



Fiscal Year 2020-2021 Budget Development
Update #3

Los Angeles World Airports
Board of Airport Commissioners,
May 21, 2020

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.

LAWA Net Operating Revenues

(\$ in Millions)	FY2019 Actual	FY2020 Budget	FY2021 Prelim*	Increase/ (Decrease) vs. FY2020	
				\$	%
LAX Revenues	\$1,500	\$1,587	\$1,295	(\$292)	(18%)
VNY Revenues	21	23	21	(2)	(9%)
Skyview Revenues	15	15	14	(1)	(5%)
PMD Revenues	4	4	4	(0)	(2%)
Total Operating Revenues	\$1,539	\$1,629	\$1,334	(\$295)	(18%)
Operating Expenses**	(819)	(936)	(835)	(101)	(11%)
Net Operating Revenues	\$720	\$693	\$499	(\$194)	(28%)

* Preliminary, subject to change.

** Net of capitalized salaries & benefits. Excluding depreciation and amortization.

Budget numbers do not include \$323.6 million in CARES Act grant allocated to LAX , which will be accounted as non-operating revenues in FY2020 and FY2021, preliminarily estimated at \$131 million and \$192.6 million respectively.

LAX Net Revenues

(\$ in Millions)	FY2020 Budget	FY2021 Prelim*	Increase/ (Decrease) vs. FY2020	
			\$	%
Revenues	\$1,587	\$1,295	(\$292)	(18%)
Expenses**	(874)	(773)	(101)	(12%)
Interest Earnings and Other***	54	41	(13)	(24%)
Net Revenues****	\$767	\$563	(\$204)	(27%)
Less: Net Debt Service	281	339	58	21%
Estimated Debt Service Coverage	2.7x	1.7x	(1.1x)	(39%)
Net Remaining Revenues****	\$486	\$224	(\$262)	(54%)

* Preliminary, subject to change.

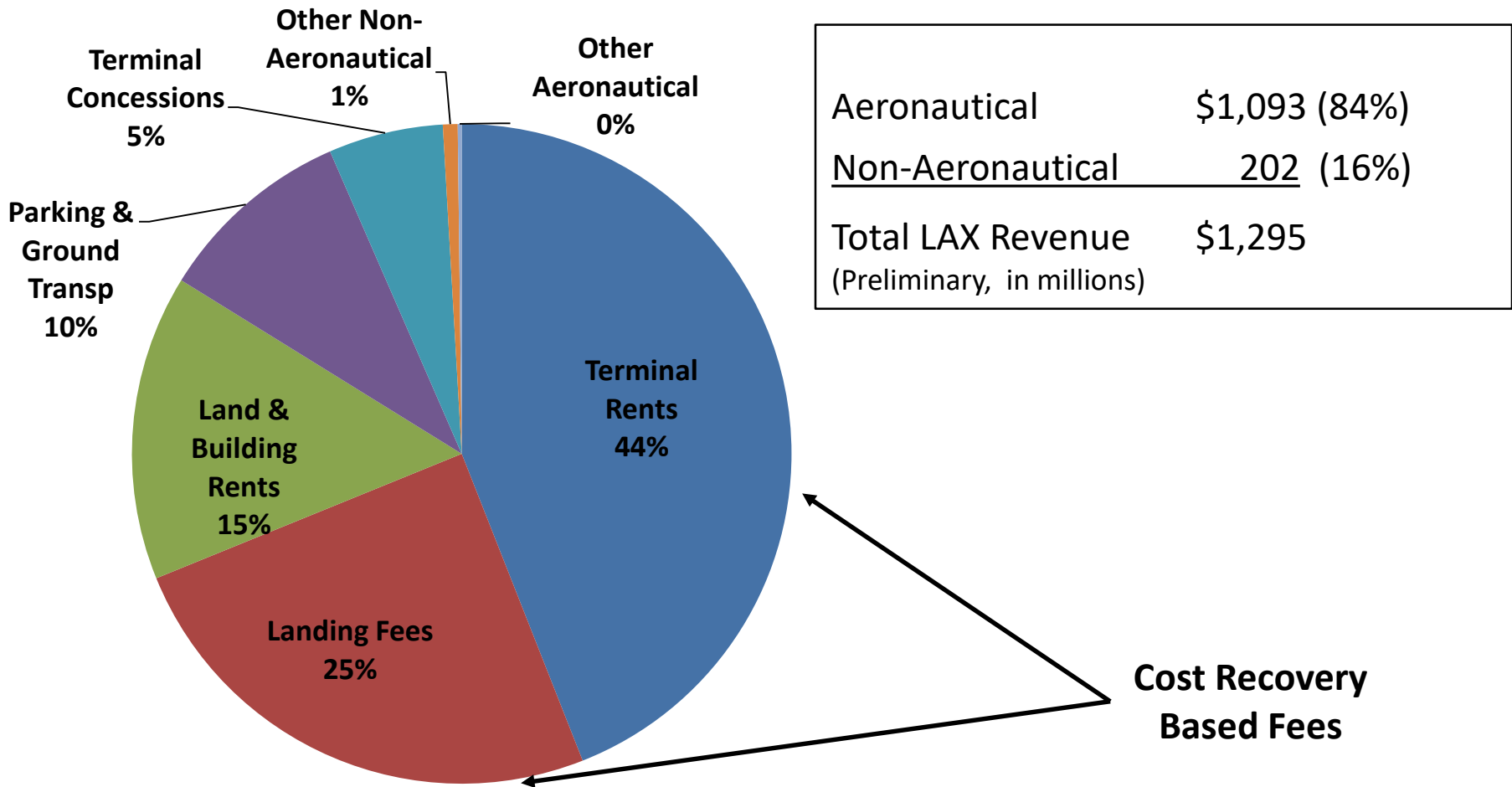
** Net of capitalized salaries & benefits. Excluding depreciation and amortization.

*** Other includes Build America Bond subsidy.

**** Not including CARES Act grant revenues.

LAX Operating Revenues

FY2021 Prelim. Budget - Operating Revenue Distribution



FY2020-21 LAX Preliminary Aeronautical Revenues

(\$ in Millions)	FY2019 Actual	FY2020 Budget	FY2021 Prelim*	Increase/ (Decrease) vs. FY2020	
				\$	%
Building Rents	\$573	\$624	\$668	\$44	7%
Land Rents	112	110	99	(11)	(10%)
Landing Fees	296	315	323	8	3%
Other Aeronautical	7	13	3	(10)	(77%)
Total Aeronautical Revenues	\$988	\$1,062	\$1,093	\$31	3%

* Preliminary, subject to change

- Terminal rent increases are primarily driven by opening of Midfield Satellite Concourse
- Landing fee revenues increase due to higher debt service for projects including MSC-Airside, T1 and Bradley West aprons

FY2020-21 LAX Preliminary Non-Aeronautical Revenues

(\$ in Millions)	FY2019 Actual	FY2020 Budget	FY2021 Prelim*	Increase/ (Decrease) vs. FY2020	
				\$	%
Parking and Ground Transportation	\$272	\$287	\$125	(\$162)	(56%)
Terminal Concessions	222	225	73	(152)	(68%)
Other Non-Aeronautical	7	7	4	(3)	(43%)
Total Non-Aeronautical Revenues	\$501	\$519	\$202	(\$317)	(61%)

* Preliminary, subject to change

- Parking and ground transportation revenues are expected to decrease due to projected traffic reductions.
- Terminal Concession revenues are forecasted based on:
 - percentages of concession sales and
 - an assumption that passenger spending will significantly decline, compared to pre-COVID-19 average statistics.

- **Personnel Costs:**

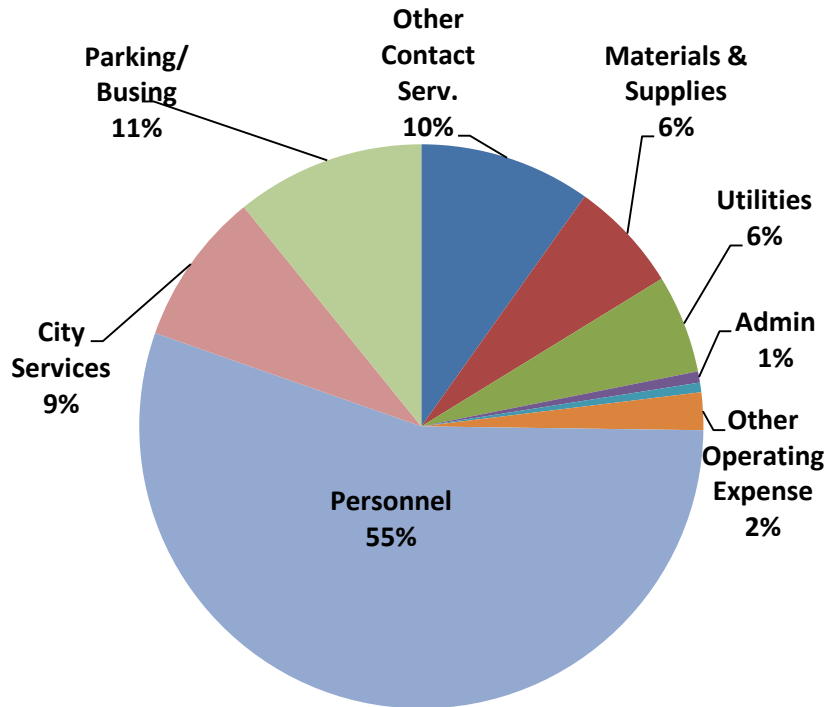
- Included additional savings based on City’s furlough plan (approximately \$21 million).
- Budget includes \$58 million in Personnel cost savings

- **Non-Personnel Costs:**

- Identified opportunities for reduction of City Services costs, discussion pending.
- FMUG has developed a plan to reduce LAX utilities costs by 20%.
- Launched a Recovery Task Force Workstream focused on cost savings.
- Achieved \$71 million of \$80 million Non-Personnel Savings Target

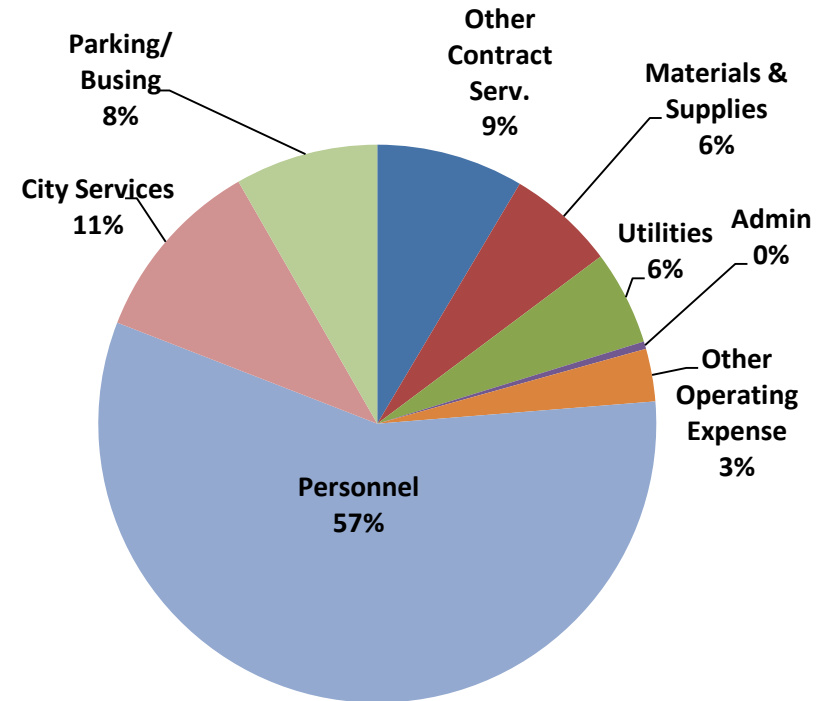
LAWA Operating Expense Components

FY2020 Budget



FY2020 Budget LAWA and City personnel costs - 64% of total

FY2021 Preliminary



FY2021 Preliminary LAWA and City personnel costs - 68% of total

FY2020-21 Preliminary Personnel Expenses

\$ in Thousands	Head count	FY2020 Budget	Savings	FY2021 Prelim*	Increase/ (Decrease) vs. FY2020	
					\$	%
Baseline Costs	3,763	507,391		535,845	28,454	6%
Hiring Freeze	3,619		(19,354)	516,491	9,100	2%
Overtime Reduction			(2,610)	513,881	6,490	1%
Separation Incentive Program – Savings**	3,269		(31,728)	482,153	(25,308)	(5%)
Separation Incentive Program – One-time cost			16,336	498,489	(8,902)	(2%)
Furlough	3,269		(20,525)	477,964	(29,427)	(6%)
Total Personnel Cost Savings			(\$57,881)			

* Preliminary, subject to change

** FY2022 SIP Savings are estimated at \$48 million

FY2020-21 LAWA Preliminary Operating Expenses

\$ in Thousands	FY2019 Actual	FY2020 Budget	FY2021 Prelim*	Increase/ (Decrease) vs. FY2020	
				\$	%
Personnel Costs	\$464,268	\$507,391	\$477,964	(\$29,427)	(6%)
Contractual Services	228,765	276,874	229,734	(47,140)	(17%)
Materials and Supplies	53,983	61,788	52,431	(9,357)	(15%)
Utilities	47,122	54,403	45,530	(8,873)	(16%)
Administrative	4,325	6,277	3,609	(2,668)	(43%)
Advertising and PR	3,983	5,714	2,279	(3,435)	(60%)
Other	16,690	22,975	23,167	192	1%
Total Non-Personnel Costs	\$354,868	\$428,031	\$356,750	(\$71,281)	(17%)
Total Operating Expenses	\$819,136	\$935,422	\$834,714	(\$100,708)	(11%)

* Preliminary, subject to change

- Actions to achieve additional savings:
 - Pending discussions on City Services
 - Reduction of telephone and miscellaneous utilities
 - Consolidated budget management of
 - On-call consulting services,
 - Travel,
 - Training,
 - Office supplies.

CARES Act Grant Funding Allocation

- Primary objective in allocating the CARES Act grant funding is to secure LAWA's near-term financial stability and to maintain LAX's access to capital markets:
 - Maintain sufficient operating cash on hand in FY20 and FY21
 - Achieve debt service coverage levels consistent with current ratings levels
 - Mitigate the losses of net remaining revenues, used to fund the ongoing CIP Projects
- To achieve this objective, grant funds will be used to offset costs previously paid by non-aeronautical revenues, such as concessionaire rents, parking, ground transportation, allowing LAWA to sustain acceptable levels of customer serving functions such as parking or passenger busing costs and support rent deferrals.
- To the extent the primary objective is achieved, grant funds will be allocated to mitigate increases to airport rates and fees caused by COVID related drops in aeronautical activities.
- Following these principles, approximately \$131 million in CARES Act grant will be drawn down in FY2020, and \$192.6 million will be used in FY2021.

- June
 - Incorporate BOAC feedback
 - Achieve additional budget savings
 - Present FY2020-21 Budget for adoption

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