



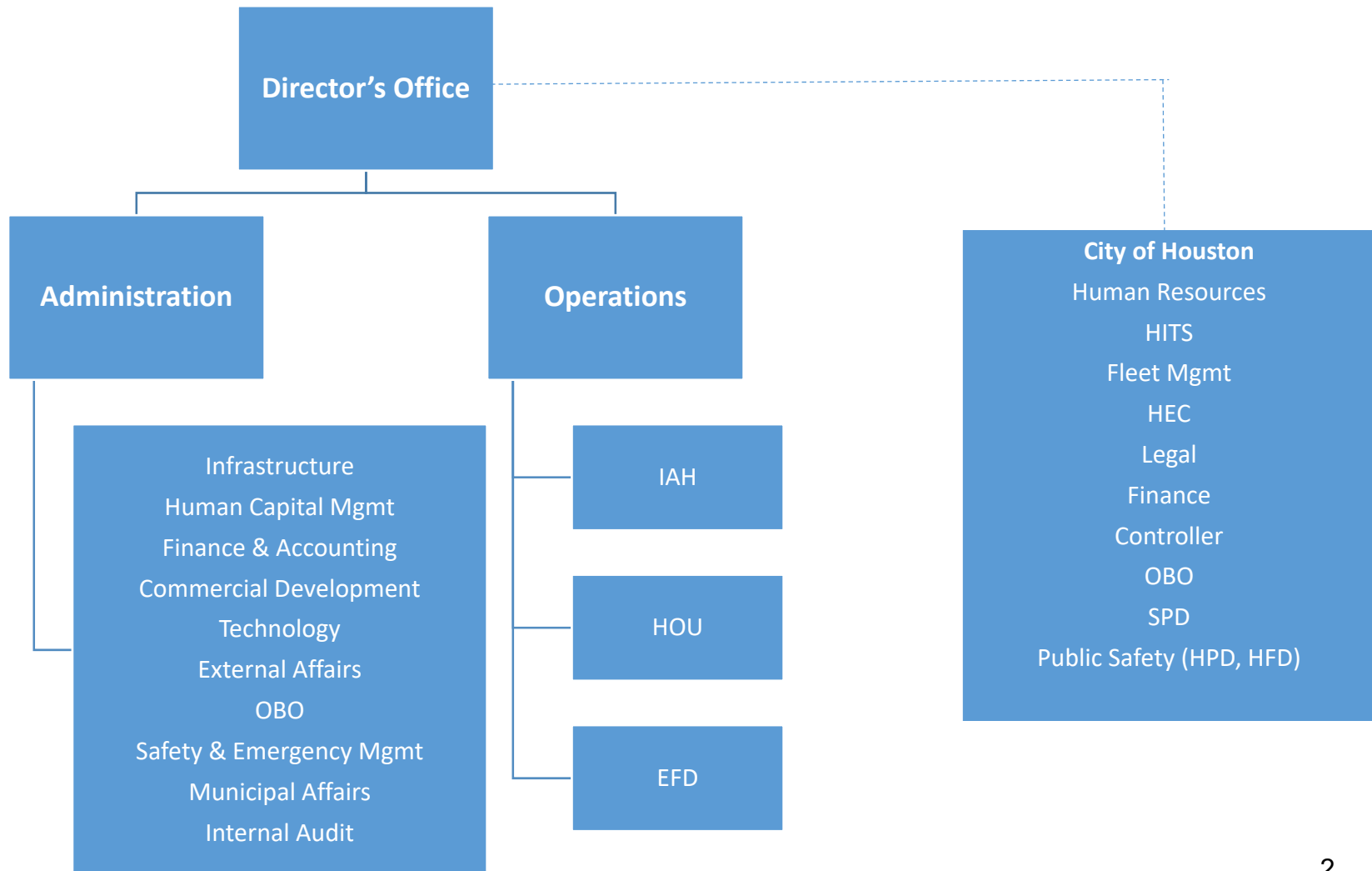
FY2019 Proposed Budget Presentation

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May 17, 2018



Houston Airport System Org Chart



HAS FY2018 Highlights



*You're not seeing double...
the City of Houston now has TWO 4 –Star International Airports*



Our airline partners are investing in our airports





HAS FY2018 Highlights

HAS reopened our airports quickly after Harvey to open lifelines for the City.



HAS FY2018 Highlights



HAS Revenues By Funds (\$'s in thousands)



FY19 Proposed Budget vs. FY18 Estimate

	FY17 Actual	FY18 Budget	FY18 Estimate	FY19 Proposed	Variance FY19 Proposed/ FY18 Estimate	% Change
Enplanements (in thousands)						
Domestic	21,608	20,725	21,589	22,615	1,026	4.8%
International	5,754	5,660	5,667	6,002	335	5.9%
Total Enplanements	27,362	26,385	27,256	28,617	1,361	5.0%
HAS - Revenue Fund 8001						
Airline Revenues						
Landing Fees	\$ 86,966	\$ 89,697	\$ 89,697	\$ 92,000	\$ 2,303	2.6%
Terminal Rentals and Usage Fees	194,191	188,682	188,682	190,000	1,318	0.7%
Subtotal Airline Revenues	\$ 281,158	\$ 278,379	\$ 278,379	\$ 282,000	\$ 3,621	1.3%
Non-Airline Revenues						
Garage & Surface Parking	\$ 99,752	\$ 103,071	\$ 103,212	\$ 108,166	\$ 4,954	4.8%
Ground Trans & Retail Concession	50,372	49,430	48,974	48,547	(427)	(0.9%)
Auto Rental Concessions	28,735	27,708	28,519	29,246	727	2.5%
Other	50,535	45,272	50,395	51,200	804	1.6%
Subtotal Non-Airline Revenues	\$ 229,394	\$ 225,482	\$ 231,101	\$ 237,159	\$ 6,058	2.6%
TOTAL Revenue Fund 8001	\$ 510,552	\$ 503,861	\$ 509,480	\$ 519,159	\$ 9,679	1.9%



FY2019 - Revenue Highlights

Revenue for FY2019 is proposed to be \$519.2M, an *increase* of \$9.7M, or 1.9% over the FY2018 Estimate

- Garage and surface parking revenues are projected to *increase* \$5.0M, or 4.8%, primarily attributable to an anticipated increase in passenger activity.
- Airline revenues from landing fees and terminal rents are projected to *increase* by \$3.6M or 1.3%, driven by the projected increase in O&M costs allocable to the airlines.
- Ground transportation and Terminal concession revenues are projected to *decrease* \$0.4M, or 0.9%.
- Car rental concessions revenue is projected to *increase* by \$0.7M, or 2.5%, driven by the anticipated increase in passenger traffic.
- Other revenue is projected to *increase* by \$0.8M, or 1.6%, driven primarily by an anticipated increase in interest rates on HAS investments.

HAS Expenditures By Funds (\$'s in thousands)



FY19 Proposed Budget vs. FY18 Estimate

Fund	FY17 Actual	FY18 Adopted	FY18 Estimate	FY19 Proposed	Variance	
					FY19 Prop/ Est. H / (L)	% Change
Personnel *	\$ 116,684	\$ 111,755	\$ 105,425	\$ 107,964	\$ 2,538	2.4%
Supplies	7,795	9,261	8,128	9,389	1,261	15.5%
Other Services & Charges	181,557	187,314	182,349	195,855	13,506	7.4%
Non-Capital	669	2,510	1,819	2,907	1,088	59.8%
HAS Revenue Fund (O&M) 8001	\$ 306,705	\$ 310,840	\$ 297,721	\$ 316,114	\$ 18,393	6.2%
Equipment & Other	\$ 1,801	\$ 2,877	\$ 888	\$ 3,428	\$ 2,540	286.1%
Vehicles	6,915	4,028	362	4,817	4,455	1231.6%
HAS Capital Outlay Fund 8012	\$ 8,716	\$ 6,904	\$ 1,250	\$ 8,245	\$ 6,996	559.8%
TOTAL HAS	\$ 315,421	\$ 317,744	\$ 298,971	\$ 324,359	\$ 25,388	8.5%

* - FY17 Actual Personnel as shown offsets a benefit of \$59.9M related to pension reform

Note – TOTAL HAS line does not include debt service or other transfers. For FY19, this amount is \$203M.



FY2019 - Expenditures Highlights

Expenditures for FY2019 are projected to be \$324.4M, an increase of \$25.4M or 8.5% over the FY2018 Estimate

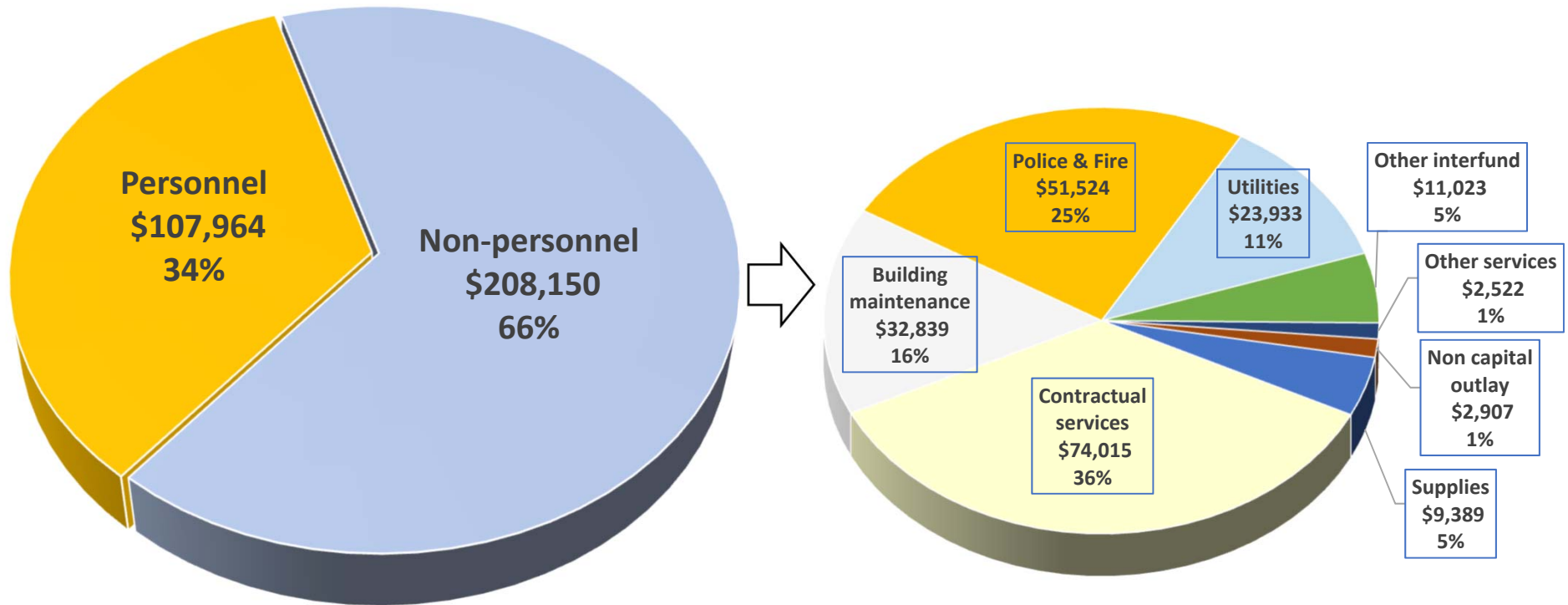
- Personnel expenditures are budgeted to *increase* by \$2.5M, or 2.4%, due primarily to the projected vacancy factor in FY2019 being lower than the actual rate for FY2018 (85 FTE's in FY2019 vs 117 FTE's in FY2018)
- Other Services & Charges are budgeted to *increase* by \$13.5M, or 7.4%, driven by the following:
 - \$2.9M increase in Mgmt Consulting related to reporting change for On-Call Planning, increased asset assessments, energy mgmt program, increased customer research and parking consultants
 - \$2.3M increase related to parking contract at IAH and HOU (Valet and EcoPark 2) and the implementation of several programs that were delayed in FY2018
 - \$2M due to various contractual increases in facility maintenance for Skyway, Subway, APM, HVAC as well as more OSR's being performed in FY2019
 - \$1.9M increase related to new IT contracts and contractual increases in existing IT contracts
 - \$1.8M increase in Police interfund driven by contractual increases to wages and increased OT for various programs
 - \$1.4M increase related to expanded janitorial contract and security guard contracts
- Supplies and Non-Capital Equipment are budgeted to *increase* by \$2.4M, or 24.2%, driven by the continuation of the comfortable seating project at Hobby, desktop pc replacements and replacement of Flight Information Display equipment throughout all terminals.
- The Capital Outlay Fund (8012) expenditures are budgeted at \$8.2M which is an *increase* of \$7M, primarily due to vehicles budgeted for in FY2018 being carried over to FY2019 because of delay in procurement.

FY19 Personnel vs Non Personnel

(in thousands of dollars)



FY 19 Fund 8001 Budget: \$316,114



FY2019 Budget Expenditures Net Change (in thousands)



FY19 Enterprise Fund Budget Expenditures Net Change to FY2018 Estimate	
FY2018 Estimate	
Revenue Fund (8001)	\$ 297,721
Capital Outlay Fund (8012)	1,250
FY2018 Estimate	\$ 298,971
Explanation of FY19 Incremental Increase/(Decrease)	
Contractual or Mandated Increases/(Decreases)	
Facility Maintenance Contract Escalations - HVAC, Elevator/Escalator, Skyway, Subway, etc.	\$ 1,746
Expanded janitorial and security guard contracts	1,402
Mgmt Consulting - On-Call Planning now budgeted as O&M per Audit recommendation	1,370
Communication Equipment Services - Driven by base contract increases and WiFi related cost increases	1,353
Police base wage, health and pension increases	1,137
Health increases (9% rate increase)	654
Subtotal Contractual or Mandated Increases/(Decreases)	\$ 7,663
FY19 Proposed Budget Increases/(Decreases)	
Salaries & Benefits - Driven by lower vacancy factor with fringe (Vacancy Factor FY19: 6.8%, Vacancy Factor FY18: 9.2%)	\$ 1,884
Parking Services - Increase in Valet and ecoPark2 costs along with roll-out of several programs delayed in FY18	2,249
IT Info Systems - Increase in customer use research and interfund allocation	1,891
Mgmt Consulting - Increased assessments, energy mgmt prgrm, customer research, parking consultant	1,555
Supplies - Mostly airfield markings (Thermoplastic program delayed in FY18) and cleaning supplies related	1,261
Comm Equipmt - Flight Information Display and desktop pc replacements	842
Police OT driven by new programs/requests	615
IT Application Svcs - Interfund	524
Heavy equipment rental at IAH	362
Professional Services contract to assist international passengers at IAH	358
Expansion of Comfortable Seating Project at HOU	315
Refuse disposal driven by HOU Int'l	272
Facility Maintenance Contract Other Service Requests (OSR's)	253
Anticipated increase in CBP Staff overtime at IAH	221
Increase in credit card fees due to increase in non-airline revenues	195
Increase in Capital Outlay Fund 8012, driven by delayed procurement of vehicles in FY18	6,996
Decrease due to one-time re-insurance charge after Hurricane Harvey in FY18	(2,557)
All Other	489
Subtotal Proposed Budget Increases/(Decreases)	17,725
FY19 Proposed Budget 8001 & 8012	
Contractual/Mandated and Proposed Budget Increases	25,388
FY2019 Proposed Budget 8001 & 8012	\$ 324,359
% Change from FY18 Estimate	8.5%

Functional Org Chart (\$'s in thousands)



Division	FTE	Budget
Admin	313	\$114,968
IAH	591	\$153,353
HOU	235	\$50,214
EFD	26	\$4,824
Total (Funds 8001 & 8012)	1,165	\$324,359
Non-Utility Interfund Amounts		\$62,547
Non-Utility Interfund % of Total		19%



Debt Service Coverage Ratio

	Actual <u>2015</u>	Actual <u>2016</u>	Actual ¹ <u>2017</u>	Forecast ² <u>2018</u>	Budget ² <u>2019</u>
Revenue					
Operating revenue					
Airline revenue	\$263,932	\$274,911	\$280,888	\$ 278,838	\$ 284,000
Nonairline revenue	\$212,351	\$213,986	\$213,153	\$ 217,463	\$ 222,159
Subtotal operating revenue	\$476,282	\$488,897	\$494,041	\$496,301	\$506,159
Nonoperating revenue	\$13,541	\$6,934	\$ 16,483	\$ 13,150	\$ 13,000
Total Revenue	\$489,823	\$495,831	\$510,524	\$509,451	\$519,159
Operating expenses (Fund 8001 Only)	\$283,557	\$314,715	\$314,469	\$316,749	\$316,221
Net revenues (=available to pay debt service)	\$206,266	\$181,117	\$196,054	\$192,702	\$202,938
Gross debt service	\$ 163,319	\$ 163,904	\$ 175,023	\$177,051	\$187,828
Less: PFCs used to pay debt service	(38,054)	(42,320)	(54,673)	(51,742)	(65,391)
Less: Grants used to pay debt service	(16,399)	(13,888)	-	-	-
Net debt service	\$108,866	\$107,696	\$120,350	\$125,310	\$122,437
Debt service coverage (target=1.50)	1.89	1.68	1.63	1.54	1.66
Remaining net revenues	\$97,400	\$73,421	\$75,704	\$67,392	\$80,501

¹FY17 Adjusted to normalize for the realized one-time benefit of pension reform

²FY18 forecast as of 3/31/2017 including NPO and OPEB estimates, HOU Int'l amortization through 11/15/2017

³FY19 budget submitted 3/29/2018

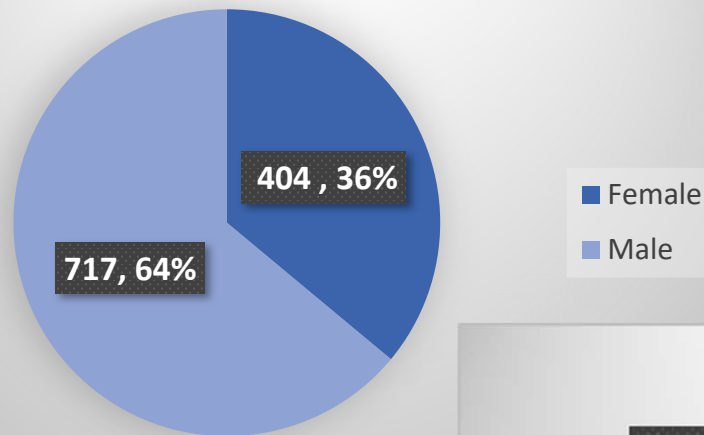


Appendix

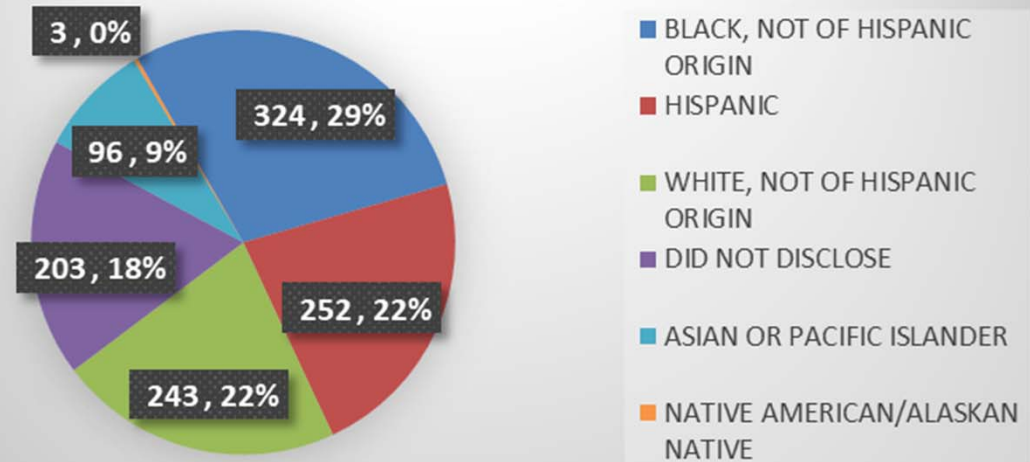


Appendix

HAS Headcount by Gender



HAS Headcount by Ethnicity





FY 2018 Performance Measures

Performance Measures (KPI's)	Mayor's Priorities	Function	FY17 Actual	FY18 Budget	FY18 Estimate	FY19 Budget
Passengers clearing Customs & Border Protection (CBP) within 30 minutes (IAH)	Services & Infrastructure	IAH	80.0%	80.0%	79.0%	80.0%
Passengers clearing Customs & Border Protection (CBP) within 45 minutes FY18, 35 minutes FY19 (HOU)	Services & Infrastructure	HOU	99.0%	85.0%	96.0%	90.0%
Passengers clearing TSA within 15 minutes	Services & Infrastructure	IAH	97.2%	95.0%	96.0%	95.0%
		HOU	97.0%	95.0%	97.0%	95.0%
Debt Service Coverage Ratio (DSCR)	Sound Financial Management	HAS	1.63	1.55	1.54	1.66
Total M&O per Enplaned Passenger - HAS	Sound Financial Management	HAS	\$11.21	\$11.78	\$10.92	\$11.05
Total M&O per Enplaned Passenger - HOU	Sound Financial Management	HOU	\$6.71	\$6.92	\$6.85	\$6.76
Total M&O per Enplaned Passenger - IAH	Sound Financial Management	IAH	\$6.60	\$7.25	\$6.95	\$7.00



Questions?