



# **AVIATION DEPARTMENT FY2021 PROPOSED BUDGET PRESENTATION**

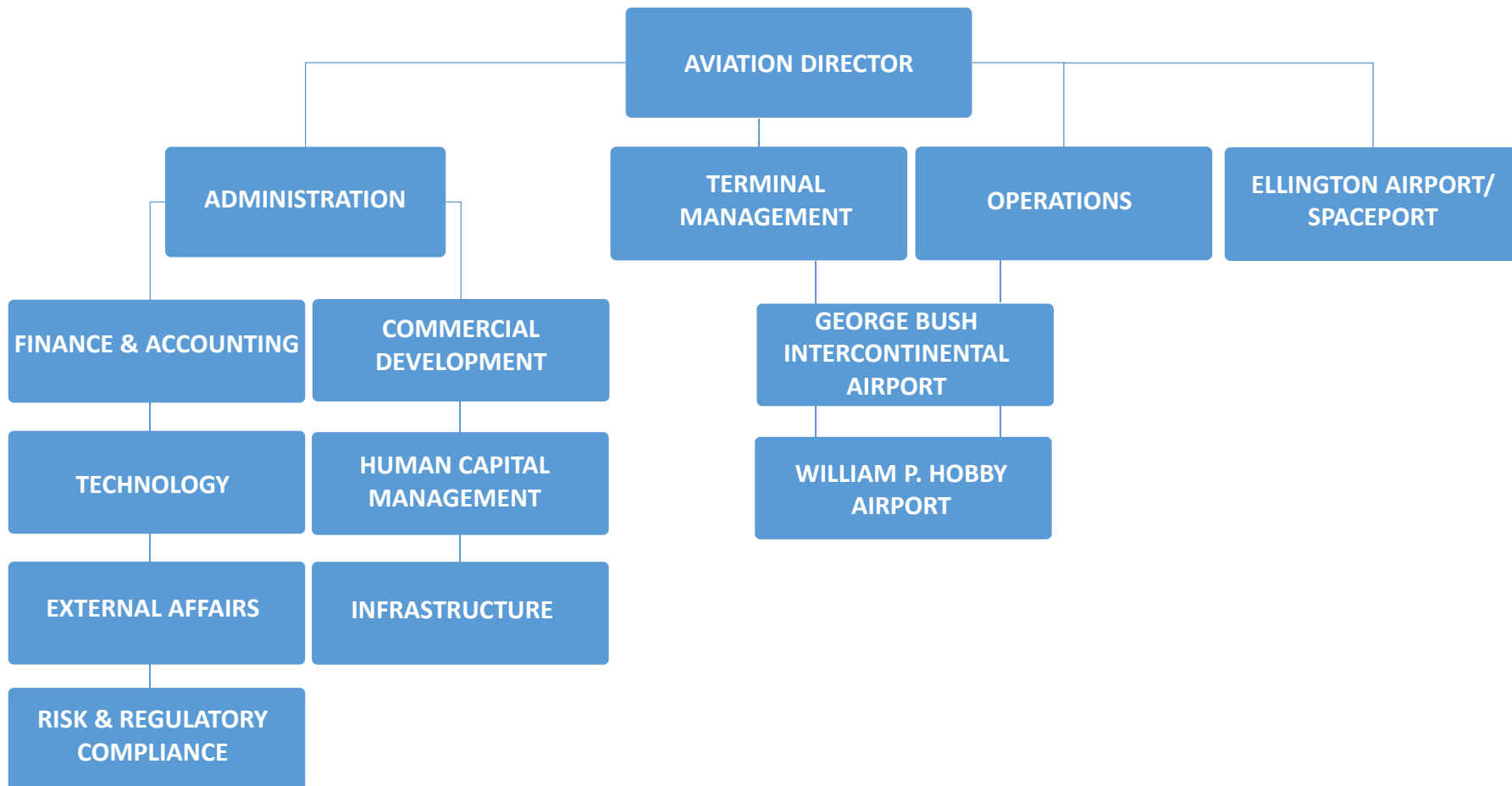
*Mario Diaz, Director of Aviation  
J'Maine Chubb, Deputy Director of HAS Finance*

May 14, 2020





# Organization Chart

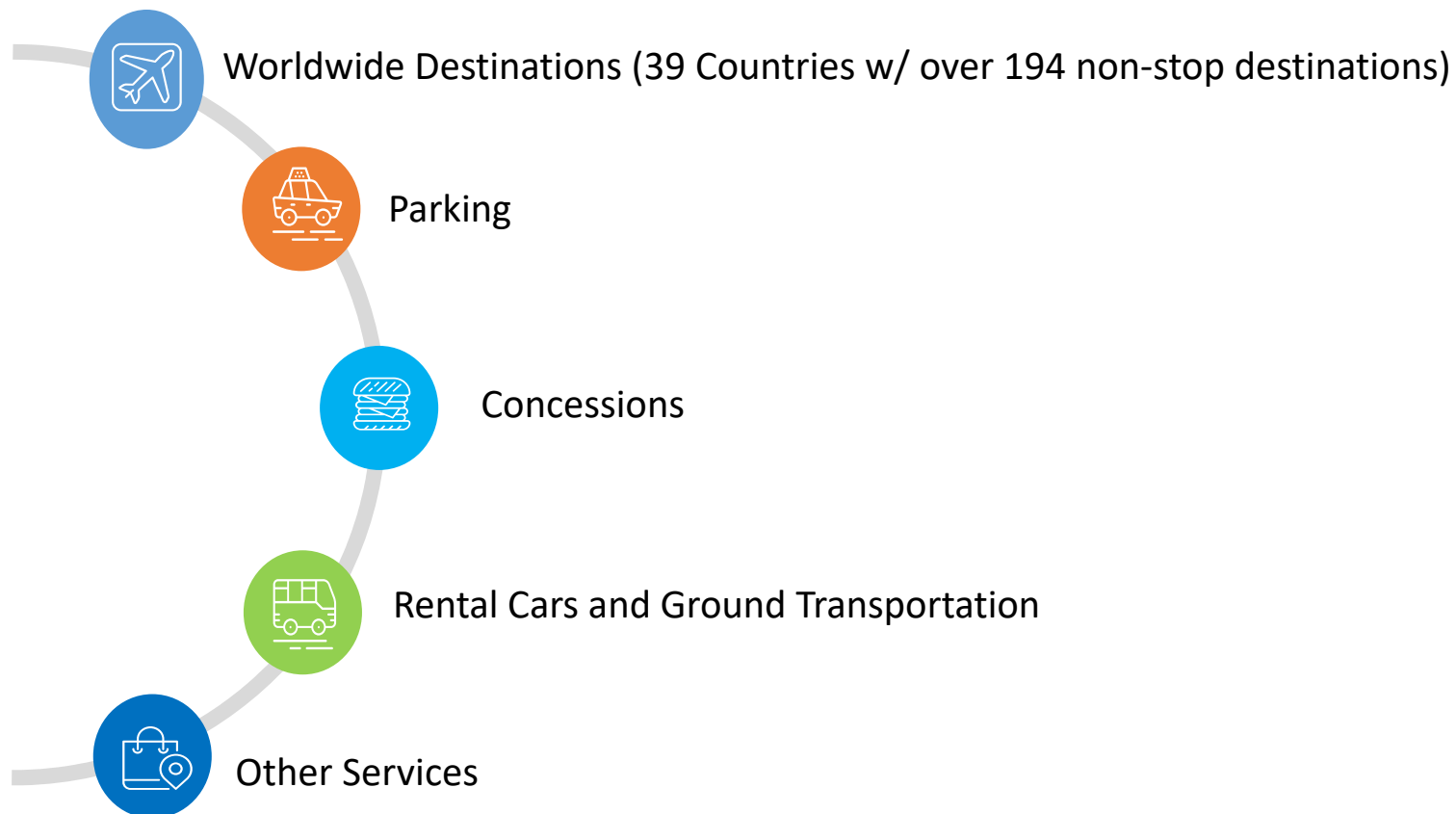




# Department Programming

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**We provide services to the traveling public!**



# Strategic Plan 2020-2024



## MISSION



We exist to connect the people, businesses, cultures and economies of the world to Houston

## VISION



Establish Houston Airport System as a 5-star global air service gateway where the magic of flight is celebrated

## STRATEGIC PRIORITIES

Make Our  
Passengers  
Happy

Act  
Responsibly to  
Achieve Social,  
Environmental  
& Economic  
Sustainability

Build Platforms  
for Future  
Success

Invest in Our  
Partnerships  
and Employees

# Strategic Plan – Key Accomplishments



HOU	IAH			
William P. Hobby Airport	George Bush Airport	Strategy-to-Budget	Full Biometric Entry	Biometric Exit Pilot
Skytrax rating improved from 4.2 to 4.3	Retained its 4-star Skytrax rating	HAS successfully completed Strategy-to-Budget for FY21 budget cycle	William P. Hobby Airport is the 1 <sup>st</sup> airport with full Biometric Entry for international passengers	Implemented a Biometric Exit Pilot Program at George Bush Intercontinental Airport
5 <sup>th</sup> consecutive year w/ 4-star Skytrax rating	3 <sup>rd</sup> consecutive year w/4-star Skytrax rating			

# HAS Revenues Overview

## (\$ in thousands)



HAS – Revenue Fund 8001	FY19 Actual	FY20 Budget	FY20 Estimate	FY21 Proposed	FY21 Prop vs. FY20 Est	% Change
Airline – Landing Fees	\$84,357	\$91,076	\$91,076	\$92,952	\$1,876	2.1%
Airline – Terminal Rents and Usage Fees	\$186,006	\$199,690	\$197,690	\$193,524	(\$4,166)	(2.1%)
<b>Subtotal Airline Revenues</b>	<b>\$270,363</b>	<b>\$290,766</b>	<b>\$288,766</b>	<b>\$286,476</b>	<b>(\$2,290)</b>	<b>(0.8%)</b>
Parking & Ground Transportation	\$122,781	\$125,616	\$90,540	\$87,340	(\$3,200)	(3.5%)
Terminal Concessions	\$41,491	\$40,994	\$32,567	\$29,215	(\$3,352)	(10.3%)
Auto Rental Concessions	\$28,949	\$28,884	\$22,931	\$21,401	(\$1,530)	(6.7%)
Other	\$55,127	\$59,150	\$57,797	\$56,491	(\$1,305)	(2.3%)
<b>Subtotal Non-Airline Revenues</b>	<b>\$248,348</b>	<b>\$254,644</b>	<b>\$203,835</b>	<b>\$194,447</b>	<b>(\$9,388)</b>	<b>(4.6%)</b>
<b>Total Revenue</b>	<b>\$518,711</b>	<b>\$545,410</b>	<b>\$492,601</b>	<b>\$480,923</b>	<b>(\$11,678)</b>	<b>(2.4%)</b>

# FY21 - Revenues Highlights

## Fund 8001

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**Revenue for FY2021 is proposed to be \$480.9M, a decrease of \$11.7M, or 2.4% over the FY2020 Estimate**

- Airline revenues from landing fees and terminal rents are projected to decrease by \$2.3M or 0.8%, driven by the decrease in capital expenses allocable to the airlines at IAH and HOU.
- Parking and Ground Transportation revenues are projected to decrease \$3.2M, or 3.5%, due to full year impact of reduced garage parking and anticipated decrease in passenger activity at IAH and HOU.
- Terminal concession revenues are projected to decrease \$3.4M, or 10.3% and car rental concessions revenue is projected to decrease by \$1.5M, or 6.7%, both driven by the anticipated decrease in passenger activity at IAH and HOU.
- Other revenue is projected to decrease by \$1.3M, or 2.3%, driven primarily due to lower projected interest rates on investments.

# FY21 Budget - Year-End Cash Balance (\$ in millions)

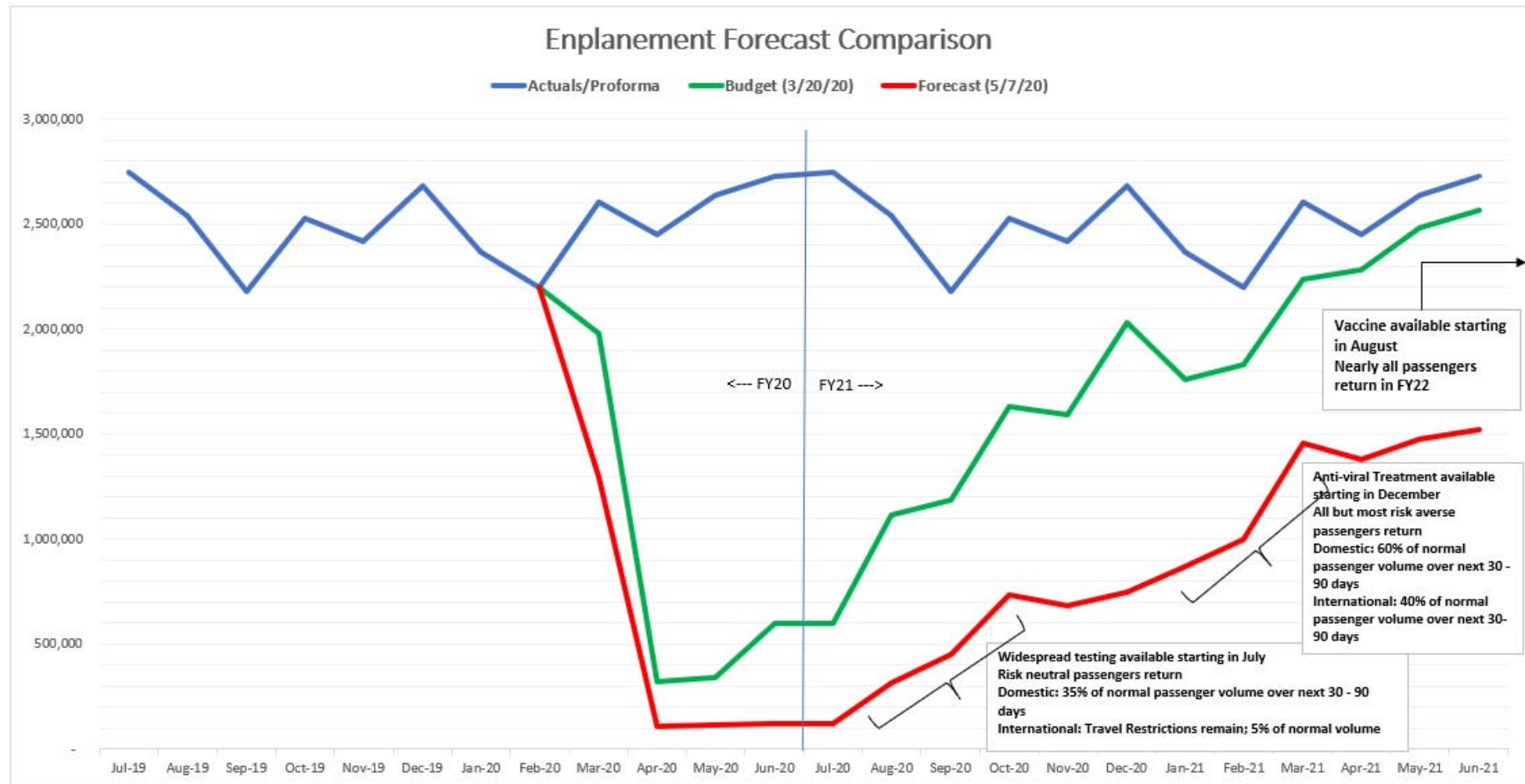


- FY21 assumes a 30% reduction in enplanements vs. a normalized year; year-end unrestricted cash balance improves to \$476.9M (\$393.3M at the end of FY20)
  - Higher balance achieved by receipt of CARES Act proceeds and a change in Capital Improvement Plan funding policy that prohibits use of unrestricted cash through the end of FY21
  - FY20 year-end estimated Days Cash on Hand (DCOH) of 463 improves to 535 by the end of FY21
  - \$100M in CARES Act proceeds remain available for withdrawal in FY22

\*Note – FY20 budget is based on a 30% reduction in enplanements



# FY21 Enplanement Projections



✈ Enplanements: Budget 21.3M; Forecast 10.8M; Normalized Year 30.1M

# Proforma HAS Revenues Overview – 64% Decline (\$ in thousands)



HAS – Revenue Fund 8001	FY20 Budget	FY20 Estimate	FY21 Proposed	FY21 64% Decline	FY21 Prop vs. FY21 64% Decline	% Change
Airline – Landing Fees	\$91,076	\$91,076	\$92,952	\$92,952	\$0	0%
Airline – Terminal Rents and Usage Fees	\$199,690	\$197,690	\$193,524	\$193,524	(\$0)	0%
<b>Subtotal Airline Revenues</b>	<b>\$290,766</b>	<b>\$288,766</b>	<b>\$286,476</b>	<b>\$286,476</b>	<b>\$0</b>	<b>0%</b>
Parking & Ground Transportation	\$125,616	\$90,540	\$87,340	\$34,595	(\$52,745)	(60.3%)
Terminal Concessions	\$40,994	\$32,567	\$29,215	\$13,845	(\$15,370)	(52.6%)
Auto Rental Concessions	\$28,884	\$22,931	\$21,401	\$10,787	(\$10,614)	(49.6%)
Other	\$59,150	\$57,797	\$56,491	\$46,253	(\$10,238)	(18.1%)
<b>Subtotal Non-Airline Revenues</b>	<b>\$254,644</b>	<b>\$203,835</b>	<b>\$194,447</b>	<b>\$105,480</b>	<b>(\$88,967)</b>	<b>(45.8%)</b>
<b>Total Revenue</b>	<b>\$545,410</b>	<b>\$492,601</b>	<b>\$480,923</b>	<b>\$391,956</b>	<b>(\$88,967)</b>	<b>(18.5%)</b>

\*Note – CARES Act grants for expense reimbursements will decrease airline revenue while improving the cash position of HAS

# FY21 BUDGET - YEAR-END CASH BALANCE (\$ in millions) [64% Decline in Traffic]



- The 64% enplanement decline scenario, considering only 85% of airline revenues earned are collected, shows an improvement in cash position
  - FY21 year-end unrestricted cash balance improves to \$420.2M compared to \$393.3M at the end of FY20
  - FY21 projected DCOH at 472 exceeds the FY20 year-end estimate of 463
  - Higher balance achieved by \$150M expenditure recovery via CARES Act proceeds, and a temporary Capital Improvement Plan funding policy that prohibits use of unrestricted cash

# HAS Expenditures By Category (\$ in thousands)



Fund 8001	FY19 Actual	FY20 Adopted	FY20 Estimate	FY21 Proposed	Variance FY21 Prop/ FY20 Est. H / (L) % Change	
Personnel *	\$ 103,269	\$ 110,153	\$ 104,299	\$ 114,075	\$ 9,776	9.4%
Supplies	8,390	9,537	8,456	6,601	(1,855)	(21.9%)
Other Services & Charges	185,713	212,746	190,554	202,560	12,006	6.3%
Non-Capital	1,097	2,634	1,220	1,880	660	54.1%
<b>HAS Revenue Fund (O&amp;M) 8001</b>	<b>\$ 298,469</b>	<b>\$ 335,070</b>	<b>\$ 304,529</b>	<b>\$ 325,116</b>	<b>\$ 20,587</b>	<b>6.8%</b>

\* - FY19 Actual Personnel as shown does not include GASB NPO and OPEB year end accruals of \$18.9M

Fund 8012	FY19 Actual	FY20 Adopted	FY20 Estimate	FY21 Proposed	Variance FY21 Prop/ FY20 Est. H / (L) % Change	
Bldgs, Improvements & FFE	\$ 218	\$ 583	\$ 592	\$ 2,762	\$ 2,170	366.8%
Computer HW and Developed SW	1,370	4,677	1,360	4,723	3,363	247.4%
Vehicles (and Rolling stock)	2,306	9,034	5,157	4,989	(168)	(3.3%)
<b>HAS Capital Outlay Fund 8012</b>	<b>\$ 3,894</b>	<b>\$ 14,295</b>	<b>\$ 7,108</b>	<b>\$ 12,473</b>	<b>\$ 5,365</b>	<b>75.5%</b>

# FY21 - Expenditures Highlights

## Fund 8001



**Expenditures for Fund 8001 in FY2021 are projected to be \$325.1M, an increase of \$20.6M or 6.8% over the FY2020 Estimate**

- ➔ Personnel expenditures are budgeted to increase by \$9.8M, or 9.4%, primarily due to the realignment of the IAH and HOU staff into Operations and Terminal Management Groups, partially offset by an increase in vacancy factor (188 FTE's in FY2021 vs 118 FTE's in FY2020)
- ➔ Other Services & Charges are budgeted to increase by \$12.0M, or 6.3%, driven by the following:
  - ➔ \$4.3M increase in Mgmt Consulting related to increased environmental monitoring and asset assessments, energy management program, marketing initiatives, financial/strategic and parking consultants
  - ➔ \$2.4M increase related to Parking contract at IAH and HOU driven by higher hourly pay rates
  - ➔ \$2.0M due to various contractual increases in facility maintenance basic services for Skyway, Subway, APM, HVAC and Aircraft Support offset by OSR's now being charged to R&R (8010)
  - ➔ \$0.9M increase related to contractual increases for security and waste disposal
  - ➔ \$0.9M attributed to HAS portion of rate increase for property insurance
  - ➔ \$0.5M for increases for HPD
  - ➔ Net all other \$0.6M increase
- ➔ Supplies and Non-Capital Equipment are budgeted to decrease by \$1.2M, or 12.4%, driven by the use of Fund 8010 (Renewal & Replacement) to fund eligible costs.
- ➔ HAS pays \$95.6M to City of Houston in FY21 Budget for services provided by HPD, HFD, FMD, HR, IT, Legal, Water/Sewer, etc.

# FY21 – Net Change to FY2020

## Fund 8001 (\$ in thousands)



Line Item	Amount
<b>FY20 Estimate</b>	<b>\$304,529</b>
<b>Contractual and Other Increases</b>	
New conveyance and aircraft support maintenance contracts	\$2,897
Parking services salary increases	\$2,380
Increase in health benefits	\$1,331
Contractual increases in maintenance contracts	\$986
Property insurance	\$943
Hope 1% pay increase	\$826
Other	\$527
<b>Subtotal Contractual and Other Increases</b>	<b>\$9,890</b>
<b>Proposed Budget Increases/(Decreases)</b>	
Salaries & Benefits – Realignment w/ vacancy factor (188 FTE FY21 vs. 118 FTE FY20)	\$8,744
Asset assessments and environmental monitoring	\$1,497
Supplies	\$1,015
Other	(559)
<b>Subtotal Proposed Budget Increases/(Decreases)</b>	<b>\$10,697</b>
<b>Total Increase/(Decreases)</b>	<b>\$20,587</b>
<b>FY21 Proposed Budget Fund 8001</b>	<b>\$325,116</b>

# FY21 - Expenditures Highlights

## Fund 8012

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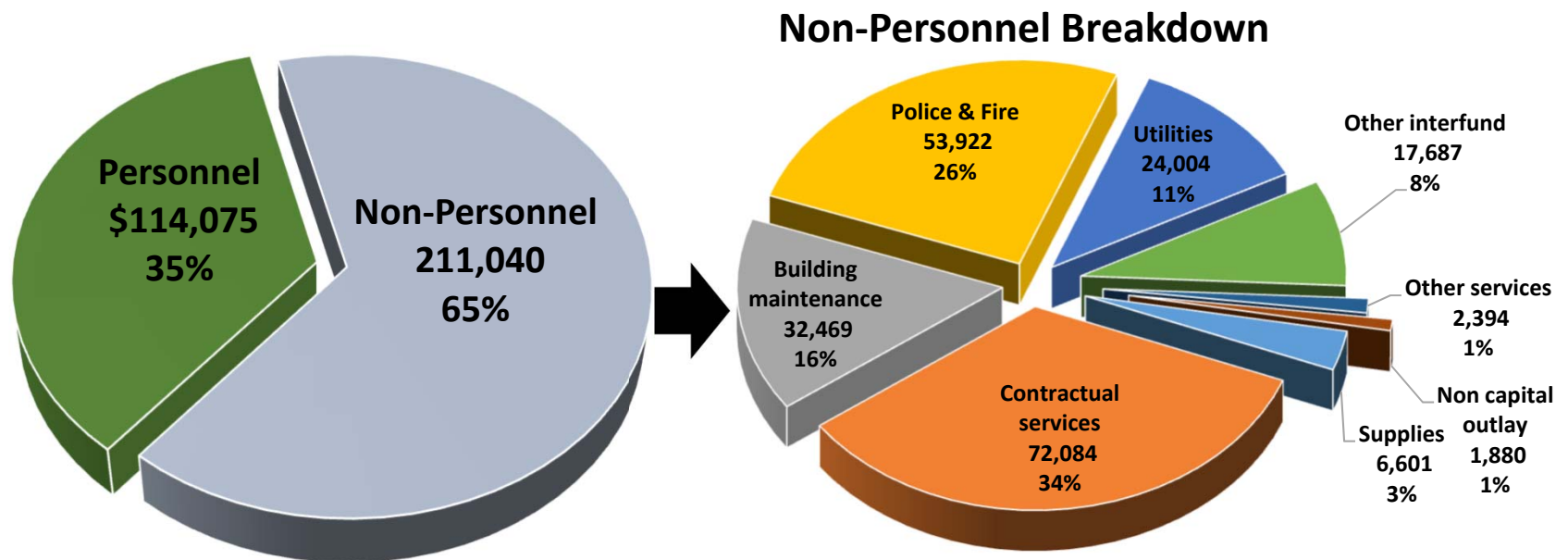
**Expenditures for Fund 8012 in FY2021 are projected to be \$12.5M, an increase of \$5.4M or 76% over the FY2020 Estimate**

- The increase is primarily driven by the following:
  - + \$2.0M - Replacement of various core switches in the HAS network that are nearing end of life and new servers for the access control system at IAH
  - + \$1.6M - IAH AOC project including interactive video display wall and flooring requirements
  - + \$0.7M – Upgrade of HOU FIDS that did not occur in FY2020
  - + \$0.5M – Replacement of apron and gate light fixtures and centerline lights on Runway 4/22 at HOU with LED lights
  - + \$0.5M – Upgrades/repairs to maintenance facilities at HOU
  - + \$0.2M - Installation of “no smoke” exhaust filtration systems at IAH and HOU ARFF stations

# FY21 Personnel vs Non Personnel (\$ in thousands)



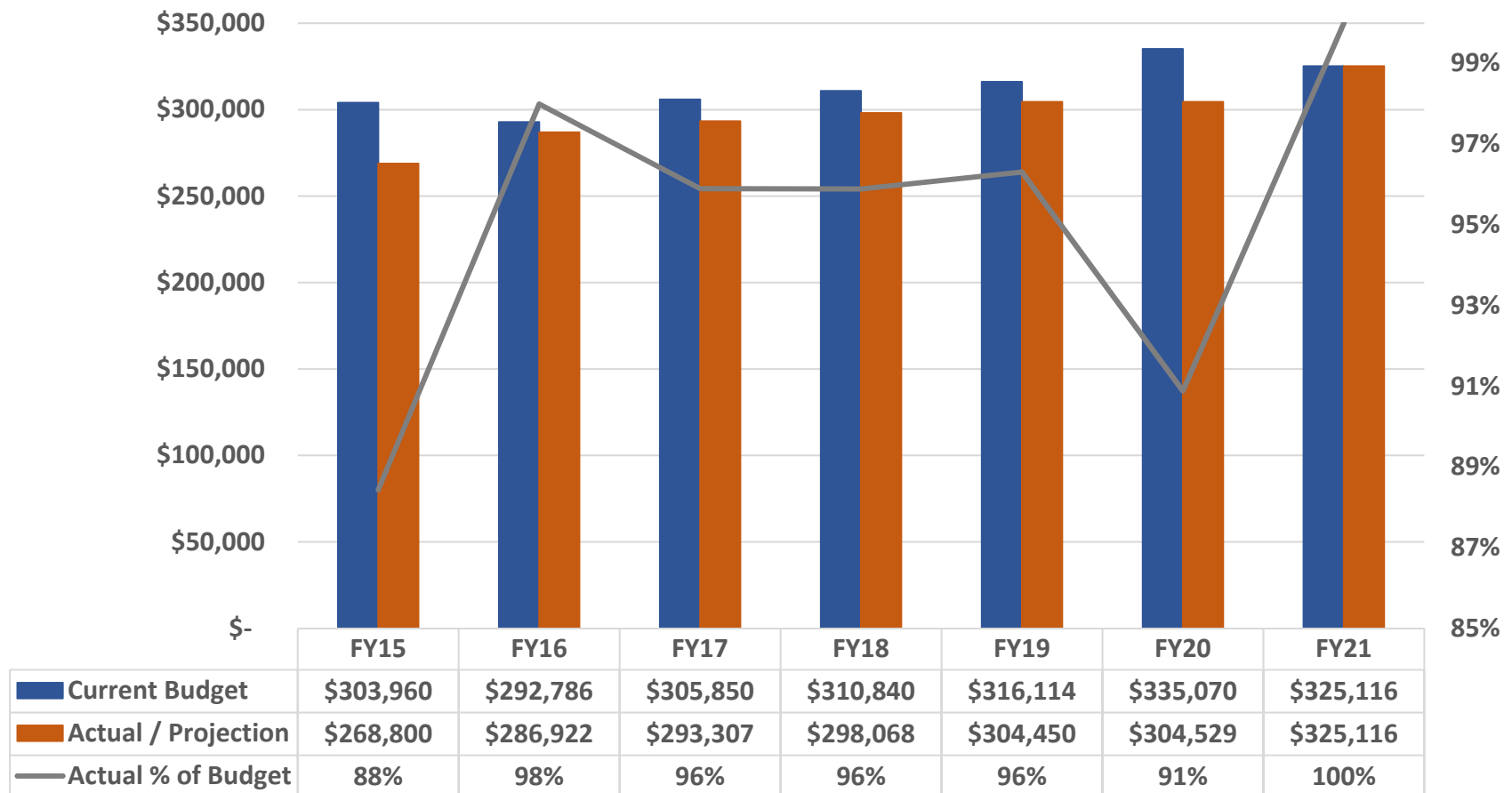
FY 2021 Fund 8001 Budget: \$325,116





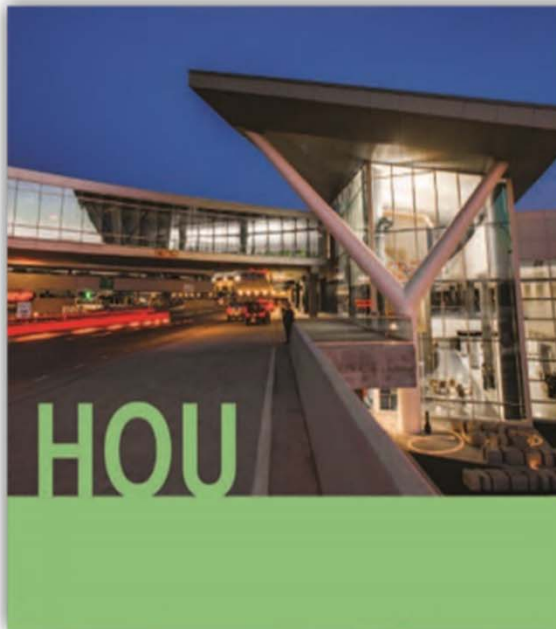


# Budget History (\$ in Thousands)



✈ The average annual growth rate in budget expense FY15 to FY21 is 1.1%.

# Questions?



Houston. The only city in  
the Western Hemisphere with  
*two four-star airports.*





# Appendix

## Restricted Account Details (\$ in thousands)



GL Description	Justification & Cost Drivers	FY21 Proposed Budget
Interfund Police Service	HAS cost of services supported by Houston Police Department at the airports.	\$33,648
Interfund Fire Protection Services	HAS cost for Aircraft Rescue and Fire Fighting (ARFF) services supported by 152 employees of the HFD assigned to Stations 54, 81, 92 and 99; staff provide emergency response services for hazardous materials, technical rescue and aircraft fire fighting and rescue incidents at the airports.	\$20,274
Electricity	HAS cost for electricity accounts which are administered by the SPD and COH Finance	\$12,932
Insurance Fees	Cost for monthly property insurance premiums	\$6,938
Drainage Fee Service Chargeback	Fee is based on imperious service	\$4,839
Interfund Vehicle Services	HAS cost for repair, maintenance and administrative support from FMD for all rolling stock equipment	\$3,800
Indirect Cost Recovery	HAS cost for services administered through the General Fund	\$3,063
Sewer Services	HAS cost for sewer services which are administered by the Combined Utility System (CUS) of Houston Public Works	\$2,123

## Restricted Account Details – Continued (\$ in thousands)



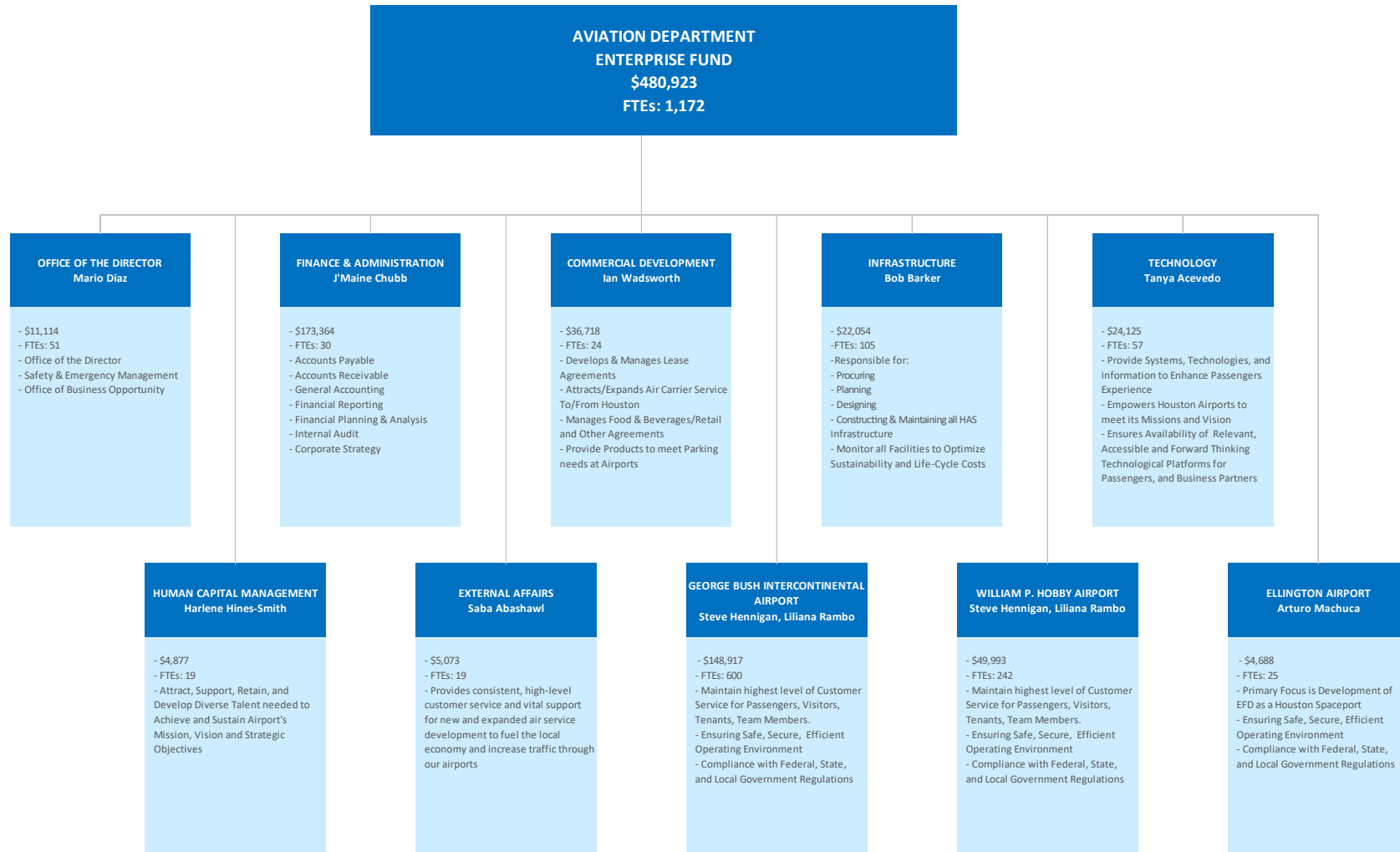
GL Description	Justification & Cost Drivers	FY21 Proposed Budget
Water Services	HAS cost for water services administered by the Combined Utility System (CUS) of Houston Public Works	\$1,963
Natural Gas	HAS cost for natural gas accounts administered by SPD and COH Finance	\$1,768
Interfund HR Client Services	HAS cost for HR operations reflecting health benefits and restricted account increase	\$1,472
Application Services	HAS cost for Microsoft Enterprise licenses, SAP license maintenance and support, various enterprise application and server support personnel, eSignature, project management, Infor, eDiscovery, Cyber Security Office software and support, HITS budget support via the Finance Department and other technical matters	\$1,462
Electricity Franchise Fee	HAS cost for Franchise Administration which regulates electric utilities	\$379
Interfund Payroll Services	HAS cost for payroll services HR operations reflecting health benefits and restricted accounts increase	\$336
HEC	HAS cost for calls dispatched through Houston Emergency Center	\$280
GIS Resolving Fund Services	HAS cost for personnel, software licenses and maintenance associated with City of Houston's Enterprise Geographic Information System (EGIS)	\$197

## Restricted Account Details – Continued (\$ in thousands)



GL Description	Justification & Cost Drivers	FY21 Proposed Budget
KRONOS Service Chargeback	HAS cost for software license and maintenance costs associated with City of Houston's Time and Attendance System (KRONOS)	\$70
Interfund Legal Services	HAS cost for legal services/support from the City of Houston's Legal Department	\$68
<b>Total</b>		<b>\$95,612</b>

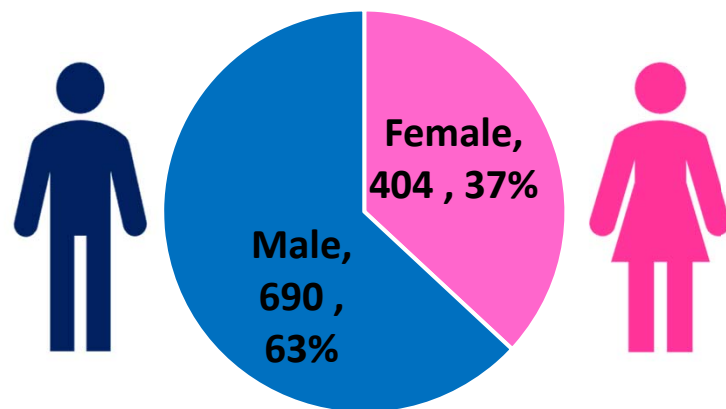
# Functional Org Chart (\$'s in thousands)



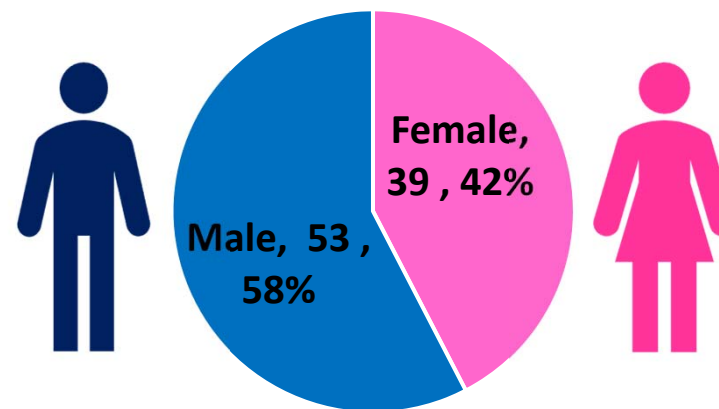


# Demographic Information by Gender

**All HAS Employee Demographics  
by Gender**



**Paygrade 29+ Demographics by  
Gender**



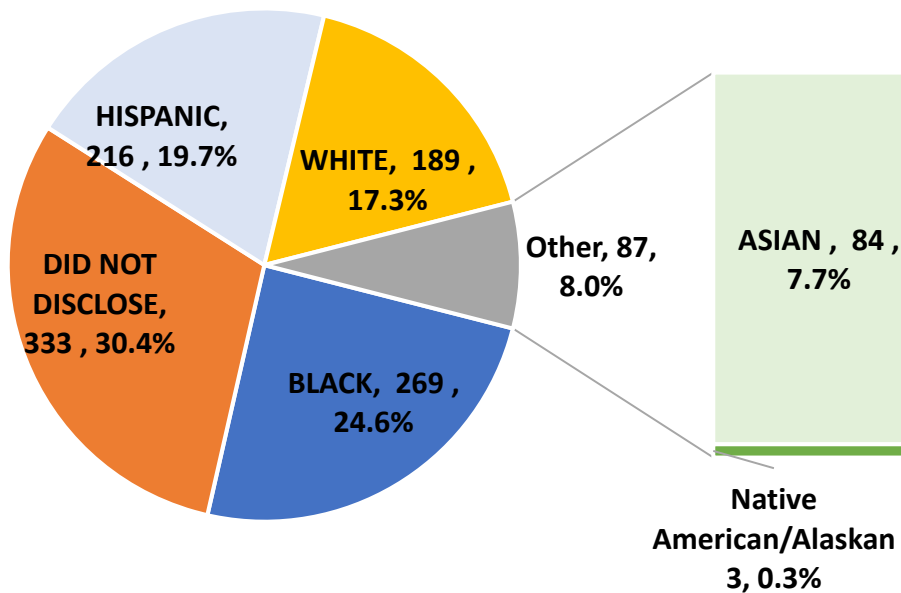
*Data collected on April 27, 2020*



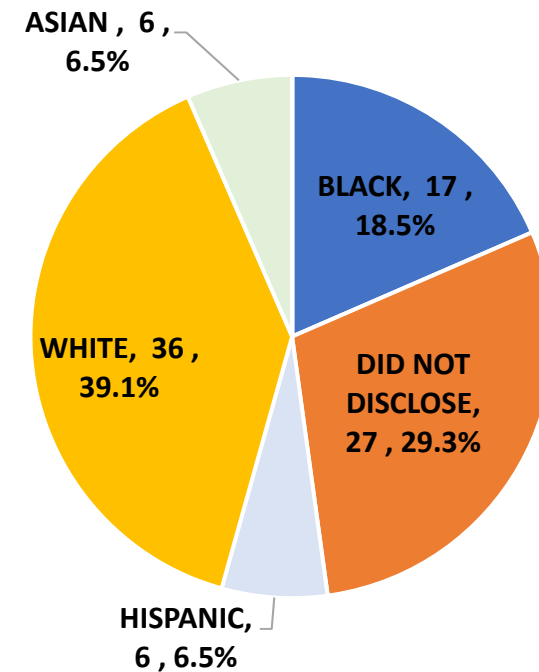
# Demographic Information by Ethnicity



All HAS Employees Distribution by Ethnicity



Paygrade 29+ Distribution by Ethnicity



Data collected on April 27, 2020



# FY 2021 Performance Measures

Business Process Measures	Priorities	FY19 Actual	FY20 Budget	FY20 Estimates	FY21 Proposed
Debt Service Coverage Ratio (DSCR)	Sound Financial Management	1.65	1.67	1.50	1.50
Total M&O per Enplaned Passenger – HAS	Sound Financial Management	\$10.01	\$11.15	\$11.30	\$15.26
Total M&O per Enplaned Passenger – HOU	Sound Financial Management	\$6.78	\$6.90	\$8.47	\$9.32
Total M&O per Enplaned Passenger – IAH	Sound Financial Management	\$6.39	\$7.15	\$8.47	\$9.33
Total Operating Revenue per Enplaned Passenger – HAS	Sound Financial Management	\$16.68	\$17.40	\$20.58	\$21.69
Total Operating Revenue per Enplaned Passenger – IAH	Sound Financial Management	\$17.79	\$18.27	\$21.55	\$22.76
Total Operating Revenue per Enplaned Passenger – HOU	Sound Financial Management	\$14.67	\$14.22	\$17.40	\$18.00
Expenditures Adopted Budget vs. Actual Utilization	Sound Financial Management	96%	98%	90%	100%
Revenues Adopted Budget vs. Actual Utilization	Sound Financial Management	100%	100%	90%	100%