



Fiscal Year 2023-2024  
Budget Update #1

Los Angeles World Airports  
Board of Airport Commissioners  
March 16, 2023

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# FY2024 Financial Planning Outlook

## State of the Economy

- Economic uncertainty continues
- Geopolitical conflicts unresolved
- Financial market volatility
- Turmoil in the banking sector
- Hard Aviation Liability insurance market

## State of the Industry

- Passenger traffic in 2023 exceeds January-February 2019 levels industry-wide
- Airlines report strong demand, but increasing jet fuel costs
- IATA reports 15% drop in air cargo demand
- Airports' CIPs and debt are increasing

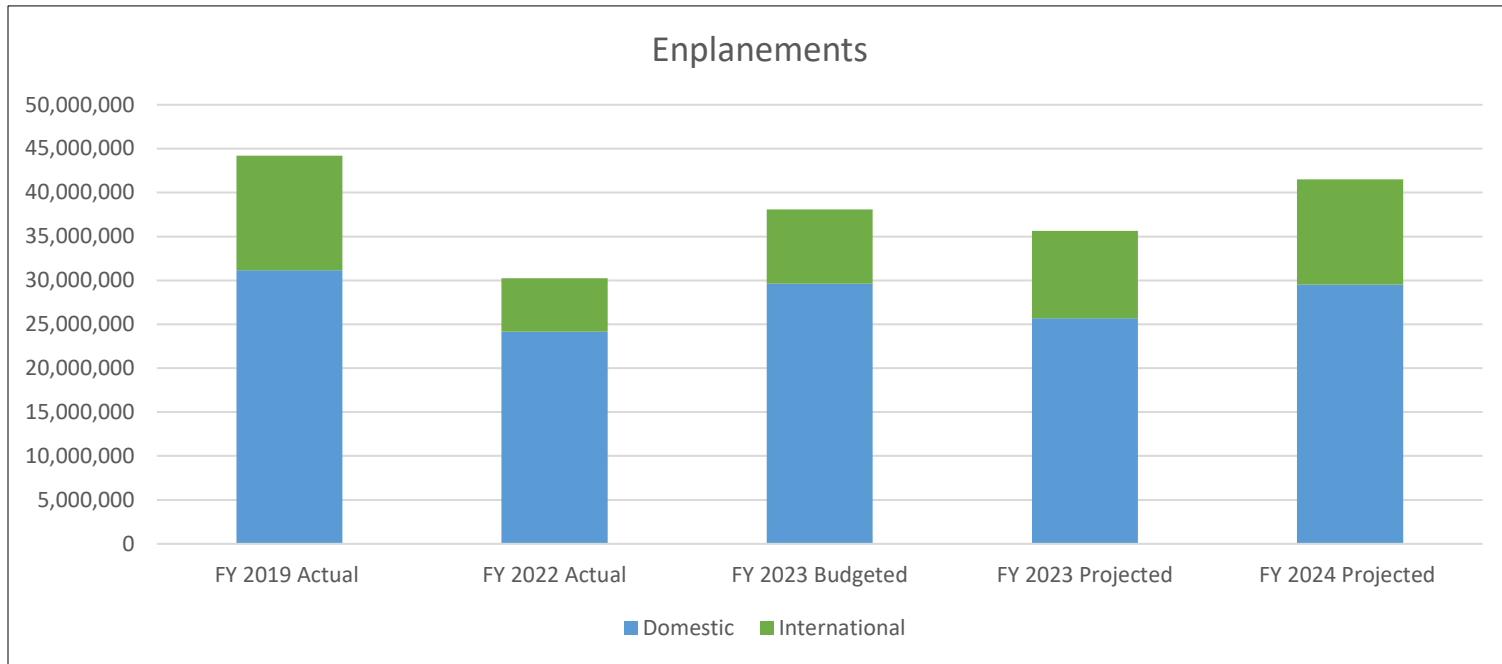
## LAWA Financial Position

- LAX traffic recovery has lagged the industry
- FYTD financial performance has exceeded FY2019 driven by Airline revenues
- Strong liquidity position
- Strong credit rating

## Key Business Priorities

- Achieve sufficient staffing levels
- Deliver Capital Program
- Maintain current and new facilities
- Grow revenues to offset inflation
- Drive innovation and digital transformation
- Continue investing in safety, operational and organizational efficiencies

# LAX Actual and Projected Enplanements



(in millions)	FY 2019 Actual	FY 2022 Actual	FY2023 Budgeted	FY 2023 Projected	FY 2024 Projected	FY2024 vs FY2023 Projected		FY2024 vs FY2019
						Difference	%	%
Domestic	31.2	24.2	29.6	25.7	29.5	3.8	15%	-5.4%
International	13.0	6.1	8.5	10.0	12.0	2.0	20%	-8.0%
<b>Total</b>	<b>44.2</b>	<b>30.3</b>	<b>38.1</b>	<b>35.7</b>	<b>41.5</b>	<b>5.8</b>	<b>16%</b>	<b>-6.1%</b>

All numbers are preliminary, unaudited, subject to change

# FY2024 Key Budget Objectives

- **Liquidity:**
  - Maintain liquidity to protect against operational, financial, and economic uncertainties.
  - Days Cash on Hand Minimum Target – **550 days**
- **Balance Costs and Revenues:**
  - Plan for traffic growth and inflationary cost increases
  - Balance cost increases with increases in revenues to achieve the key metrics:
    - All-in debt service coverage of **at least 1.8x**
    - Budgeted Airline Cost per Enplaned Passenger **not to exceed \$28**
- **Operating:**
  - Fund operational and safety mandates and strategic business priorities
  - Plan staffing levels for increased activity
- **Capital Outlay/Equipment/Vehicles:**
  - Fund FY2024 Asset Renewal Plan
- **CIP Funding:**
  - Maintain access to Capital Markets
  - Implement the New CIP Funding Strategy

- **Economic Uncertainty:**
  - Inflation pressures continue
  - Rising interest rates and risk premiums
  - International traffic recovery is susceptible to geopolitical situation
- **Terminal Concession Revenue and TNCs Likely to Stay Below Pre-pandemic Level:**
  - Duty Free revenues are affected by the recovery of China traffic
- **Cost Pressures:**
  - Salary increases
  - Additional costs due to higher prices and increased operations
  - Utility rates and consumption increases
  - Expected higher insurance premiums

# FY2024 Key Budget Assumptions - Operating Revenues

- LAX Airline revenues are expected to increase due to increased operating costs, debt service and higher activity. The CPE target is set to control the increase.
- LAX auto parking is expected to continue to grow based on increased capacity and demand for parking and new services (valet and EV charging)
- Duty Free revenue will continue to lag
- 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 impacted by lower spending per passenger

# FY2023 Key Budget Assumptions – Operating Expenses

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- Assume hiring of all positions opened for hiring
- Expected salary increases based on MOUs
- Divisional discretionary expense targets are set at the level of FY2023 Budget:
  - All Budget Line Items are prioritized and evaluated based on actual spending
  - Unfunded requests are evaluated based on justification
- Cost increases driven by inflation, increased risk premiums, increased activity and strategic initiatives

## Next Steps – BOAC Budget Presentations

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- May 4: “Deep dive” into budget details
- May 18: Incorporate the Board feedback and present near-final revenues and expenses
- June 1: Staff presents FY2023-24 Budget for adoption