



## FY2015 Budget and Core Services

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# HAS is a fully self-sufficient enterprise fund of the City of Houston, with no local tax burden

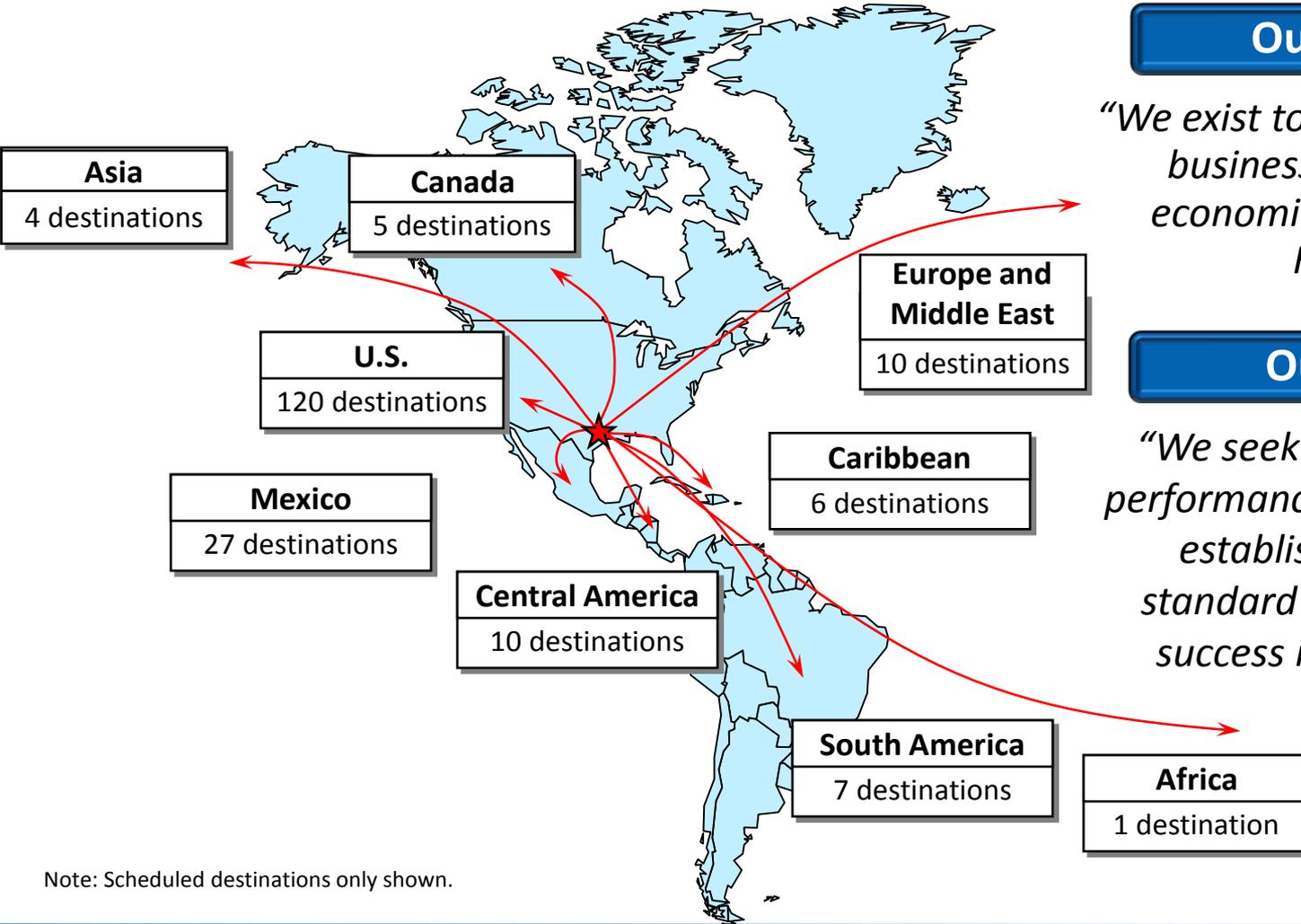
- One of world's busiest airport systems
  - **Bush Intercontinental:** United's largest hub
  - **Hobby:** Top 10 Southwest airport and its future international gateway
  - **Ellington:** Military, NASA, and general aviation reliever airport
- All operating expenses and debt service are recovered from airport-generated revenues
  - **Airline revenues:** Landing fees and terminal rentals
  - **Nonairline revenues:** Parking, terminal and rental car concessions, ground and building rentals

	IAH	HOU	TOTAL
Enplaned passengers (M)	19.9	5.6	25.5
Share domestic	77%	100%	82%
Originating percentage	47%	72%	53%
Average daily departures	652	162	814
Number of gates	149	25	174

Note: Data are for calendar year 2013, except for the number of gates which is as of March 2014.



# Our airports are economic engines that connect Houston with the world



Note: Scheduled destinations only shown.

## Our Mission

*“We exist to connect the people, businesses, cultures and economies of the world to Houston.”*

## Our Vision

*“We seek to become a high performance organization that establishes HAS as the standard of excellence and success in the Americas.”*



# Our strategy aligns with the City's strategy



## HAS strategy

Build a high performance organization

Serve the customer

Restore facilities to opening day fresh

Fund the future

## CoH strategy

Jobs and sustainable development

Quality of life

Infrastructure

Fiscal responsibility

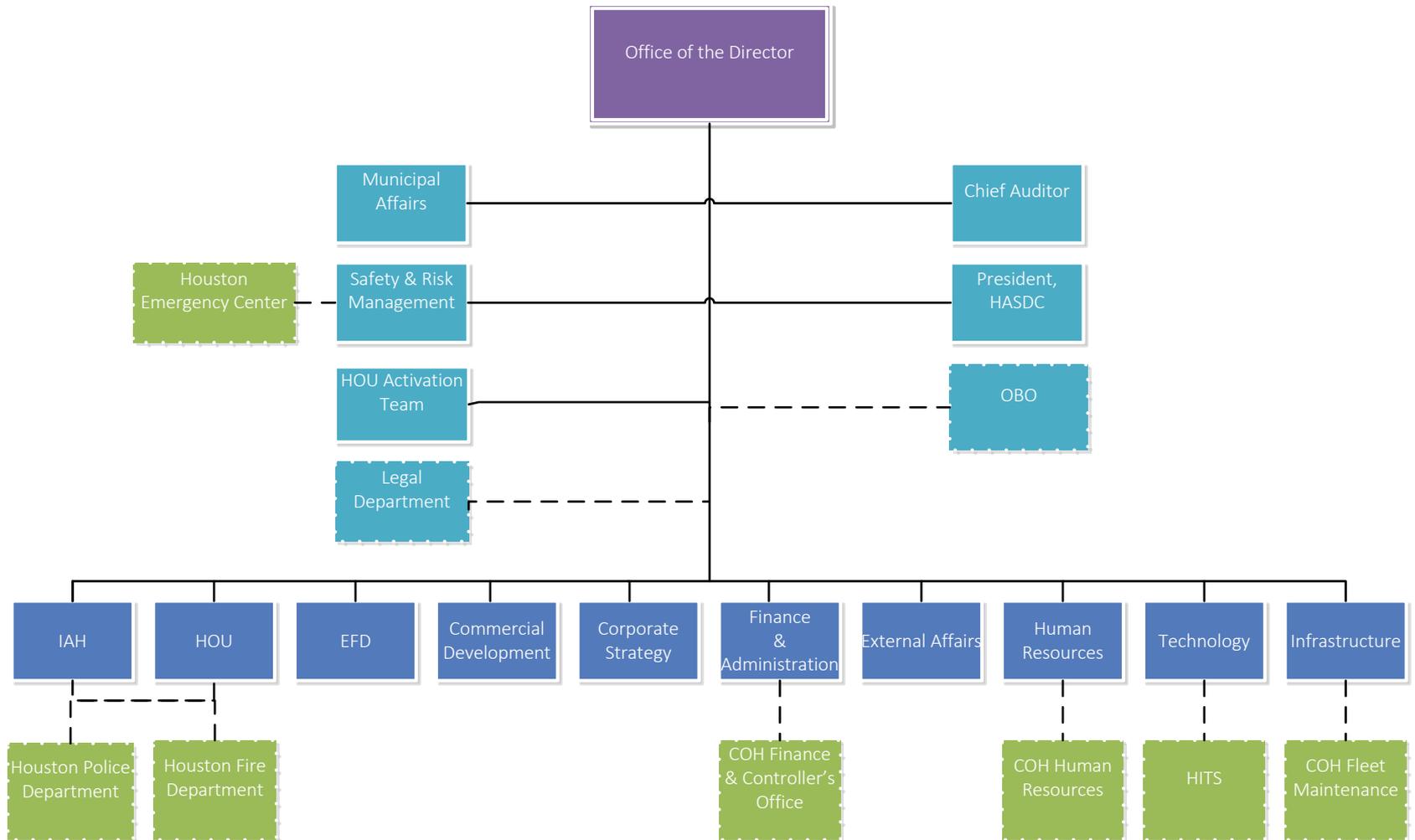
# Our core values determine how we do business

## R.I.S.E.

- **Relationships**
  - We work together with integrity. We treat every individual with courtesy and respect.
  - We honor our commitments and behave in a manner that earns trust.
- **Innovation**
  - We have the courage and willingness to consider new and unconventional ways of thinking.
- **Service**
  - We WOW our customers through a “can do” attitude and respond quickly to meet and exceed their expectations.
  - We find ways to bring fun and joy into our work and bring our customers along for the ride.
- **Excellence**
  - We strive for quality and skillful execution without compromise.



# Our organizational structure is aligned with our strategy

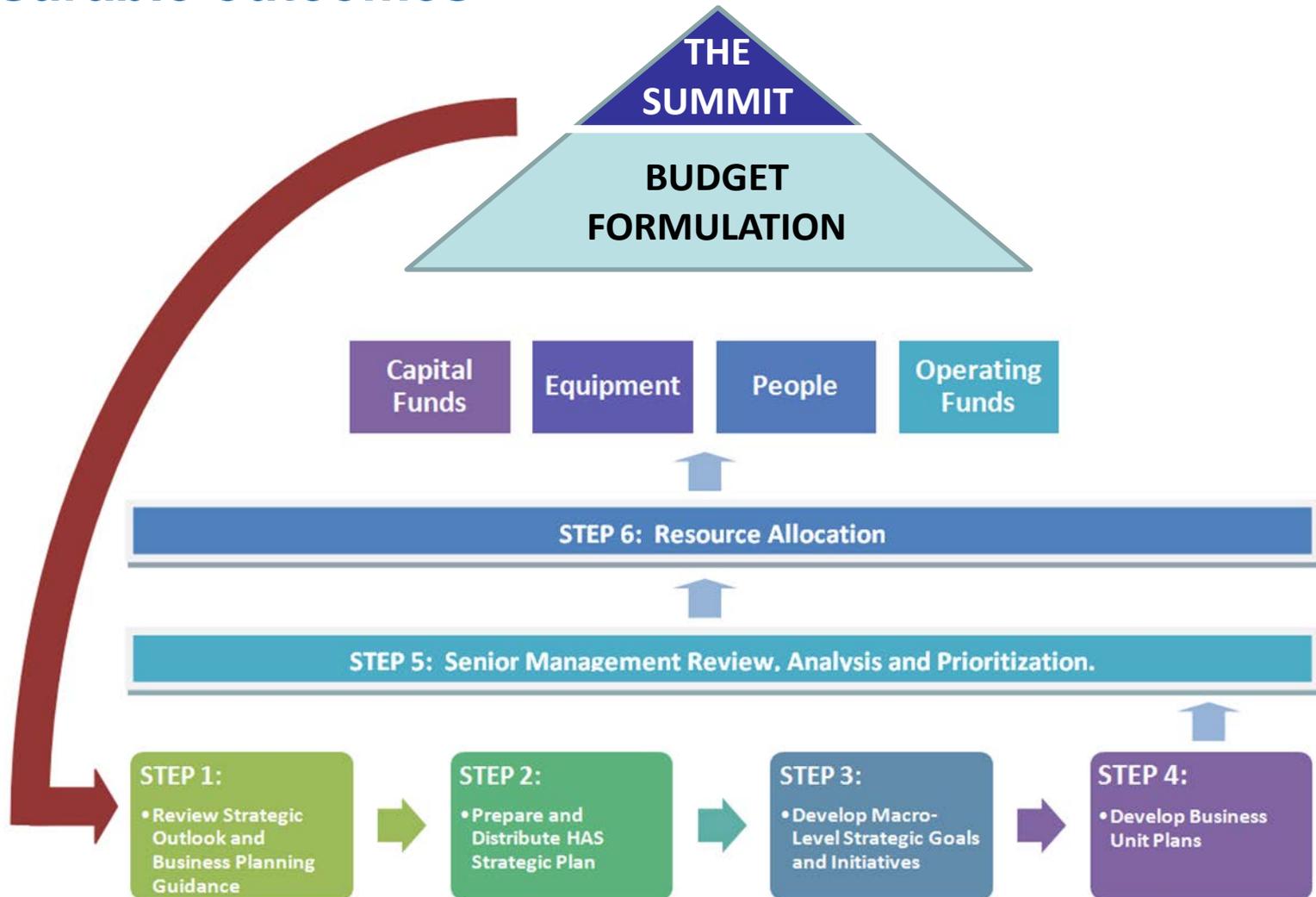


# Our strategic objectives address all of our operations

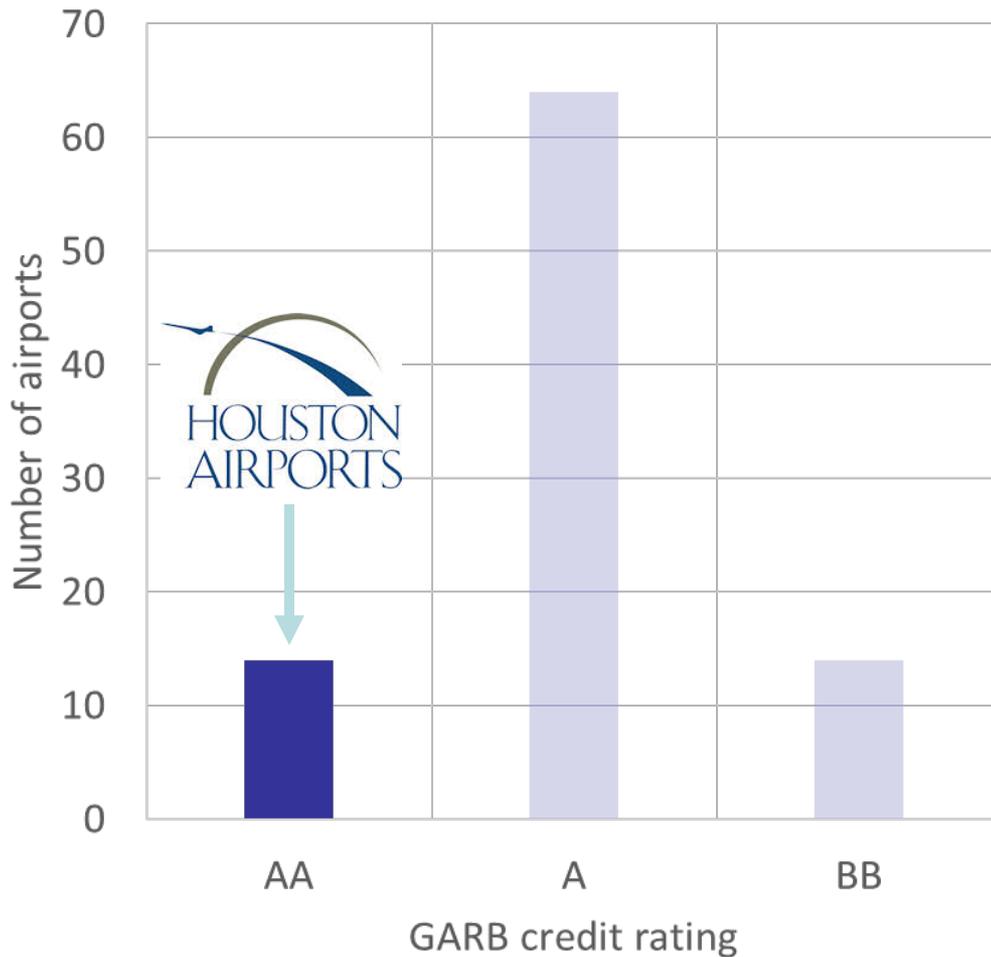
Key performance indicator (KPI)	FY 2013 actual	FY 2014 estimate	FY 2015 target
Debt service coverage ratio	1.58	1.45	1.50
Number of airports served nonstop from either IAH or HOU by more than 1 airline	61	64	70
Average airline payments per enplaned passenger	IAH: \$10.41 HOU: \$6.69	IAH: \$11.21 HOU: \$6.89	IAH: \$11.55 HOU: \$7.10
Weighted avg customer satisfaction survey score	n.a.	72%	74%
Percent of passengers clearing passport control within 30 minutes	72%	66%	80%
Percent of passengers clearing TSA within 15 minutes	n.a.	97%	95%



# Our strategy-to-budget process is designed to produce measurable outcomes



# We enter FY 2015 with a strong financial foundation



Source: 2013 U.S. Airport Medians Report, Standard and Poor's.  
GARB= General airport revenue bonds. HAS rating shown is for Senior Lien bonds.

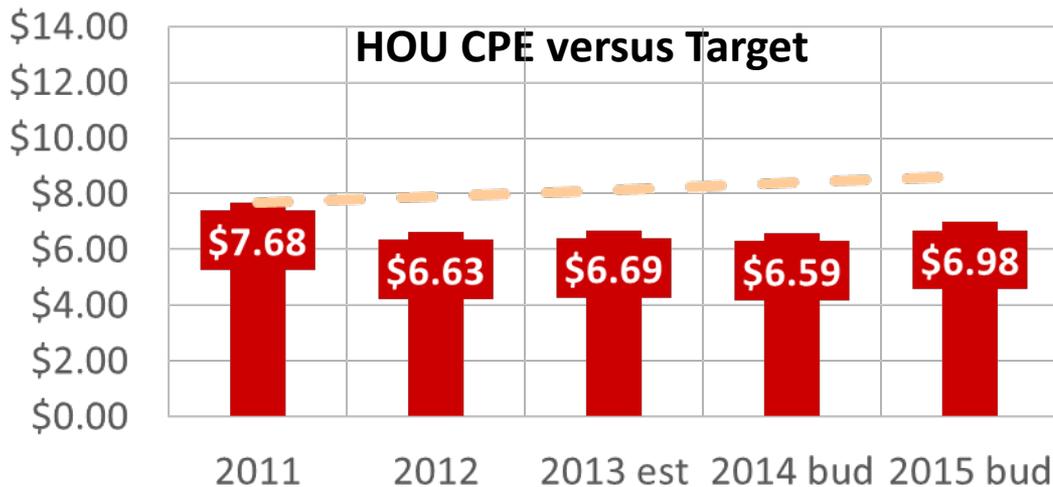
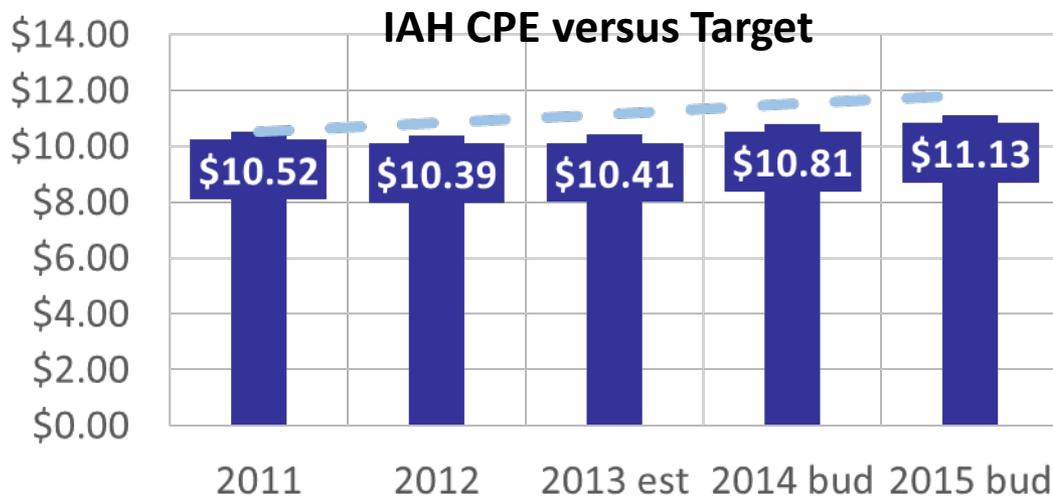
## Fitch Ratings

*"Recent changeovers in management bring considerable experience and knowledge to the Houston Airport System, and we expect that the airport will continue to manage its cost profile while executing on its current capital plan." (February 2012)*

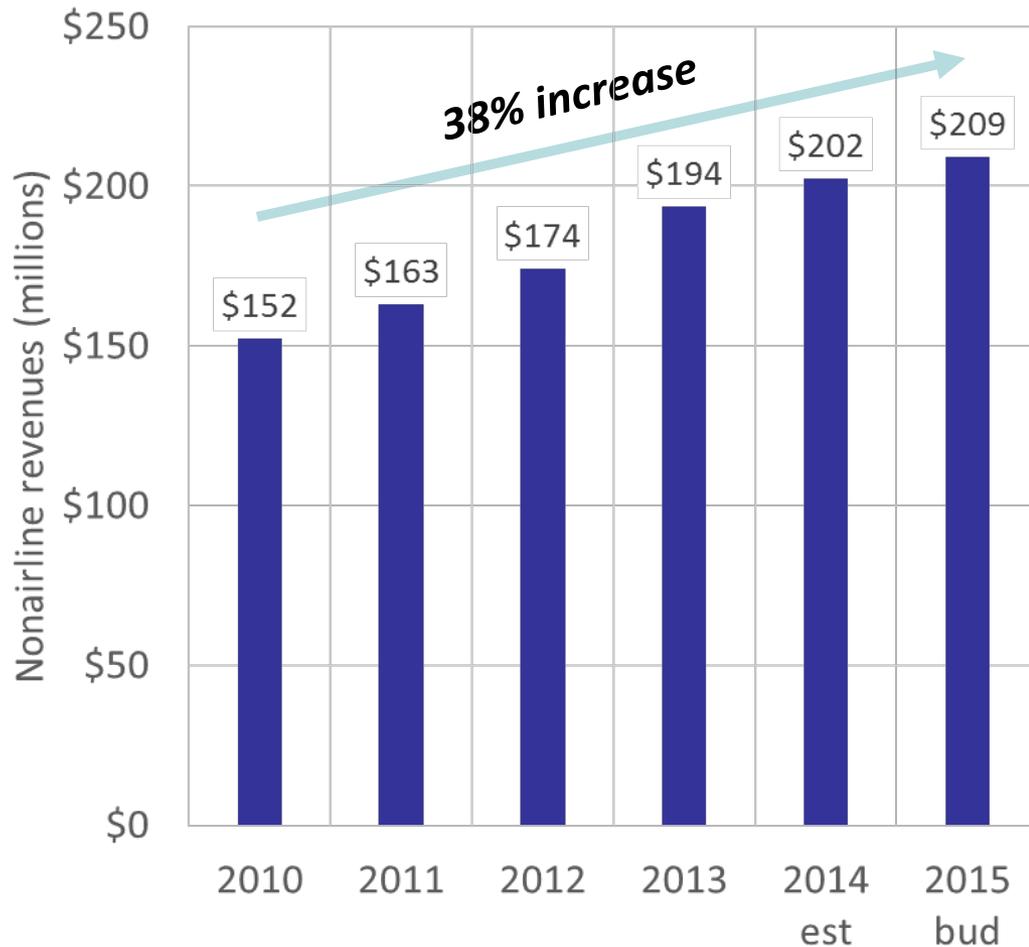
## MOODY'S

- *Track record of well-managed financial operations and conservative planning*
- *Proven ability to manage CIP anticipating the changing needs of the airport system (Credit Strengths, June 2013)*

# We control our costs to make Houston an attractive place for airlines to expand service



# We have increased nonairline revenues by 38% by expanding our service offerings



# FY 2015 proposed budget summary

Fund	Revenues				Expenditures			
	FY 2014 budget	FY 2015 proposed	Variance	Pct variance	FY 2014 budget	FY 2015 proposed	Variance	Pct variance
Revenue (8001)*	\$450.3	\$482.7	\$32.4	7.2%	\$282.9	\$298.4	\$15.5	5.5%
Capital Outlay (8012)**	16.6	19.3	2.7	16.3%	16.6	19.3	2.7	16.3%
<b>Total</b>	<b>\$466.9</b>	<b>\$502.0</b>	<b>\$35.1</b>	<b>7.5%</b>	<b>\$299.5</b>	<b>\$317.7</b>	<b>\$18.2</b>	<b>6.1%</b>

Note: Amounts in millions except percentages.

\* - Excludes debt service and transfers that, when summed with O&M expenses, causes Fund 8001 to have a balance of zero. Amounts exclude net pension obligation and other post-employment benefits.

\*\* - Revenues for the Capital Outlay Fund are transfers from the Revenue Fund.



# FY 2013–2015 revenue trends

Fund	FY 2013 budget	FY 2013 actual	FY 2014 budget	FY 2014 estimate	FY 2015 proposed	FY 2015 proposed versus FY 2014 budget	
						Variance	Pct variance
Revenue (8001)							
Airline	\$253.4	\$246.8	\$258.4	\$258.4	\$273.6	\$15.2	5.9%
Nonairline	183.9	193.5	191.9	202.2	209.1	17.2	9.0%
Subtotal 8001	\$437.3	\$440.3	\$450.3	\$460.6	\$482.7	\$32.4	7.2%
Capital Outlay (8012)*	12.5	6.8	16.6	16.6	19.3	2.7	16.3%
<b>Total</b>	<b>\$449.8</b>	<b>\$447.1</b>	<b>\$466.9</b>	<b>\$477.2</b>	<b>\$502.0</b>	<b>\$35.1</b>	<b>7.5%</b>

Note: Amounts in millions except percentages.

\* - Revenues for the Capital Outlay Fund are transfers from the Revenue Fund.



# Drivers of \$32.4m revenue variance for FY 2015

- **Airline revenue**
  - **\$15.2m (47% of increase from FY 2014 budget):** Increased airline cost recoveries attributable to increased O&M expenses and capital charges
  
- **Nonairline revenue**
  - **\$10.7m (33%):** Increases in parking attributable to forecast increases in originating passenger traffic, full-year impact of parking rate increase, and new EcoPark 2 lot (on Will Clayton Boulevard at IAH to open 1Q 2015)
  
  - **\$5.5m (17%):** Increases in rental car revenues attributable to forecast increases in originating passenger traffic
  
  - **\$1.0m (3%):** Net increase in all other revenues

Note: Variances exclude those in the Capital Outlay Fund.



# FY 2013–2015 expense trends

Fund	FY 2013 budget	FY 2013 actual	FY 2014 budget	FY 2014 estimate	FY 2015 proposed	FY 2015 proposed versus FY 2014 budget	
						Variance	Pct variance
Revenue Fund (8001)*	\$261.8	\$241.4	\$282.9	\$276.3	\$298.4	\$15.5	5.5%
Capital Outlay (8012)	12.5	8.0	16.6	16.6	19.3	2.7	16.4%
<b>Total</b>	<b>\$274.3</b>	<b>\$249.4</b>	<b>\$299.5</b>	<b>\$292.9</b>	<b>\$317.7</b>	<b>\$18.2</b>	<b>6.1%</b>

Note: Amounts in millions except percentages.

\* - Excludes debt service and transfers that, when summed with O&M expenses, causes Fund 8001 to have a balance of zero. Amounts exclude net pension obligation and other post-employment benefits.



# FY 2015 budget overview by function

Function	Personnel	Services and other	Total	Share	FTEs
<b>Core services (airports):</b> <i>Airfield, terminal, and other facility maintenance, operations, and security</i>					
Bush IAH	\$50.4	\$91.7	\$142.1	47.6%	727.0
Hobby	17.5	20.9	38.4	12.9%	259.5
Ellington	2.3	1.6	3.9	1.3%	29.0
Subtotal core services	\$70.2	\$114.2	\$184.4	61.8%	1015.5
<b>Administration*:</b> <i>Planning and development; finance and accounting; information technology; human resources; external affairs; commercial development; corporate strategy; internal audit; and Office of Business Opportunity</i>					
Administration	44.7	69.3	114.0	38.2%	389.5
<b>Total</b>	<b>\$114.9</b>	<b>\$183.5</b>	<b>\$298.4</b>	<b>100.0%</b>	<b>1405.0</b>

Note: Amounts in millions except percentages and full-time employee (FTE) numbers.

\* - Excludes debt service and transfers that, when summed with O&M expenses, causes Fund 8001 to have a balance of zero. Amounts exclude net pension obligation and other post-employment benefits. Excludes expenses paid from the Capital Outlay Fund.



# Drivers of \$15.5m expense variance for FY 2015

- **Personnel**
  - **\$8.4m (54% of increase from FY 2014 budget):** Increased costs attributable to 3% HOPE pay increase and higher benefit contributions
  
- **Services and other**
  - **\$2.8m (18%):** Increased police and fire interfund costs
  
  - **\$2.3m (15%):** Re-lifing of automated people mover (APM) system and tunnel repairs
  
  - **\$0.3m (2%):** “Opt-in” expenses for increased Customs and Border Protection staffing to decrease passenger wait times (CBP 560 program)
  
  - **\$1.7m (11%):** Net increase in other expenses

Note: Variances exclude those in the Capital Outlay Fund.



# Fund balance summary

	Beginning FY 2014	As of 4/30/14
By fund		
Revenue	\$119	\$204
O&M Reserve	46	46
Airport Improvement	557	513
Capital Outlay	11	14
Renewal and Replacement	17	14
PFCs and grants	103	116
Debt Service Reserve	55	55
Bond construction	49	31
Debt service	98	84
<b>Total</b>	<b>\$1,055</b>	<b>\$1,077</b>

	Beginning FY 2014	As of 4/30/14
Calculation of unrestricted		
Total cash and investments	\$1,055	\$1,077
Less restricted cash and investments:		
PFCs and grants	(103)	(116)
Debt service	(98)	(84)
Appropriated amounts	(119)	(108)
Legal reserves	(112)	(113)
Funded net liabilities	(149)	(139)
10-month policy reserve	(232)	(235)
Subtotal restricted	(813)	(795)
<b>Total unrestricted</b>	<b>\$242</b>	<b>\$282</b>

Note: Unaudited amounts in millions. All amounts restricted for airport uses only. Excludes unappropriated balance in commercial paper letter of credit.

