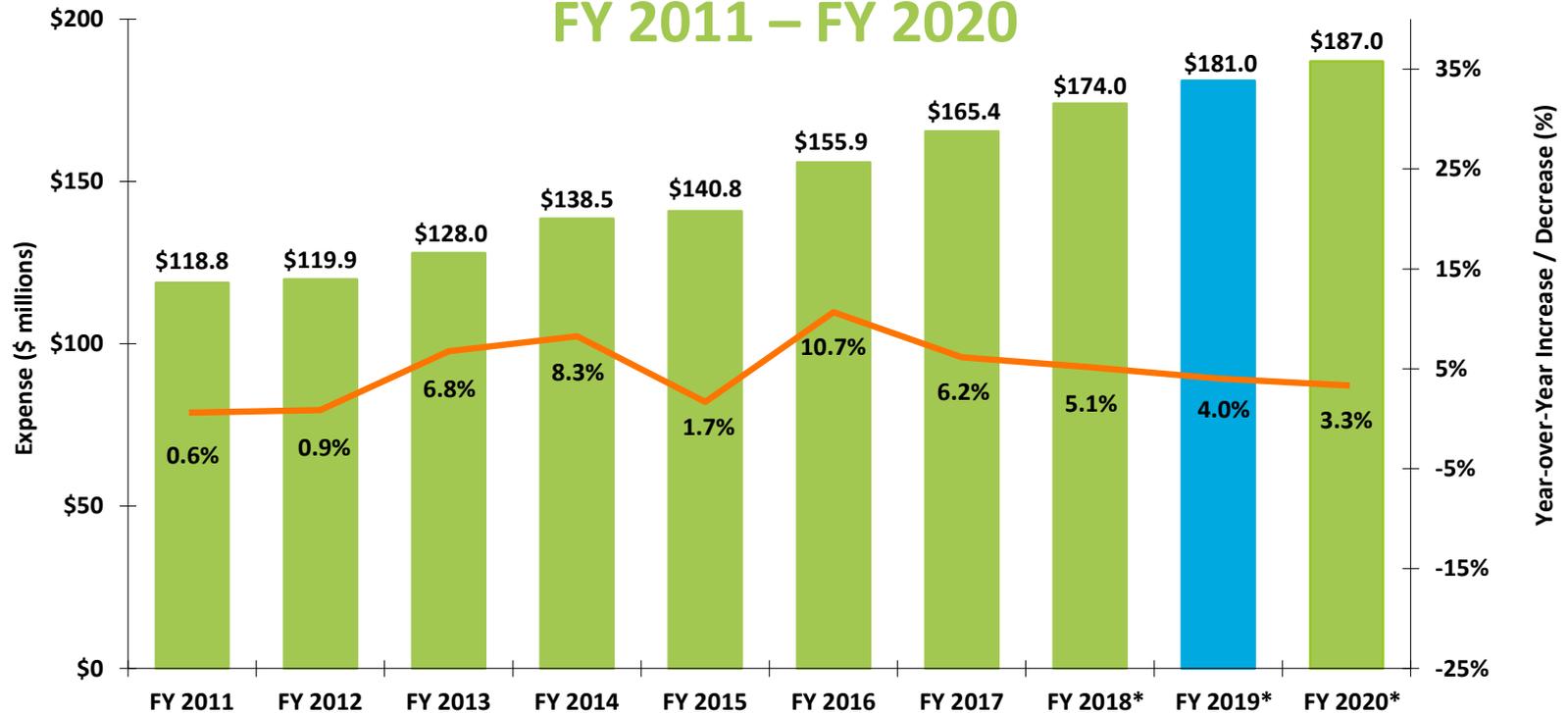
(in thousands)

	Total Inc / (Dec) FY20 Budget vs FY19 Budget	<u>Expense Category</u>
Non Personnel:		
Safety and Security		
Port District Harbor Police Department law enforcement	\$ 788	Safety and Security
ARFF & Emergency Medical Services	197	Safety and Security
Guard services	153	Safety and Security
Terminal and Landside Operations & Maintenance		
Major and annual maintenance	983	Maintenance
Parking and shuttle operations	500	Contractual Services
Utilities	477	Utilities
Other Operating Expenses		
Parking management office equipment	400	Equipment Outlay
Vehicle replacements	301	Equipment Outlay
Sponsorships and marketing activities	(195)	Contractual Services
Environmental consulting services	(250)	Contractual Services
Other, net	<u>(33)</u>	
Total Increase / (Decrease)	<u><u>\$ 16,036</u></u>	

Total Operating Expenses

(incl. Equipment Outlay)

FY 2011 – FY 2020



■ Total Operating Expenses — % Increase/(Decrease)



Capital Program Budget Fiscal Years 2019 – 2023



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Capital Program Budget Summary

(in thousands)

FY 2018 - 2022 Beginning Capital Program Budget	\$ 850,580
Terminal 2 Parking Plaza	\$ 127,800
Terminal 2 West FIS Build-out	<u>229,474</u>
<i>Subtotal</i>	<i>1,207,854</i>
FY 2018 - 2022 Project Closeouts/Eliminations/Adjustments	<u>(163,567)</u>
FY 2018 - 2022 Ending Capital Program Balance	\$ 1,044,287
Proposed FY 2019 - 2023 Capital Projects/Allowances *	<u>\$ 58,954</u>
Proposed FY 2019 - 2023 Capital Program Budget	<u>\$ 1,103,241</u>

* Pending Board approval

Current FY 2018 – 2022 Capital Program – Budget by Location

(in thousands)

Project Location	# Projects	Program Budgets by Location
Airside	23	\$ 411,289
Terminal	19	378,071
Landside/Ancillary	36	294,642
Administrative	<u>15</u>	<u>123,852</u>
Totals	<u>93</u>	\$ <u>1,207,854</u>

Current FY 2018 – 2022 Capital Program – Project Closeouts/Cancellations/Adjustments

(in thousands)

Project Cancellations (5)	\$	(45,333)
Project Closeouts (18)		(26,791)
Project Adjustments (36)		(89,443)
Rental Car Center		<u>(2,000)</u>
Total FY2018 Closeouts/Cancellations/Adj.	\$	<u>(163,567)</u>

Proposed New FY 2019 – 2023 CIP Projects

(in thousands)

	Description	Expected Start Date	Estimated Budget
1)	AVSEC Network Redesign	July 2018	\$ 13,136
2)	SDIA Common Use System	July 2018	14,560
3)	ZEV – Acquire Electric Buses for FIS	July 2019	1,710
4)	Replace/Upgrade EMAS	July 2023	<u>19,300</u>
Total FY2019-2023 Proposed New Capital Projects			<u>\$ 48,706</u>

Proposed FY 2019 – 2023 Capital Project Adjustments / Allowances

(in thousands)

	Description	Current Budget	Additional Budget	Estimated Budget
1)	Construct Taxiway A (2021-2022)	\$ 38,623	\$ 2,200	\$ 40,823
2)	Relocate Taxiway B (2022-2023)	30,000	2,600	32,600
3)	Rehabilitate Cross Taxiways C1, C2, C5 and D	12,050	448	12,498
4)	Capital Project Allowance (FY2019)	-	<u>5,000</u>	5,000
Total Proposed Current CIP Project Adj./Allowances			10,248	
Total Proposed FY2019-2023 New Capital Projects			<u>48,706</u>	
Total FY 2019-2023 Proposed New CIP Project & Allowance			<u>\$ 58,954</u>	

Proposed FY 2019 – 2023 Capital Program – Remaining Budget by Phase

(in thousands)

Project Phase	Budget	Cost to Date *	Budget Remaining
Pre-Construction	\$ 569,195	\$ 44,928	\$ 524,267
Construction	56,213	32,656	23,558
Closeout	<u>61,604</u>	<u>60,604</u>	<u>1,000</u>
Subtotal CIP	\$ 687,013	\$ 138,188	\$ 548,824
New CIP	58,954	-	58,954
Parking Plaza	127,800	103,000	24,800
FIS	<u>229,474</u>	<u>153,000</u>	<u>76,474</u>
Totals	\$ 1,103,241	\$ 394,188	\$ 709,053
* Estimated costs as of 6/30/18			



Plan of Finance Fiscal Years 2019 – 2023

Uses of Funds by Location

Pre FY 2019 – FY 2023

(in thousands)

Location	Capital Program
Terminal	\$ 415,896
Airside	300,663
Landside and Ancillary	258,917
Administrative	127,766
Finance Costs	55,247
Total	\$ 1,158,488

Uses of Funds

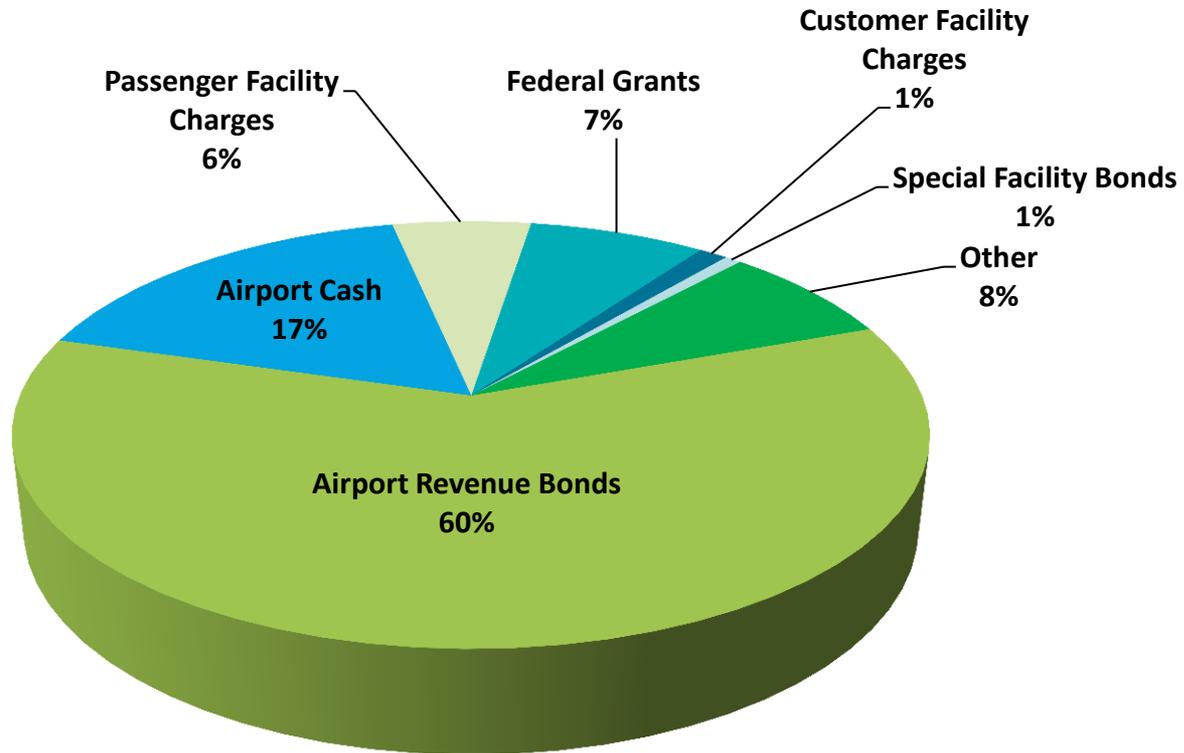
(in thousands)

	Pre FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total
Capital Program	\$ 435,773	\$ 295,205	\$ 199,887	\$ 67,689	\$ 55,176	\$ 49,510	\$ 1,103,241
Finance Costs	20,693	-	34,554	-	-	-	55,547
Total	\$ 456,466	\$295,205	\$ 234,441	\$ 67,689	\$ 55,176	\$ 49,510	\$ 1,158,488

Sources of Funds

	Pre FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total
Airport Revenue Bonds	\$ 329,149	\$ 148,874	\$ 171,767	\$ 31,753	\$ 14,535	-	\$ 696,078
Airport Cash	88,403	48,841	18,605	14,781	27,054	1,010	198,694
Passenger Facility Charges	1,359	44,192	9,009	125	725	12,125	67,535
Federal Grants	14,088	8,149	3,729	10,950	12,863	36,375	86,153
Customer Facility Charges	11,468	1,911	570	-	-	-	13,949
Special Facility Bonds	8,011	-	-	-	-	-	8,011
Other	3,989	43,238	30,761	10,080	-	-	88,069
Total	\$ 456,466	\$295,205	\$ 234,441	\$ 67,689	\$ 55,176	\$ 49,510	\$ 1,158,488

Total Sources of Funds Pre FY 2019 – FY 2023



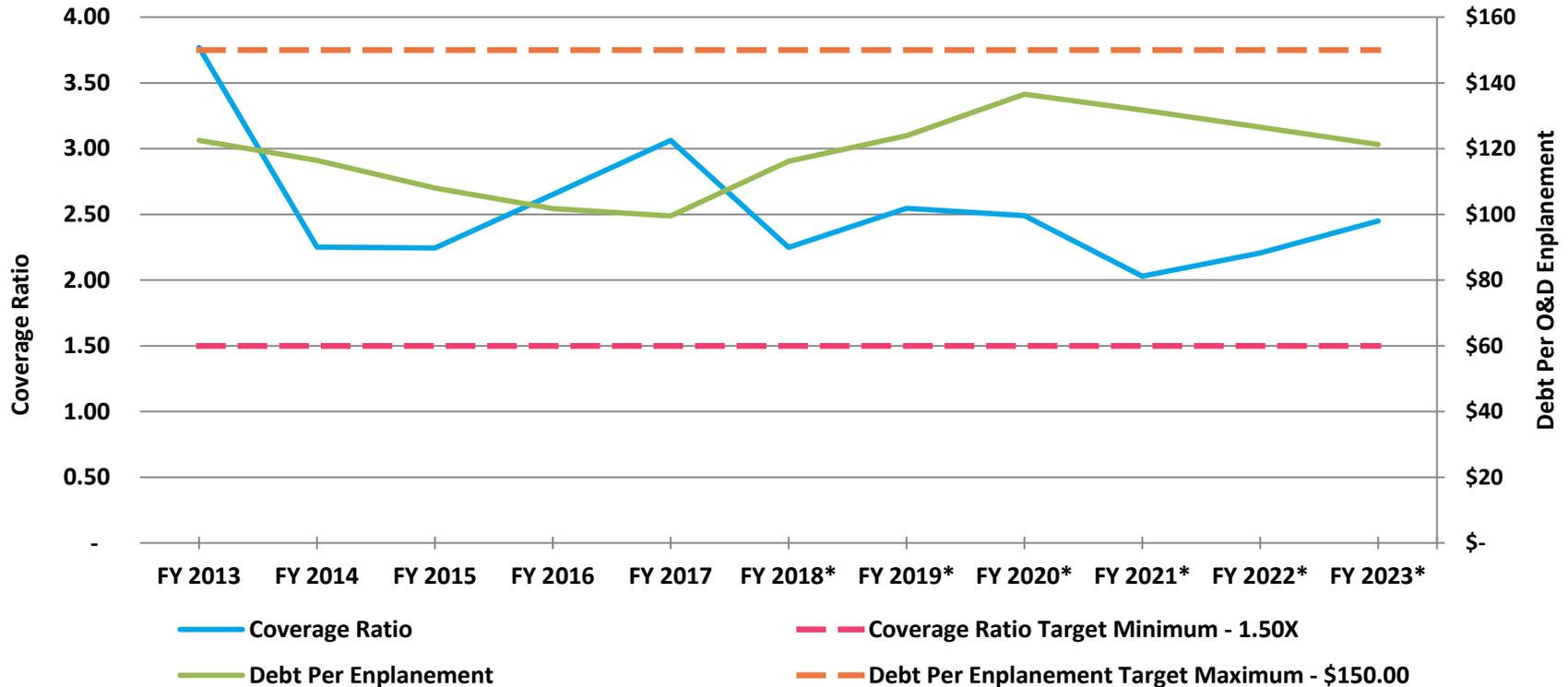
Aggregate Debt FY 2016 – FY 2023

(in thousands)



* Forecasted FY 2018 - FY 2023

Coverage Ratio and Debt Per Enplanement¹



¹ Debt excludes special facility bonds

* Forecasted FY 2018 - FY 2023

Coverage Ratio and Debt Per Enplanement

Fiscal Year	Outstanding Debt ¹ (in thousands)	Debt per Enplanement ²	Debt Coverage ³
FY 2013	\$ 1,006,596	\$ 113.97	3.77
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*	\$ 1,236,705	\$ 107.10	2.27
FY 2019*	\$ 1,348,500	\$ 114.27	2.45
FY 2020*	\$ 1,515,579	\$ 125.91	2.40
FY 2021*	\$ 1,490,839	\$ 121.42	2.12
FY 2022*	\$ 1,460,309	\$ 116.60	2.17
FY 2023*	\$ 1,427,454	\$ 111.75	2.48

* Forecasted FY 2018 - FY 2023

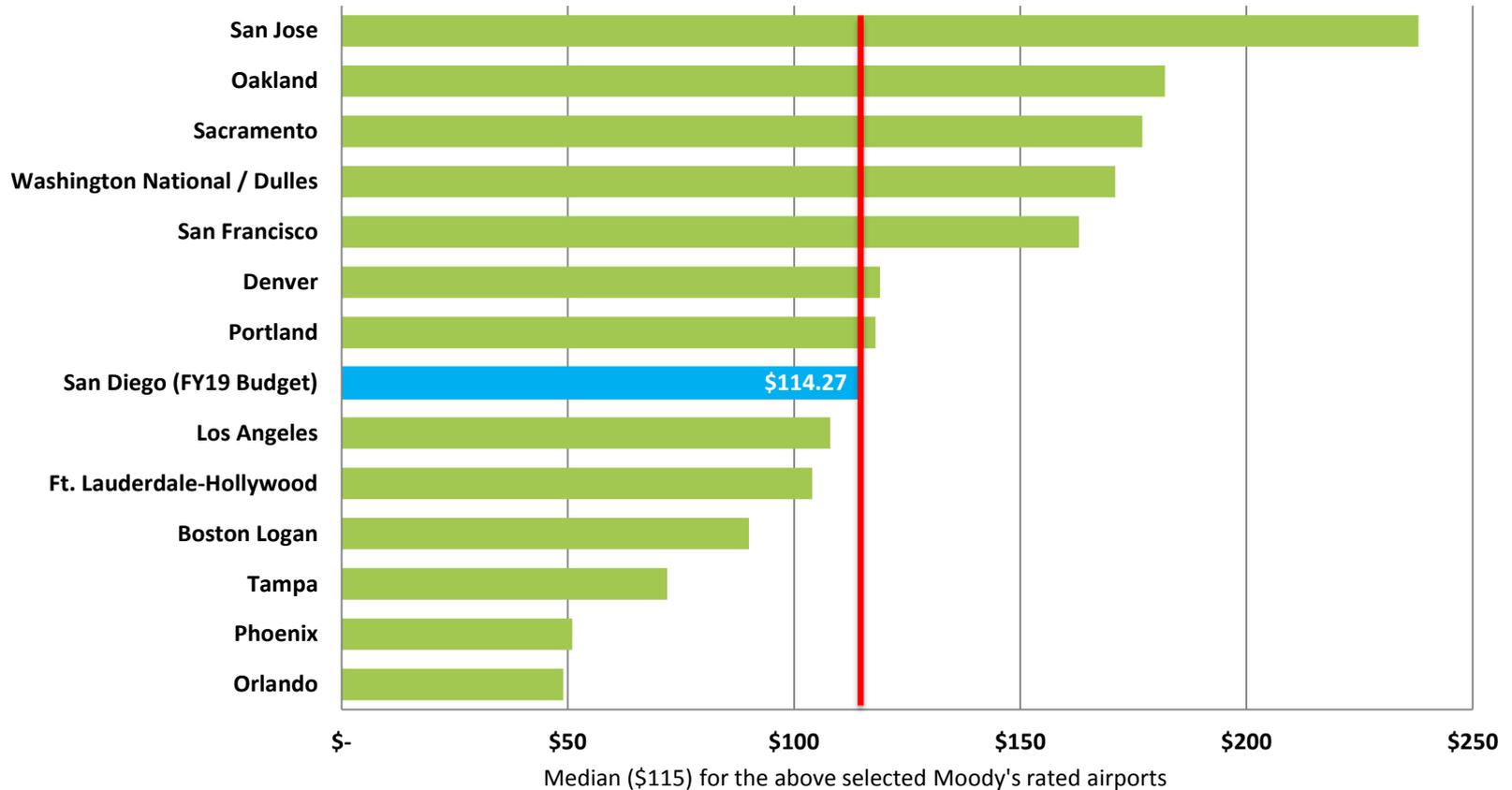
¹ Debt excludes Special Facility Bonds

² Target maximum Debt per Enplanement \$150

³ Target minimum Debt Policy Coverage Ratio 1.50x

Airport Debt Per Enplanement

by Select Airports, as of FY 2016



Source: Moody's Investor Service, MFRA Database, as of April 2018. Peer Airports data as of FY 2016.



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 enhancement and cost containment
- Demonstrates the discipline necessary to remain a sustainable enterprise
- Supports regional transportation partnerships and community outreach
- Maintains competitive rates for airline tenants and airport users
- Supports continued efforts to create sustainable 5 year Capital Plan and addresses facility maintenance needs



Questions?