



Fiscal Year 2024-2025 Proposed Budget

Los Angeles World Airports
Board of Airport Commissioners
June 13, 2024

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.

FY2025 LAWA Operating Budget

| (\$ Millions) | Proposed Budget |
|---|-----------------|
| Revenues | \$2,124 |
| Expenses* | (1,195) |
| Operating Income | \$929 |
| Net Debt Service** | (557) |
| Remaining for Capital and Reserves | \$372 |
| Key Financial Metrics | |
| Debt Service Coverage (DSC) | 1.8x |
| O&M Days Cash on Hand (DCOH) as of March 31, 2024 | 637 days |
| Airline Cost per Enplanement | \$32.52 |

- ✓ FY2025 budget meets all LAX Bond Indenture covenants.
- ✓ Operating income sufficient to cover debt service and fund a portion of FY2025 capital costs.
 - * Including \$34 million capitalizable Personnel Expenses.
 - ** Net of \$161.5 million Passenger Facility Charge (PFC) revenues.

FY2024 vs FY2023 LAWA Operating Budget

| (\$ Millions) | FY2024 Adopted Budget | FY2025 Proposed Budget | Increase/(Decrease) | |
|---|-----------------------------|------------------------------|---------------------|--------------|
| | | | \$ | % |
| Revenues | \$2,005 | \$2,124 | \$119 | 6% |
| Expenses* | <u>(1,076)</u> | <u>(1,195)</u> | <u>119</u> | 11% |
| Operating Income | \$929 | \$929 | \$0 | 0% |
| Net Debt Service** | <u>(424)</u> | <u>(557)</u> | <u>133</u> | 31% |
| Remaining for Capital and Reserves | \$505 | \$372 | (\$133) | (26%) |
| LAX Debt Service Coverage*** | 2.2x | 1.8x | (0.4x) | (18%) |

* Including capitalizable Personnel Expenses.

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

*** Calculated in accordance with the LAX Bond Indentures

FY2025 LAWA Revenues

| (\$ Millions) | Proposed Budget | % Total |
|-----------------------------------|-----------------|-------------|
| Terminal Rents | \$984 | 46% |
| Landing and Apron Fees | 385 | 18% |
| Other Airline Revenues | 18 | 1% |
| Airline Revenues | \$1,387 | 65% |
| Land and Building Rents | \$229 | 11% |
| Terminal Concessions | 185 | 9% |
| Parking | 160 | 7% |
| Rental Cars | 84 | 4% |
| Ground Transportation (incl TNCs) | 67 | 3% |
| Other | 12 | 1% |
| Non-Airline Revenues | \$737 | 35% |
| Total Revenues | \$2,124 | 100% |

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

24%
are activity-driven

- ✓ Operating revenue forecast is 38%, or \$586 million above the pre-pandemic level as measured by FY2019 actual results, driven by higher airline revenues.

Key Revenue Assumptions

- Aeronautical revenues are budgeted to increase by \$139 million, or 13%, compared to FY2024 Adopted Budget, driven by higher terminal and landing fee rates and charges.
 - 65% 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*.
- Non-aeronautical revenues are budgeted to increase by \$16 million, or 3%, compared to FY2024 Adopted Budget, largely driven by higher terminal concessions, but are expected to be approximately \$21 million, or 4% 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.

FY2025 Operating Expenses

| (\$ Millions) | Proposed Budget |
|-----------------------------------|------------------|
| Personnel Costs* | \$584.1 |
| Non-Personnel Costs | <u>611.3</u> |
| Total Operating Expenses** | \$1,195.4 |

- Personnel Costs are \$47 million or 8% higher compared to FY2024 Adopted Budget.
 - Budgeted headcount is 3,772 full and part-time positions.
- Non-Personnel Costs increased by \$72.4 million or 13% higher compared to FY2024 Adopted Budget, due to inflationary pressures, contractual increases and new initiatives.
 - Employee Engagement Expenses of \$12 million

* Include \$34 million Capitalizable Personnel Costs.

** Before Depreciation and Amortization.

FY2025 Staffing Plan vs. FY2019

| | FY2019 Actual | FY2025 Proposed Budget |
|--|------------------|---------------------------|
| Total Headcount | 3,642 | 3,772 |
| Key Security and Operational Positions: | | |
| Airport Police Officer I&II | 248 | 267 |
| Security Officer | 351 | 412 |
| Airport Superintendent of Operations I&II | 79 | 91 |
| Custodian | 480 | 561 |
| Electrician | 33 | 35 |
| Elevator Mechanic | 10 | 21 |
| Elevator Mechanic Helper | 12 | 16 |
| Equipment Operator | 14 | 16 |
| Heavy Duty Equipment Mechanic | 11 | 14 |
| Instrument Mechanics | 12 | 15 |
| Maintenance & Construction Helper | <u>14</u> | <u>22</u> |
| Subtotal: | 1,264 | 1,470 |

Cost Per Enplaned Passenger* – International Gateways Comparison

| | FY2019 Actual | FY2020 Actual | FY2021 Actual | FY2022 Actual | FY2023 Actual | FY2024 Forecast | FY2025 Forecast |
|-----|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
| LAX | \$16.52 | \$21.19 | \$41.86 | \$23.27 | \$26.94 | \$29.69 | \$32.52 |
| SFO | \$17.70 | \$24.01 | \$62.35 | \$35.42 | \$23.77 | \$21.06 | \$25.29 |
| ORD | \$18.35 | \$41.58 | \$29.77 | \$27.72 | \$29.03 | \$25.90 | \$25.32 |
| JFK | \$27.40 | \$59.29 | \$43.85 | \$34.04 | \$33.65 | N/A | N/A |
| EWR | \$26.39 | \$66.46 | \$46.92 | \$30.69 | \$30.60 | N/A | N/A |
| MIA | \$19.23 | \$21.74 | \$24.73 | \$19.44 | \$18.41 | \$17.39 | \$20.48 |

* 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.

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. |
| 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. |

Requested Board Actions

- Adopt FY2024-25 Proposed Budget.
- Appropriate funding for operating expenses in the amount of \$1,195,453,000.
- 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 \$65,000,000 for capital outlays, vehicle and equipment purchases.
- Appropriate funds in the amount of \$23,960,000 for Program Support to cover various service groups supporting the Capital Improvement Plan and authorize the charging of these costs to specific projects.
- 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 FY2024-25 in amounts not to exceed \$749,848,000.
- Authorize the use of up to \$161,500,000 Passenger Facility Charge collections to pay eligible debt service.
- Authorize to allocate funds to maintain the designated Maintenance Operations Reserve Funds at \$298,100,000.
- Transmit required reports pursuant to Section 11.28.3 of the City of Los Angeles Administrative Code.