



Fiscal Year 2022-2023 Proposed Budget

Los Angeles World Airports
Board of Airport Commissioners,
June 02, 2022

This presentation contains forward-looking statements which may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Actual results could differ materially from those set forth in the forward-looking statements.

FY2023 LAWA Operating Budget Proposal

(\$ Millions)	Proposed Budget
Revenues	\$1,731
Expenses*	(988)
Operating Income	\$743
Net Debt Service**	(345)
Remaining for Capital and Reserves	\$398

Key Financial Metrics	
Debt Service Coverage (DSC)	2.3x
O&M Days Cash on Hand (DCOH)	Exceeds 365 days

- ✓ FY2023 budget meets all LAX Bond Indenture covenants.
- ✓ Operating income sufficient to cover debt service and fund a portion of FY2023 capital costs.
- ✓ American Rescue Plan Act funds are excluded in the operating budget numbers, which would have a positive impact on cash and DSC.

* Including \$26 million capitalizable Personnel Expenses.

** Net of \$171 million in Passenger Facility Charge (PFC) revenues.

FY2023 vs FY2022 LAWA Operating Budget

(\$ Millions)	FY2022 Adopted Budget	FY2023 Proposed Budget	Increase/(Decrease)	
			\$	%
Revenues	\$1,313	\$1,731	\$418	32%
Expenses*	<u>(910)</u>	<u>(988)</u>	<u>78</u>	9%
Operating Income	\$403	\$743	\$340	84%
Net Debt Service**	<u>(254)</u>	<u>(345)</u>	<u>91</u>	36%
Remaining for Capital and Reserves	\$149	\$398	\$249	167%
LAX Debt Service Coverage***	1.8x	2.3x	0.5x	28%

* Including capitalizable Personnel Expenses.

** Net of Passenger Facility Charge (PFC) revenues.

*** Calculated in accordance with the LAX Bond Indentures

FY2023 LAWA Revenues

(\$ Millions)	Proposed Budget	% Total
Terminal Rents	\$734	42%
Landing and Apron Fees	355	21%
Other Airline Revenues	11	1%
Airline Revenues	\$1,100	64%
Land and Building Rents	\$219	13%
Terminal Concessions	131	8%
Parking	159	9%
Ground Transportation (incl TNCs)	43	2%
Rental Cars	74	4%
Other	5	0%
Non-Airline Revenues	\$631	36%
Total Revenues	\$1,731	100%

76%
Revenues are fixed rents or subject to full cost recovery from airlines

24%
are activity-driven

- ✓ Operating revenue forecast is 13%, or 192 million above the pre-pandemic level as measured by FY2019 actual results, driven by higher airline revenues.

Key Revenue Assumptions

- 64% of LAWA's revenues are driven by airline rates and charges, based on cost recovery formulas used to calculate terminal rates and landing and apron fees*.
- FY2023 airline common use and FIS rates include a \$35 million reduction, as part of the Airline Cost Stabilization and Recovery Plan mitigation.
- Non-aeronautical revenues increase by \$169 million, or 70%, compared to FY2022 Adopted Budget, driven by higher passenger traffic forecast and increased parking capacity, but are expected to be approximately \$100 million, or 19% below FY2019 actual results.

* Terminal rates and airfield fees are set annually based on eligible costs related to these areas and reconciled at the end of the year to ensure full recovery of the costs that are allocated to be paid by the airlines.

FY2023 Operating Expenses

(\$ Millions)	FY2023 Proposed Budget
Personnel Costs*	\$497.5
Non-Personnel Costs	<u>490.1</u>
Total Operating Expenses**	\$987.6

- Personnel Costs are \$24 million or 5% higher compared to FY2022 Adopted Budget.
 - Budgeted headcount is 3,584 full and part-time positions.
- Non-Personnel Costs increase by \$54 million or 12% higher compared to FY2022 Adopted Budget, due to increased operations, opening of the new facilities, inflationary pressures, and contractual increases.

* Include \$26 million Capitalizable Personnel Costs.

** Before Depreciation and Amortization.

Expense Risks and Mitigation

Budget Risk	Mitigation
Lower revenues due to lower passenger traffic	<ul style="list-style-type: none">• Operating expenses will be reduced.• Airline rates can be adjusted twice throughout the year and are subject to year-end settlement to achieve full cost recovery.• Federal relief grants will be used to offset non-airline revenue shortfalls.
Higher costs/Insufficient staffing and/or level of service due to faster traffic recovery	<ul style="list-style-type: none">• Budget and operations staffing levels will be monitored on a monthly basis and a mid-year adjustments may be made based on traffic and revenue performance.

- LAWA received all Coronavirus Aid, Relief and Economic Security Act grant funds in FY2021.
- Coronavirus Response and Relief Act grant funding is expected to be drawn upon in FY2022 to reimburse eligible operating expenses and debt service costs.
- American Rescue Plan Act funding is expected to be drawn down in FY2023.
- Grant revenues are accounted as non-operating revenues.

Requested Board Actions

- Adopt FY2022-23 Proposed Budget.
- Appropriate funding for operating expenses in the amount of \$987,577,000.
- Approve reimbursement of expenses incurred by various departments of the City of Los Angeles for services that provide direct benefit to Los Angeles World Airports.
- Appropriate \$34,680,000 for vehicle and equipment purchases, as well as capitalizable improvements.
- Approval of this item will appropriate funds in the amount of \$20,673,000 for Program Support to cover various service groups supporting the Capital Improvement Plan and authorize the charging of these costs to specific projects.
- Approval of this item will appropriate revolving funds in the amount of \$50,000,000 for preconstruction, planning, initial design and environmental clearance for proposed capital projects to be allocated to such projects and their WBS numbers as needed.
- Appropriate funds to pay principal, interest and financing costs of LAWA-issued debt payable in FY2022-23 in amounts not to exceed \$516,637,000.
- Authorize the use of up to \$170,884,000 Passenger Facility Charge collections to pay eligible debt service.
- Transmit required reports pursuant to Section 11.28.3 of the City of Los Angeles Administrative Code.

APPENDIX

LAX Enplanements Forecast

(in Millions)	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Projected	FY2023 Budget
Domestic	31.2	22.4	12.4	24.2	29.6
International	13.0	9.0	2.2	5.4	8.5
Total Enplanements*	44.2	31.4	14.6	29.6	38.1
YOY Change	-	-29%	-54%	+103%	+29%
vs. FY2019 Actual	-	-29%	-67%	-33%	-14%

* Enplanements, or enplaned passengers, are passengers boarding a plane at an airport, and are, on average, equal approximately 50% of total passengers using the airport. It is a common air traffic metric, used to estimate the airport unit cost and unit revenue and forecast passenger-driven revenues.