Fiscal Year 2021-2022
Budget Update #1

Los Angeles World Airports
Board of Airport Commissioners
April 1, 2021
FY2022 Strategic Budget Priorities

Maintain Strong Financial Foundation
- Balance revenues and expenses to maintain key financial metrics
  - Debt service coverage of at least 1.4x
  - At least 365 days cash on hand
- Set competitive airline rates and charges

Focus on Safety, Security, and Sustainability
- Prioritize regulatory mandates, safety and security
- Maintain strong health protocols
- Operate sustainably – balancing economic, social and environmental responsibilities

Implement Capital Program
- Continue accessing debt market to fund CIP
- Efficiently use all funding sources to maintain liquidity
- Initiate planning for new projects (e.g., ATMP, Cargo study)

Invest in Key Business Priorities
- Bring new facilities on-line (T1.5, MSC, ITF West, Airport Police Facility)
- Pursue new revenue opportunities
- Continue innovation and digital initiatives
- Invest in operational efficiencies
- Hire key vacant positions
FY2022 Budget Objectives

• **Cash/Liquidity**: Maintain liquidity to protect against operational, financial, and economic uncertainties.

• **Balance Costs and Revenues**: Increase revenues to offset additional costs.

• **Operating**: Fund operational mandates and strategic business priorities. Seek operational efficiencies.

• **Debt**: Maintain access to short- and long-term debt markets.

• **Capital Investments**: Strategically identify, prioritize and fund key capital projects.

• **Financial metrics**:
  – Achieve all-in Debt Service Coverage Ratio of at least 1.40x.
  – Maintain targeted Days Cash on Hands.
FY2022 Budget Challenges

• Traffic Forecast:
  – Difficult to estimate rate of traffic recovery
  – Base FY2022 traffic forecast on a more conservative five-year recovery scenario

• Limited Operating Revenue Growth:
  – Airline rates will continue to be set below cost recovery to maintain competitiveness (through the use of grants and deferrals)
  – Reduced passenger spending
  – Social distancing will create operational inefficiencies (e.g. additional buses)
  – International travel will continue to be depressed

• Cost Pressures:
  – TBITEC transition
  – Additional O&M costs for new facilities coming on line
  – Busing costs (new service and fleet)
  – Utility rate increases
  – Expected higher insurance premiums
### LAX Enplanement Recovery Scenarios

#### LAX Actual and Forecasted Passenger Traffic

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>FY 2020 Actuals</th>
<th>FY 2021 Budget</th>
<th>FY 2021 Projected</th>
<th>FY 2022 Projected (5-year recovery)</th>
<th>Projected FY2022 vs FY21 %</th>
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<tbody>
<tr>
<td>Domestic</td>
<td>22.5</td>
<td>11.1</td>
<td>12.9</td>
<td>16.0</td>
<td>24%</td>
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<tr>
<td>International</td>
<td>8.9</td>
<td>3.9</td>
<td>2.1</td>
<td>2.6</td>
<td>24%</td>
</tr>
<tr>
<td>Total</td>
<td>31.4</td>
<td>15.0</td>
<td>15.0</td>
<td>18.6</td>
<td>24%</td>
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FY2022 Key Budget Assumptions - Operating Revenues

• LAX Airline revenues are expected to be below prior budget—impact of Airline Cost Stabilization and Recovery Plan

• LAX auto parking is expected to produce greater revenue following the implementation of Smart Parking and full operation of ITF West parking

• TNC revenues continue to be affected based on observed shift in passenger mobility preferences towards personal vehicles and rental cars

• Terminal concession revenue growth is expected to be suppressed by lower spending per passenger

• Duty Free revenue will continue to lag due to slower recovery of international service
FY2022 Key Budget Assumptions – Personnel Expenses

• Managed hiring through FY2022

• Limited hiring of key vacancies
  – Safety and security
  – Capital program delivery
  – Rationed additional staffing for new terminal facilities and retirement replacements
FY2022 Key Budget Assumptions – Non-Personnel Expenses

• Divisional expense targets are set at the level of FY2021 Budget:
  – All Budget Line Items are prioritized

• Increases are mostly offset, except in some areas
  – Ground transportation costs driven by new busing fleet and increased activity
  – Continued City Services (reduction not achieved in FY2021)
  – Increases in utilities (higher consumption and rates)
  – Higher insurance premiums (market conditions and additional facilities)
Next Steps

• May
  – 1st Meeting: “Deep dive” into budget details
  – 2nd Meeting: Incorporate BOAC feedback and present finalized revenues and expenses

• June
  – 1st Meeting: Staff presents FY2021-22 Budget for adoption
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