



# Department of Aviation Houston Airport System

**FY2024 Proposed Budget  
Workshop Presentation  
May 23, 2023**

**Mario Diaz, Director**

**Clint Stephen, Chief Financial Officer**



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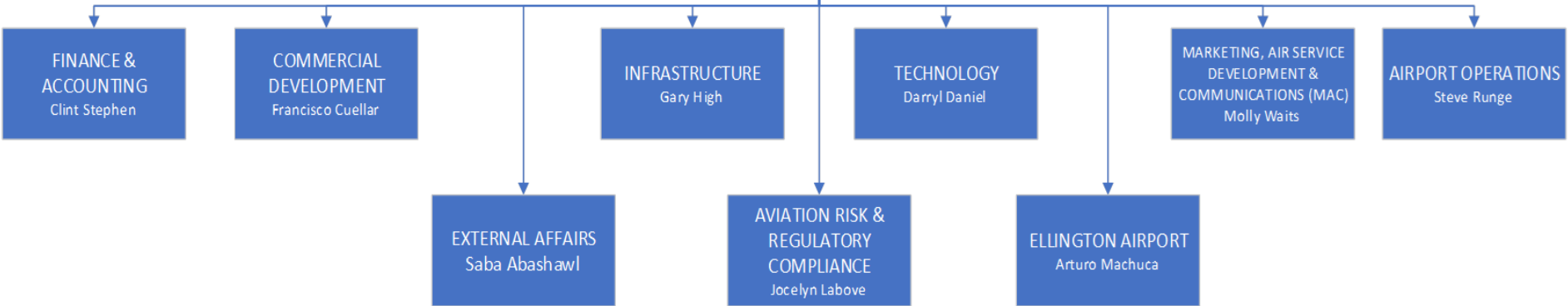
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# Department Organization Chart

DEPARTMENT OF AVIATION  
HOUSTON AIRPORT SYSTEM  
ENTERPRISE FUND  
Director of Aviation, Mario Diaz  
Chief Operating Officer, Jim Szczesniak  
Chief Terminal Management & Administrative Services Officer, Liliana Rambo

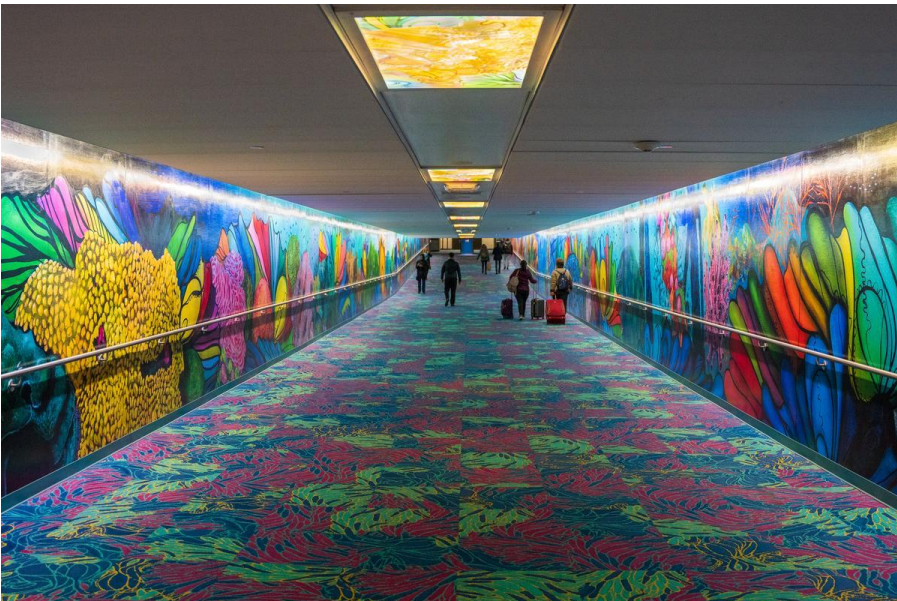




# Department FY2023 Accomplishments

## Houston Airports first-ever recipient of new World's Best Art in the Airport Award

Houston Airports was chosen as having the Best Art in the Airport at the 2023 Skytrax World Airport Awards. The win is historic for Houston Airports and the global commercial aviation industry. *The accolade recognizes both the visual and performing arts programs.*



# Department FY2023 Accomplishments



## Hobby Airport maintains 5-star rating for second year in a row



- Hobby Airport was also voted by passengers as the **Best Regional Airport In North America** (second year in a row) in the World Airport Awards 2023.
- Passengers chose Hobby Airport as the Most Enjoyable Airport in North America in a survey by Airports Council International (ACI).

Houston's William P. Hobby Airport maintains its status as the first and only 5-Star Airport in North America by International Air Transport Rating Agency, Skytrax. Hobby is one of 18 5-Star airports in the world.



# Department FY2023 Accomplishments



- ➔ Collins Aerospace opened a new eight-acre, approximately 120,000-square-foot campus at the Houston Spaceport. Collins is supporting spaceflight and hosting Houston's first spaceflight incubator.
- ➔ Intuitive Machines continues work on their new 12.5-acre plot at the Houston Spaceport entrance for the company's lunar program, which includes a moon lander and deep space communications.
- ➔ Axiom Space is scheduled to complete its new headquarters mid 2023. The campus includes employee offices, astronaut training and mission control facilities, engineering development, testing labs, and a high bay production facility to house Axiom's space station modules.

# ITRP Progress

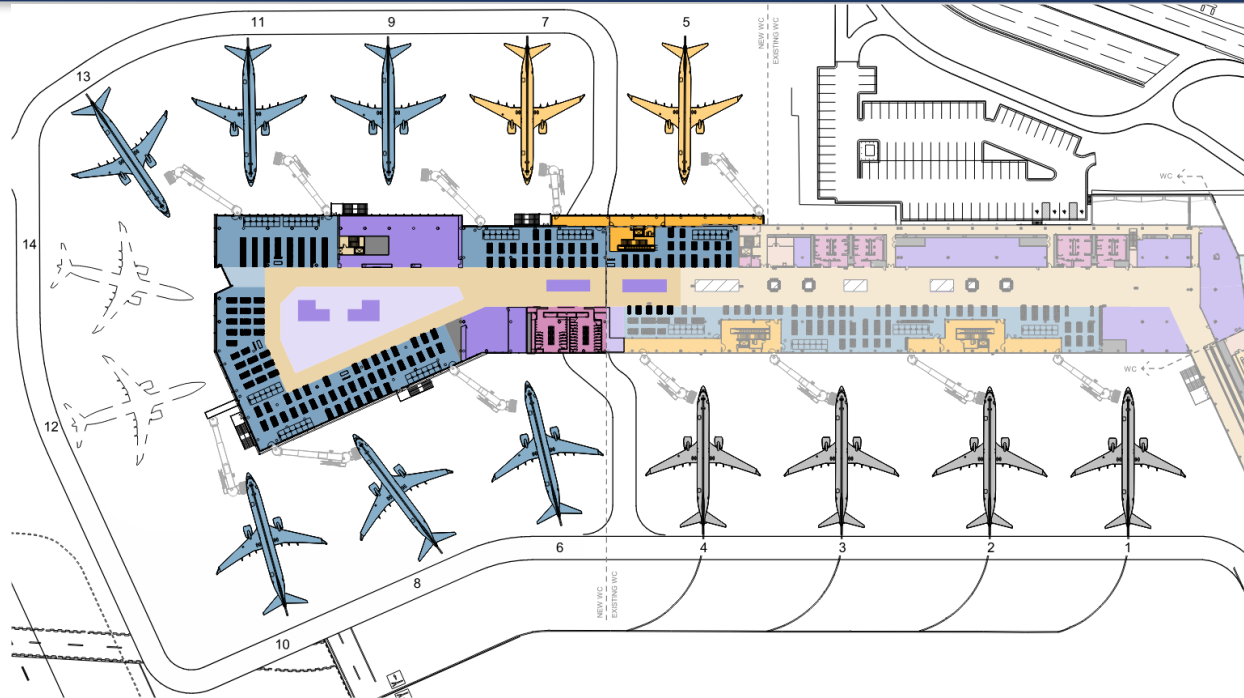


- ➔ Terminal D – West Pier is expected to open to travel by the end of 2023
- ➔ International Central Processor is scheduled to open by the beginning of 2025

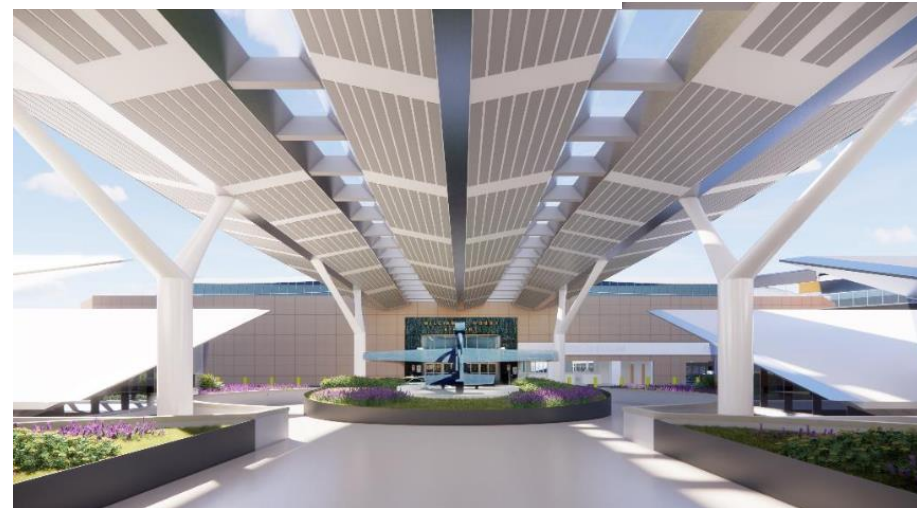




# HOU West-Pier 7 Gate Expansion



- Design is underway for the West-Pier 7 Gate Expansion
- Construction will begin in FY2024







# HAS Destinations



# Strategic Plan



## 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

Houston Airports views the traveling passenger as a customer. Therefore, Houston Airports must be focused on continually providing an excellent customer experience at all touchpoints.



### ACT RESPONSIBLY TO ACHIEVE SOCIAL, ENVIRONMENTAL, AND ECONOMIC SUSTAINABILITY

Houston Airports has determined three key areas that are critical to the system's sustainability — People (Social), Planet (Environmental) and Profit (Economic). The intersection of these areas will be at the heart of how Houston Airports operates.



### BUILD PLATFORMS FOR FUTURE SUCCESS

Houston Airports is working to ensure that the physical, human, financial and system resources are in place to meet future demand. Houston Airports continues to implement systems and programs to manage our airports responsibly and enable us to exceed customer expectations.

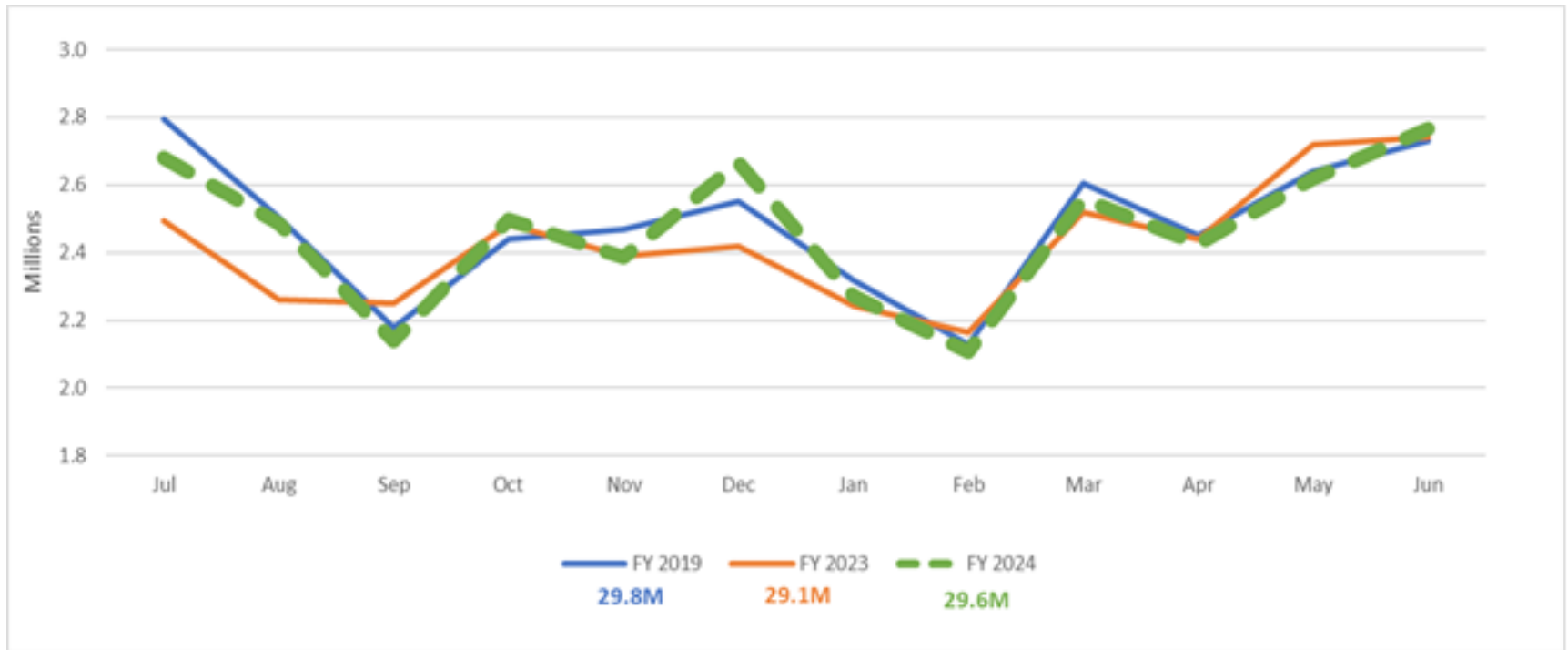


### INVEST IN OUR PARTNERSHIPS AND OUR EMPLOYEES

To provide a world-class customer experience, Houston Airports must continue to invest in its employees — the pillars of Houston Airports' success and the front line in the effort to improve the customer experience.



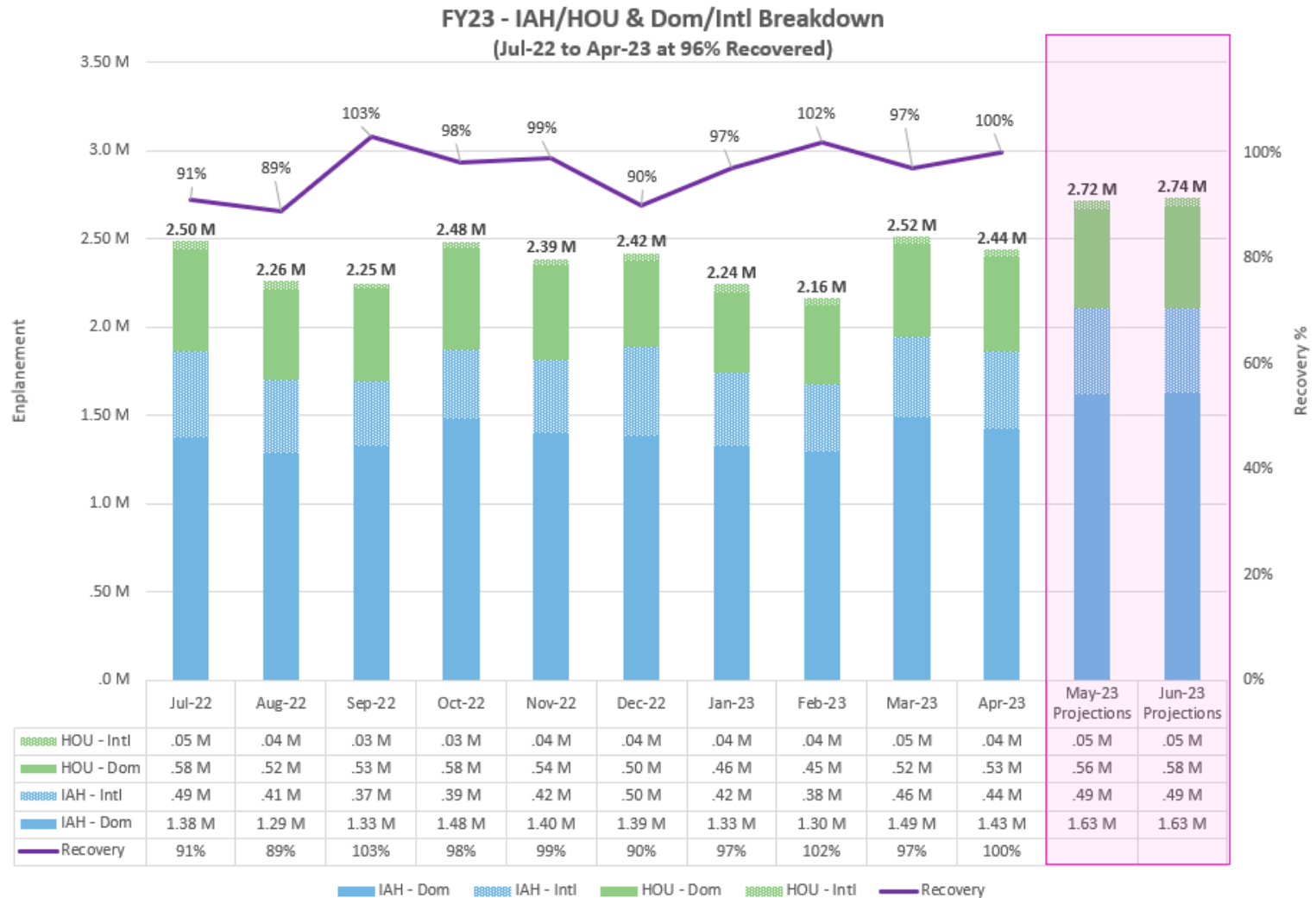
# FY24 Enplanement Projection



- FY23 Projected enplanements are slightly below budget primarily due to airline performance/completion issues during the holiday season
- FY24 Enplanements budgeted at 99.3% of FY19 actuals
- Recent developments with Air Canada, Spirit, and United indicate these numbers might be conservative.

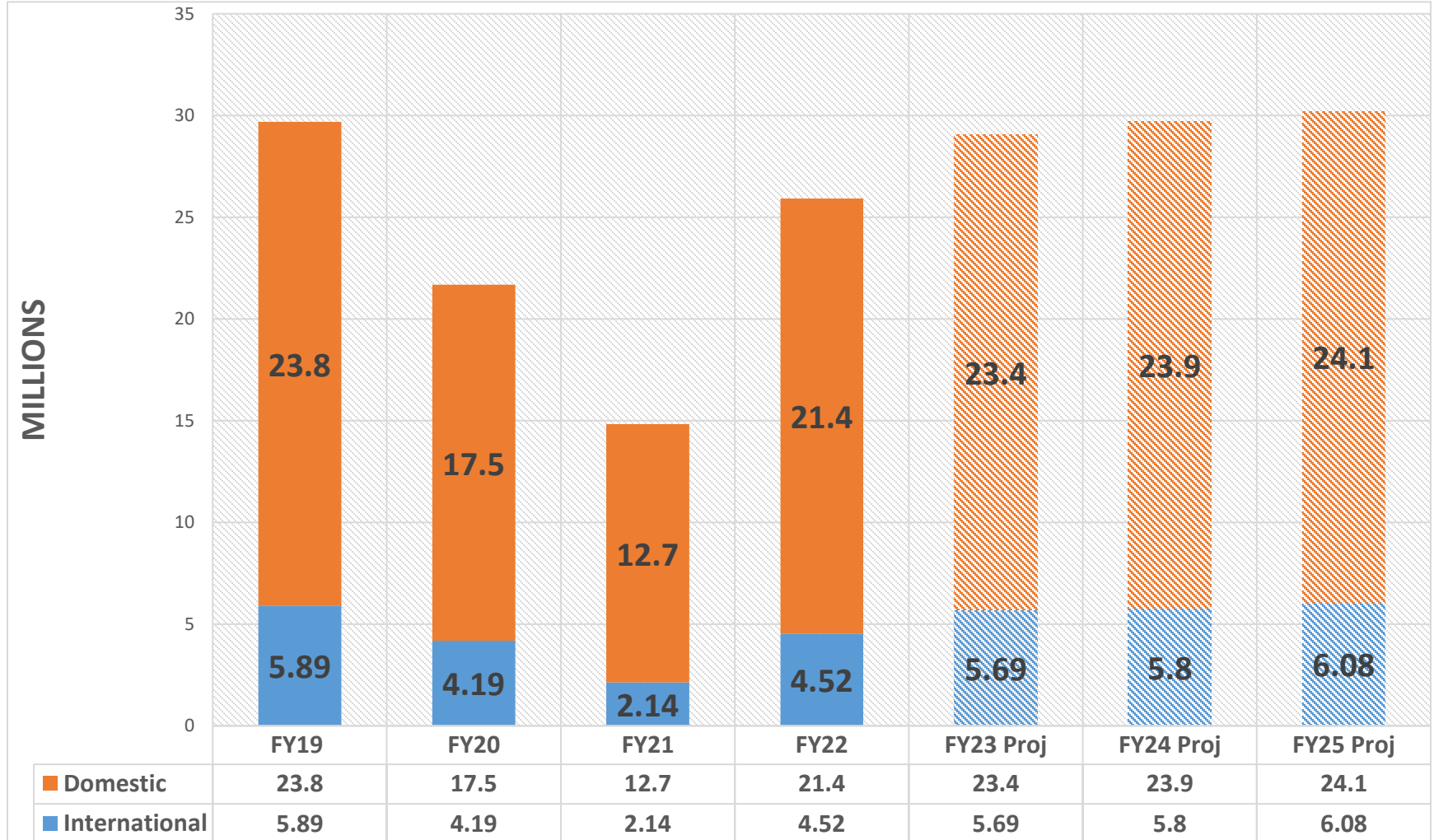


# FY23 Enplanement Estimate



➤ Enplanement recovery has accelerated since budget completion

# HAS Long-Term Enplanement Projection





# Revenue By Airline / Non-Airline

[in thousands]

HAS - Revenue Fund 8001	FY 19 Actual	FY 22 Actual	FY23 Budget	FY 23 Estimates	FY24 Proposed	Variance FY24 Prop/FY23 Estimates	% Change
Airline Landing Fees	\$84,357	\$91,139	\$93,203	\$93,203	\$105,532	\$12,329	13.2%
Airline Terminal Rentals and Usage Fees	186,006	164,836	187,834	187,834	208,514	20,680	11.0%
<b>Subtotal Airline Revenues</b>	<b>\$270,363</b>	<b>\$255,975</b>	<b>\$281,036</b>	<b>\$281,036</b>	<b>\$314,046</b>	<b>\$33,010</b>	<b>11.7%</b>
Garage & Surface Parking	110,136	98,418	99,579	114,211	117,707	3,496	3.1%
Ground Trans & Retail Concession	54,136	54,624	52,175	65,206	63,818	(1,388)	-2.1%
Auto Rental Concessions	28,949	34,056	34,905	38,720	38,667	(53)	-0.1%
Other	55,127	46,956	49,024	56,202	57,203	1,001	1.8%
<b>Subtotal Non-Airline Revenues</b>	<b>248,348</b>	<b>234,054</b>	<b>\$235,682</b>	<b>\$274,338</b>	<b>277,395</b>	<b>3,056</b>	<b>1.1%</b>
<b>TOTAL Revenue</b>	<b>\$518,711</b>	<b>\$490,028</b>	<b>\$516,719</b>	<b>\$555,375</b>	<b>\$591,441</b>	<b>\$36,066</b>	<b>6.5%</b>



# Revenue Highlights

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## **Revenue for FY24 is projected to be \$591.4M, 6.5% over FY23 estimate**

- ➔ Airline revenues from landing fees and terminal rents are projected to increase by \$33.0M or 11.7%, due to additional cost recovery in the airfields and terminals and due to airlines utilizing larger aircrafts to accommodate higher enplanements.
- ➔ Parking is the major contributor increasing \$3.5M, or 3.1%, for non-airline revenue, resulting from passenger traffic increases.
- ➔ Revenue from facility rentals and other miscellaneous revenue are projected to increase \$2.7M, or 1.8%.



# Expenditure by Fund

[in thousands]

Fund 8001	FY19	FY22	FY23		FY24	Variance	
	Actual	Actual*	Budget**	Estimate**	Proposed **	FY24 Prop/ FY23 Est.	
						H / (L)	% Change
Personnel	\$ 119,841	\$ 95,777	\$ 121,053	\$ 127,668	\$ 133,913	\$ 6,245	4.9%
Supplies	8,390	7,089	7,901	7,376	8,757	1,380	18.7%
Contracted Services & Charges	185,717	166,622	186,417	186,835	208,709	21,874	11.8%
Non-Capital	1,097	1,741	2,714	2,157	2,850	692	32.0%
<b>Total M &amp; O Expenditures</b>	<b>\$ 315,046</b>	<b>\$ 271,229</b>	<b>\$ 318,085</b>	<b>\$ 324,037</b>	<b>\$ 354,228</b>	<b>\$ 30,191</b>	<b>9.2%</b>
Debt Service & Other Uses	204,113	145,212	198,634	231,883	237,213	5,330	2.2%
<b>HAS Revenue Fund (O&amp;M) 8001</b>	<b>\$ 519,159</b>	<b>\$ 416,442</b>	<b>\$ 516,719</b>	<b>\$ 555,920</b>	<b>\$ 591,441</b>	<b>\$ 35,522</b>	<b>6.4%</b>

\* - FY22 Actual Personnel as shown does not include GASB NPO and OPEB year end credit of \$16.3M

\*\* - As in FY22 & FY23, Parking and Skyway Maintenance contract expenditures are funded via Fund 8011; FY24 \$54.6M

Fund 8012	FY19	FY22	FY23		FY24	Variance	
	Actual	Actual	Budget	Estimate	Proposed	FY24 Prop/ FY23 Est.	
						H / (L)	% Change
Building Improvements & FFE	218	\$ 160	\$ 785	\$ 333	\$ 681	\$ 348	104.3%
Computer HW and Developed SW	1,390	\$ 602	\$ 1,483	\$ 714	\$ 1,276	562	78.8%
Vehicles (and Rolling stock)	2,306	\$ 1,237	\$ 23,867	\$ 2,711	\$ 33,028	30,317	<b>1118.4%</b>
<b>HAS Capital Outlay Fund 8012</b>	<b>3,914</b>	<b>\$ 1,999</b>	<b>\$ 26,136</b>	<b>\$ 3,758</b>	<b>\$ 34,985</b>	<b>\$ 31,227</b>	<b>831.0%</b>





# Expenditure Highlights

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## **Expenditures for Fund 8001 in FY24 are projected to be \$591.4M, 6.4% over FY23 estimate**

- Personnel budgeted to increase by \$6.2M, or 4.9%, due to 3% HOPE Meet and Confer Agreement and slightly reduced vacancies
  
- Supplies and Non-Capital Equipment are budgeted to increase by \$2.1M, or 22.0%
  
- Contracted Services are budgeted to increase 21.9M or 11.8%
  
- Facility Maintenance \$7.2M an increase of 26.6% (Aircraft support, baggage handling, HVAC & central utility plant maintenance)
  
- HAS pays \$117.5M to the General Fund for services provided by HPD, HFD, HR, IT, Legal, Water/Sewer, an increase of 13.5M over FY23 Budget or 13.2%
  - Police Services (HPD Interfund) \$1.6M
  - Aircraft Rescue & Fire Fighting (ARFF Interfund) \$0.9M
  - Utilities, (Water, Sewer, Electricity & Natural Gas) \$1.9M
  - Property Insurance of \$3.7M



# Expenditures by Fund

[in thousands]

Category	FY22 Actual	FY23 Budget	FY23 Estimate	FY24 Proposed	Variance FY24 Proposed/ FY23 Budget	% Change
Revenue Fund ( 8001)	\$ 416,442	\$ 516,719	\$ 555,920	\$591,441	\$ 35,521	6.4%
Capital Outlay Fund (8012)	1,998	26,136	3,758	34,985	31,227	831.0%
<b>Total</b>	<b>\$ 418,440</b>	<b>\$ 542,855</b>	<b>\$ 559,678</b>	<b>\$626,426</b>	<b>\$ 66,748</b>	<b>11.9%</b>

→ For Fund 8012, in FY24, HAS will appropriate \$12.6M. Remaining is \$22.3M carryforward from prior periods

# HAS Financials

[in thousands]



	FY 2021	FY 2022	FY2023 Estimate	FY2024 Proposed
Airline & non-airline revenue	\$ 318,555	\$ 481,174	\$ 555,920	\$ 591,441
Operating and maintenance expense	(251,830)	(255,377)	(324,037)	(354,531)
<b>Net Operating Revenue</b>	<b>\$ 66,725</b>	<b>\$ 225,797</b>	<b>\$ 231,883</b>	<b>\$ 236,910</b>
Interest and non-operating revenue	10,555	7,633	15,215	12,000
Interest expense	(188)	(408)	(416)	(393)
Passenger Facility Charge collected	62,541	98,446	99,370	102,370
CARES Act, CRRSSA, ARPA grants	187,369	134,621	60,625	81,028
AIP grants	2,834	13,654	22,260	6,000
BIL (AIG, ATP) grants	-	-	-	74,709
Other	722	6,916	22,296	2,500
<b>Net Non-operating Revenue</b>	<b>\$ 263,833</b>	<b>\$ 260,862</b>	<b>\$ 219,350</b>	<b>\$ 278,214</b>
<b>Revenue before Debt Service and Transfers</b>	<b>\$ 330,558</b>	<b>\$ 486,659</b>	<b>\$ 451,233</b>	<b>\$ 515,124</b>
Total Debt Service Requirements	145,349	163,503	225,852	228,274
<b>Revenue available for capex and investment</b>	<b>\$ 185,209</b>	<b>\$ 323,156</b>	<b>\$ 225,381</b>	<b>\$ 286,850</b>

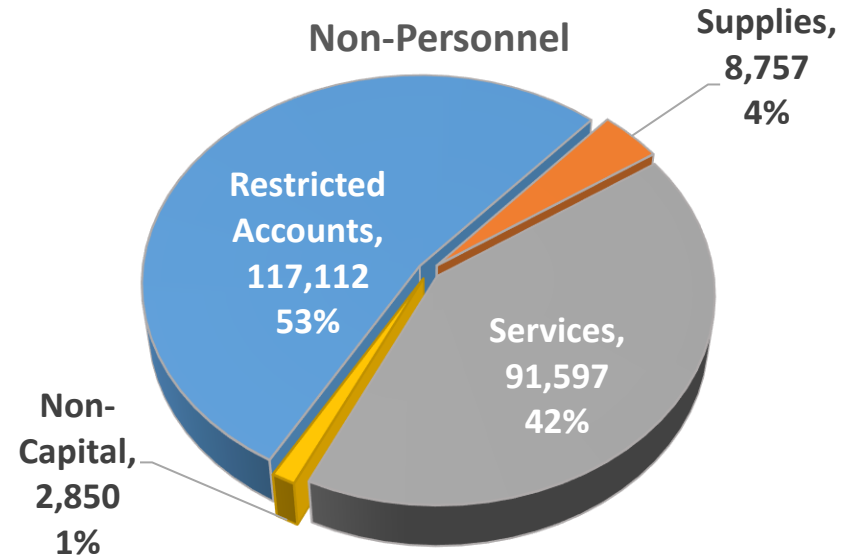
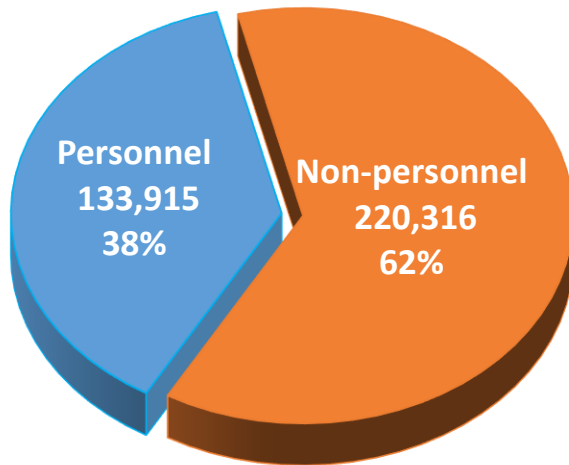
# Personnel vs. Non-Personnel

[in thousands]



The graphs below are utilized to show much of the budget is personnel vs. non-personnel. All non-personnel charges are broken out by primary service function. *Police and Fire should breakdown by civilian and classified.*

**Revenue Fund (M&O) 8001**



## Other Category Breakdown

Personnel	133,915
Supplies	8,757
Services	208,709
Non-Capital	2,850
<b>Total</b>	<b>354,231</b>

Restricted Accounts	117,112
Supplies	8,757
Services	91,597
Non-Capital	2,850
<b>Non -Personnel</b>	<b>220,316</b>

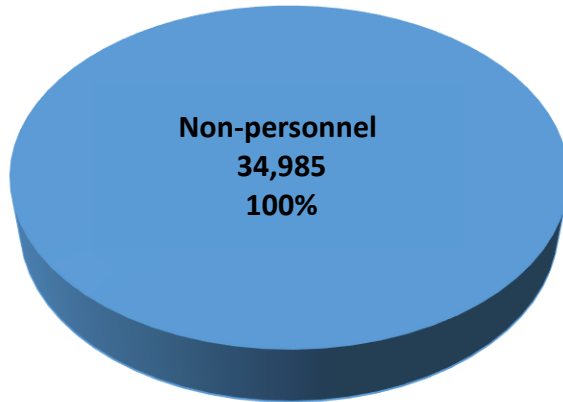
# Fund 8012 Personnel vs. Non-Personnel

[in thousands]

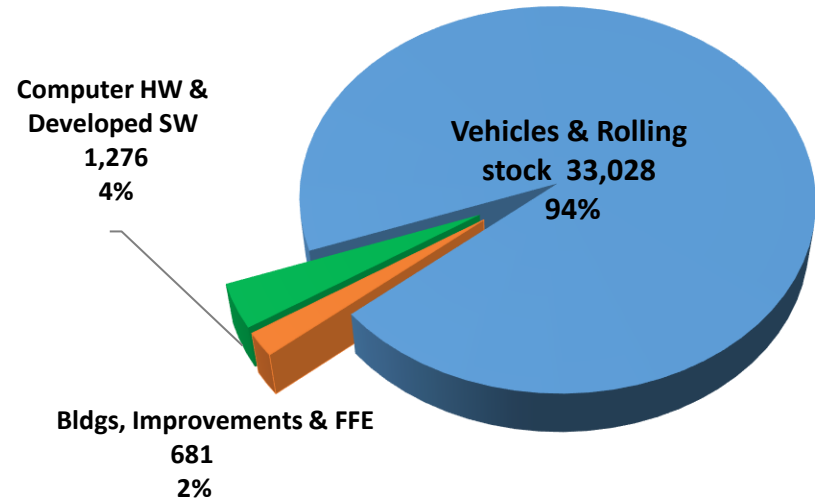


The graphs below are utilized to show much of the budget is personnel vs. non-personnel. All non-personnel charges are broken out by primary service function. *Police and Fire should breakdown by civilian and classified.*

### Capital Outlay Fund



### Non-Personnel Breakdown



### Other Category Breakdown

Restricted Accounts	0
Supplies	0
Services	0
Non-Capital	0
Capital Outlay	34,985
<b>Total</b>	<b>34,985</b>



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# Questions



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# Appendix

# Restricted Accounts

[in thousands]



GL Description	Justification & Cost Drivers	FY24 Proposed Budget
Interfund Police Service	HAS cost for services supported by Houston Police Department (HPD) at the airports.	38,942
Interfund Fire Protection Service	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 which provide emergency response services for hazardous materials, technical rescue, and aircraft fire fighting at the airports.	23,151
Interfund Electricity	HAS cost for electricity accounts which are administered by the CoH SPD and Finance.	14,258
Interfund Insurance	Cost for monthly property insurance premiums.	11,243
Interfund Drainage Charge	Fee is based on impervious service.	5,075
Interfund Natural Gas	HAS cost for natural gas accounts which administered by SPD and CoH Finance.	4,142
Interfund Vehicle Services	HAS cost for repair, maintenance, and administrative support from FMD for all rolling stock equipment.	4,172
Indirect Cost Recovery	HAS cost for services administered through the General Fund.	3,050



# Restricted Accounts

[in thousands]



GL Description	Justification & Cost Drivers	FY24 Proposed Budget
Sewer Services	HAS cost for sewer services administered by the Combined Utility System (CUS) of the Houston Public Works Department.	2,785
Interfund HR Client Services	HAS cost for HR operations reflecting an increase in health benefits and restricted account costs	2,626
Water Services	HAS cost for water services administered by the Combined Utility System (CUS) of the Houston Public Works Department.	2,549
Interfund Application Services	HAS cost for Microsoft Enterprise Licenses, SAP Licenses, 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 various technical matters.	1,824
Interfund Vehicle Fuel	HAS cost for fuel administered by the Fleet Management Department.	1,138
Interfund Voice Services	HAS portion of Voice Exp costs administered by CoH Information Technology Department.	583
Interfund Legal Services	HAS cost for legal services/support from the City of Houston's Legal Department	435

# Restricted Accounts

[in thousands]



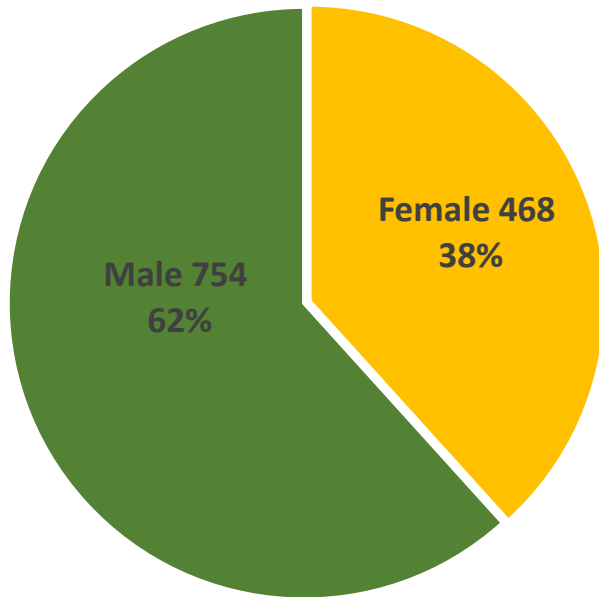
GL Description	Justification & Cost Drivers	FY24 Proposed Budget
Interfund Payroll Services	HAS cost for payroll services, HR operations, reflecting increases in health benefits and restricted account costs.	346
Interfund Network Services	HAS portion of network service cost administered by CoH Technology Department.	338
Interfund Data Services	HAS portion of data service cost administered by CoH Information Technology Department.	289
Interfund HEC Services	HAS cost for calls dispatched through the City of Houston's Emergency Center.	280
Interfund GIS Services	HAS cost for personnel, software licenses and maintenance associated with city of Houston's Enterprise Geographic Information System (EGIS).	159
KRONOS Service Chargeback	HAS cost for software license and maintenance costs associated with the city of Houston's Time and Attendance System (KRONOS).	86
Interfund Voice Labor	HAS cost for phones and telecommunications interfund services.	22
	<b>INTERFUND TRANSFERS TO GENERAL FUND</b>	<b>117,492</b>

# Department Demographic Breakdown

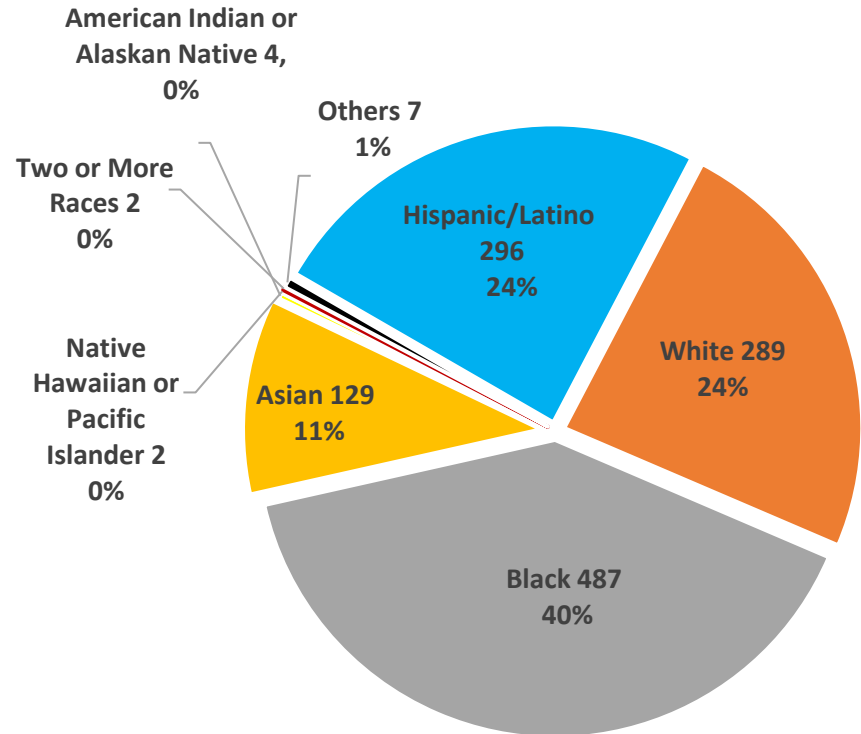
(gender & ethnicity)



## HAS Headcount by Gender



## HAS Headcount by Race

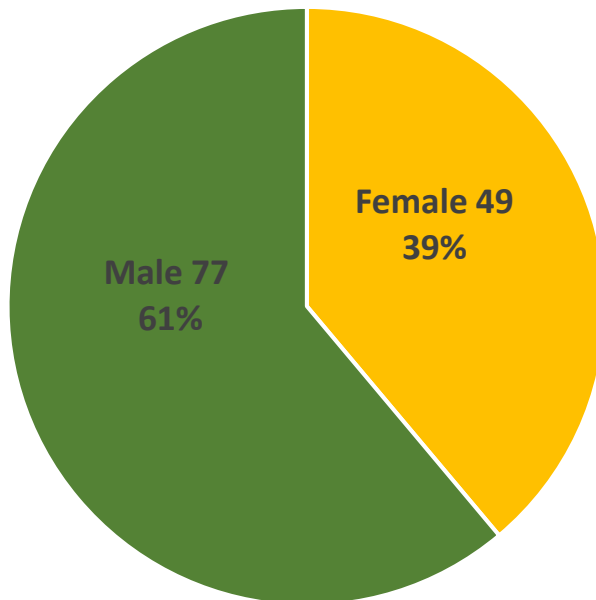


# Department Demographic Breakdown

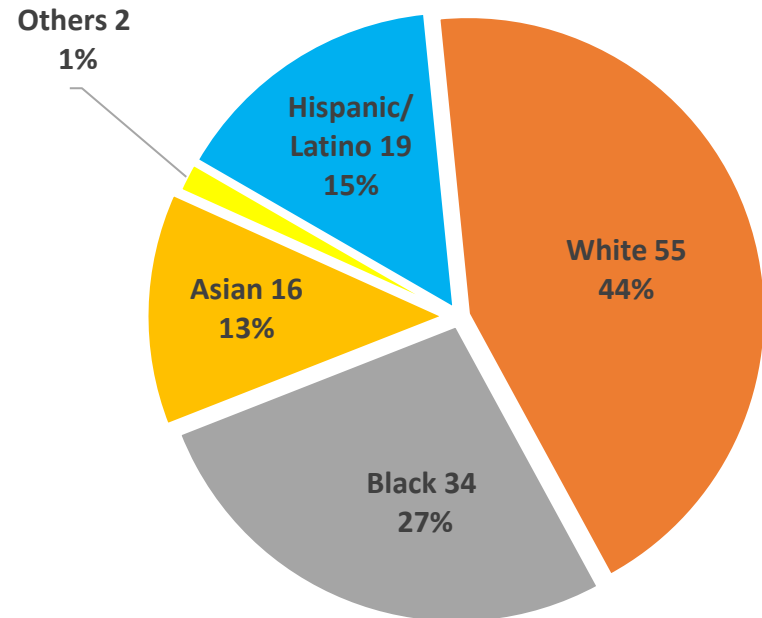
(gender & ethnicity)



### HAS Headcount by Gender (Pay Grade 29+)



### HAS Headcount by Race (Pay Grade 29+)





# HAS Performance Measures

Business Process Measures	Priorities	FY22	FY23	FY23	FY24
		Actual	Target	Estimates	Proposed
Debt Service Coverage Ratio (DSCR)	Sound Financial Management	N/M	1.89	2.19	2.09
Total M&O per Enplaned Passenger - HAS	Sound Financial Management	\$7.15	\$7.04	\$7.52	\$8.79
Total M&O per Enplaned Passenger - HOU	Sound Financial Management	\$7.53	\$7.09	\$7.99	\$9.25
Total M&O per Enplaned Passenger - IAH	Sound Financial Management	\$7.04	\$7.02	\$7.37	\$8.64
Total Operating Revenue per Enplaned Passenger for HAS	Sound Financial Management	\$18.26	\$17.32	\$18.53	\$16.18
Total Operating Revenue per Enplaned Passenger IAH	Sound Financial Management	\$18.55	\$17.70	\$18.93	\$16.33
Total Operating Revenue per Enplaned Passenger HOU	Sound Financial Management	\$17.36	\$16.16	\$17.29	\$15.70
Revenues Adopted Budget vs Actual Utilization - Fund 8001	Sound Financial Management	109%	100%	103%	100%