



FY 2017 Proposed Budget

Houston Airport System

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2015 was another banner year for HAS

HAS continues to deliver on its mission to connect the people, businesses, cultures, and economies of the world to Houston.

EFD



June: EFD becomes nation's tenth licensed commercial spaceport, securing Houston's role as global center of space technology and innovation.

HOU



October: HOU's international terminal opens, giving Houston a second international gateway.

IAH



December: Air New Zealand (IAH's fifth new airline for the year) nonstop to Auckland in December 2015 makes IAH the only airport in the Americas (and one of only 5 worldwide) with service to all 6 inhabited continents.



2016 will see continued growth and service enhancements

HAS continues to focus on being an economic engine for the City while enhancing the passenger experience.

Spaceport Phase I development



MLIT design



New C-North concourse

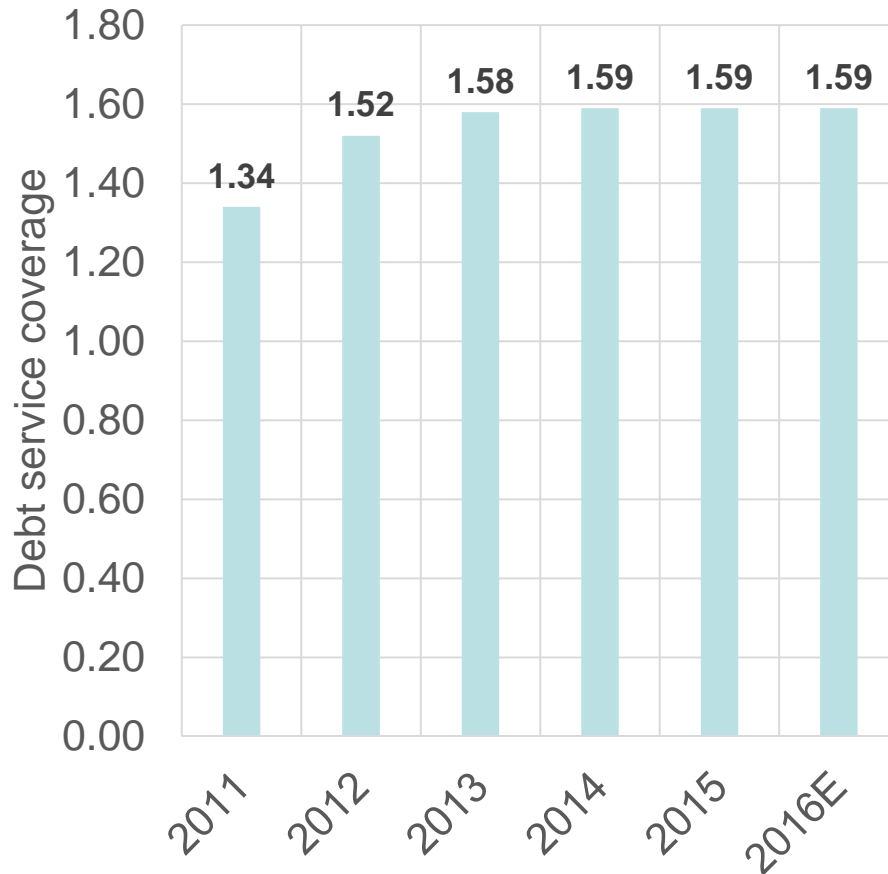


New website and mobile app



HAS continues to meet financial targets

Debt service coverage has increased since FY 2011, contributing to rating upgrades on Subordinate Lien debt by Moody's and S&P to A+-equivalent level ratings.



MOODY'S INVESTORS SERVICE

- Modest leverage compared with other international gateway airports
- Increased PFC authority
- Resilience of local economy in initial phases of oil downturn



STANDARD & POOR'S RATINGS SERVICES

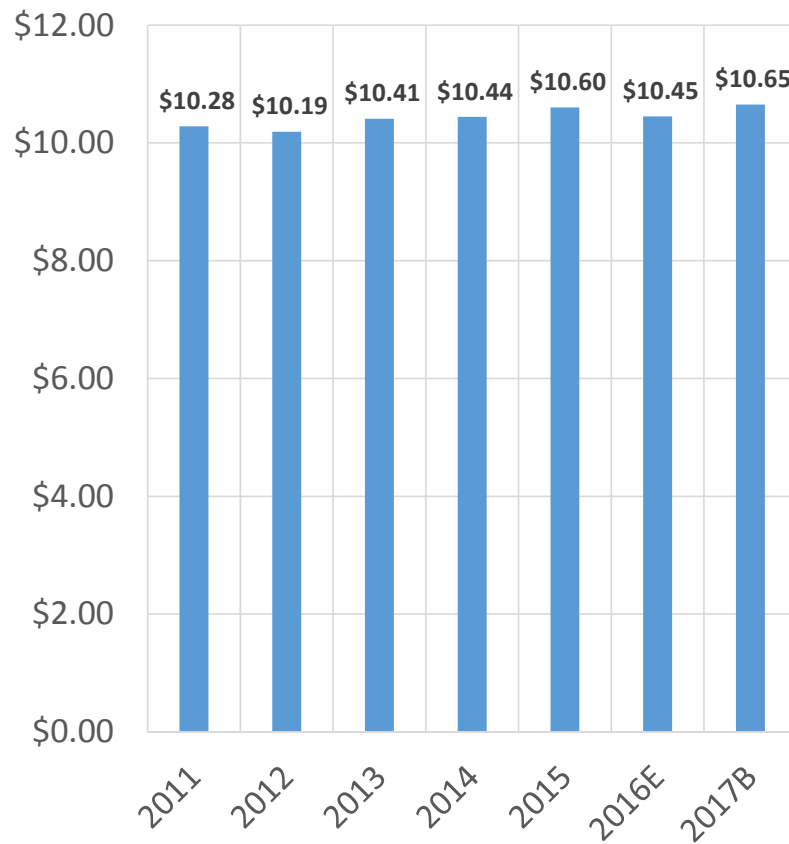
McGRAW HILL FINANCIAL

- Strong market position in large, growing, and diversifying service area
- Strong liquidity
- Management experience with capital program implementation

HAS has maintained a competitive airline cost structure

By containing growth in O&M expenses, HAS has supported expansion by existing and new-entrant airlines.

IAH

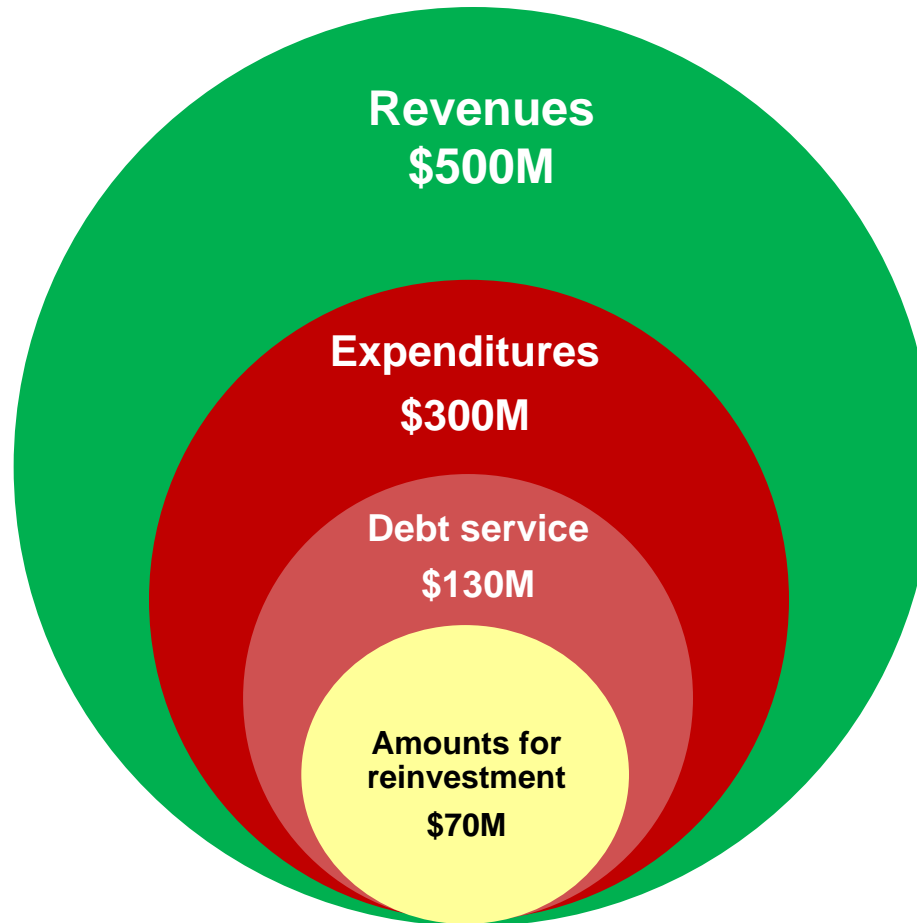


HOU



HAS's budget starts with revenues, not expenses

As an enterprise fund, HAS is fully self-sufficient, with no costs being funded by taxpayer dollars.



Note: Approximate sources and uses overview for FY 2016 from 2016 HAS Briefing Book. Debt service is net of Passenger Facility Charges (PFCs).

HAS is an economic engine for the City of Houston



✓ *235,000 jobs*

✓ *\$8.9 billion in wages*

✓ *\$27.6 billion in total economic impact*

HAS is at the heart of the nation's most diverse city

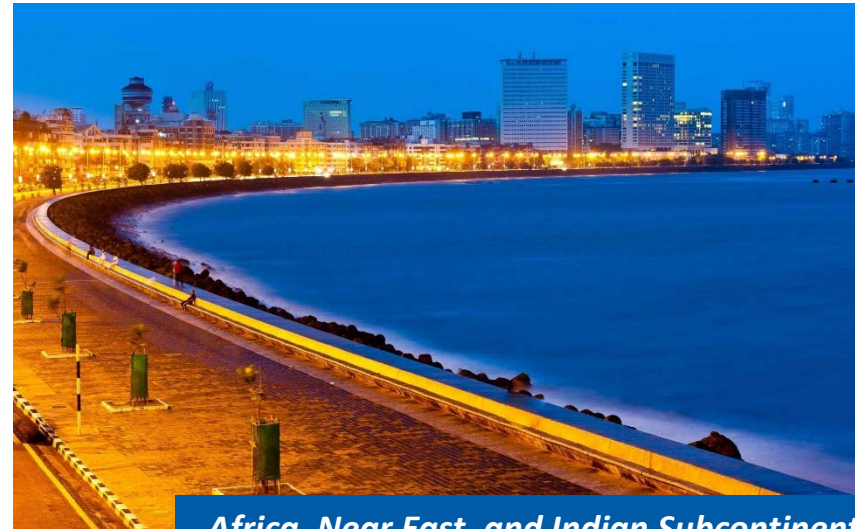
New international service adds more nonstop options and cheaper choices for Houston families to visit family and friends at all corners of the world.



Latin America: Second Americas gateway at HOU; new nonstops to Brazil and Chile; new competition to Mexico, Central America, and the Caribbean.



Asia: New nonstops to Japan, China, South Korea, and Taiwan; new convenient connections to Singapore, Vietnam, and Southeast Asia.



Africa, Near East, and Indian Subcontinent: New nonstops to Doha, Dubai, Istanbul, and Lagos; new convenient connections to India, Pakistan, and South Asia.

HAS's strategy and budget are consistent with Plan Houston

Sound fiscal, operational, and environmental management of one of the City's primary infrastructure assets connects Houston with the world and supports economic growth.

Spend wisely, Grow responsibly, and Protect and conserve our resources:

Long-term CIP developed based on needs identified by master plan and incorporates sustainable building design and other strategies; CIP meets financial targets.

FY17 initiatives:

*Asset management assessments
LED lighting replacement
ITRP design*

FY17 initiatives:

*Aviation Club (HISD)
Houston Area Construction
Education Collaborative (HACEC)
Hire Houston Youth
SpaceCom
Space Frontiers Lecture Series*

Champion learning:

Multiple programs to provide opportunities for developing local workforce, businesses, and youth; job training and development opportunities for HAS staff

Connect people and places:

Nonstop service to 190 destinations on all 6 inhabited continents connect Houston businesses and families with the world; improved ground transportation links to major activity centers in the City

FY17 initiatives:

*Air service development
Carrier incentive program
Scheduled bus service study*

FY17 initiatives:

*New C-North (CIP)
CBP 560
CoH program-based budgeting
HAS dedicated permitting office*

Partner with others, public and private:

Private contributions to capital improvements and operations at all airports; concession operations run with private-sector expertise; close coordination with federal, state, and local agencies



HAS heeded Administration's call for shared sacrifice

HAS categorized its budget into commitments and opportunities, allowing management to assess operational and passenger impact of budget line-item reductions.

	Amount	Share	Description or example
Commitments			
Personnel	\$114.6	35.3%	1,275 positions with headcount freeze
Contractual and other	147.4	45.4%	Basic service contracts for Skyway
Subtotal commitments	\$262.0	80.7%	
Opportunities (by risk to passenger service levels or revenue realization)			
High risk	\$11.1	3.4%	CBP 560 program, ads for new parking
Medium risk	34.9	10.8%	Valet parking, JOC program
Low risk	16.5	5.1%	Travel expenses, furniture
Subtotal opportunities	\$62.5	19.3%	
Initial internal budget submission	\$324.5	100.0%	

Note: Dollar amounts are in millions

HAS's FY 2017 budget is a 1% reduction versus FY 2016

HAS categorized its budget into commitments and opportunities, allowing management to assess operational and passenger impact of budget line-item reductions.

Fund	FY16 original budget	FY17 proposed budget	Change	Percent change
Revenues				
Revenue Fund (8001)	\$501.7	\$501.7	\$0.0	0.0%
Expenses				
Revenue Fund (8001)	\$301.8	\$309.7	\$7.9	2.6%
Capital Outlay Fund (8012)	\$21.4	\$10.6	-\$10.8	-50.5%
Total	\$323.2	\$320.3	-\$2.9	-0.9%
Net revenues before debt service and other transfers	\$178.5	\$181.4	\$2.9	1.6%

Note 1: Revenues for the Capital Outlay Fund, Fund 8012, are transfers from the Revenue Fund, Fund 8001

Note 2: The expenditure budget excludes debt service and transfers that, when summed with M & O expenses, cause Fund 8001 to have a balance of zero

Note 3: Dollar amounts are in millions

HAS's revenue budget assumes some effects from slowdown

Overall, HAS's proposed revenue budget is flat, with an increase in parking concession revenue offset by decreases in terminal and rental car concessions.

Fund	FY16 original budget	FY17 proposed budget	Change	Percent change
Airline revenues				
Landing fees	\$93.0	\$90.8	-\$2.2	-2.4%
Terminal rentals and use fees	186.8	187.1	\$0.3	0.2%
Nonairline revenues				
Parking and ground transportation	\$110.5	\$117.7	\$7.2	6.5%
Terminal concessions	42.7	37.1	-5.6	-13.1%
Rental car concessions	33.4	30.4	-3.0	-9.0%
Other	35.3	38.6	3.3	9.3%
Total revenues	\$501.7	\$501.7	\$0.0	0.0%

Note: Dollar amounts are in millions

HAS's expenditure budget is objective-driven

Increases attributable to passenger service initiatives, benefit costs, and public safety interfund charges are being funded with vehicle fleet reevaluation and overtime reduction.

Fund	FY16 original budget	FY17 proposed budget	Change	Percent change
Revenue Fund (8001)				
Personnel	\$111.9	\$114.6	\$2.7	2.4%
Supplies	10.0	9.6	-0.4	-4.0%
Services	177.3	183.3	6.0	3.4%
Noncapital outlay	2.6	2.2	-0.4	-15.4%
Capital Outlay Fund (8012)				
Equipment and other	\$5.7	\$2.0	-\$3.7	-64.9%
Vehicles	15.7	8.6	-7.1	-45.2%
Total O&M expenses	\$323.2	\$320.3	-\$2.9	-0.9%

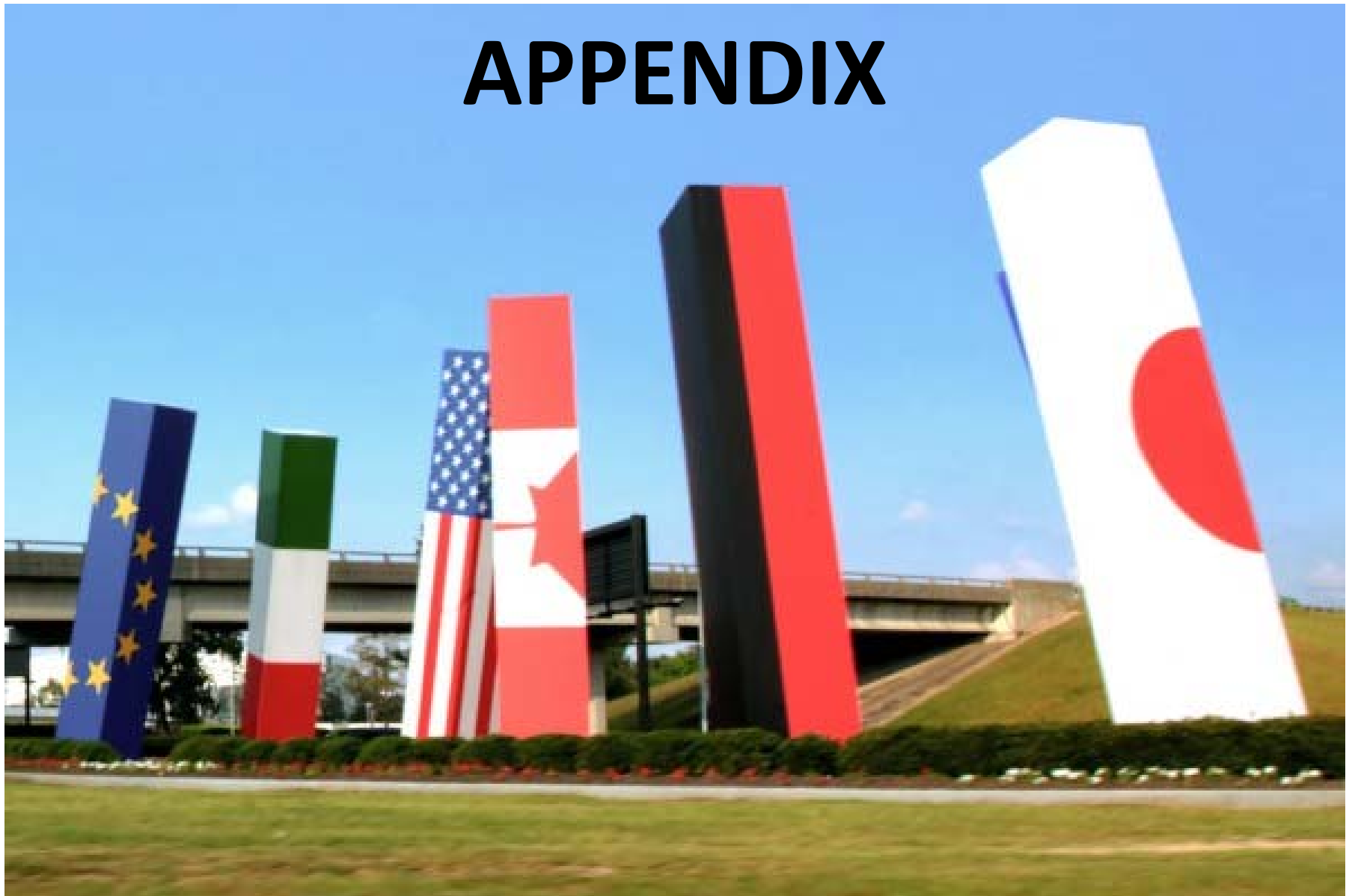
Note1: Dollar amounts are in millions Note 2: Excludes debt service and other transfers

HAS's expenditure budget is objective-driven

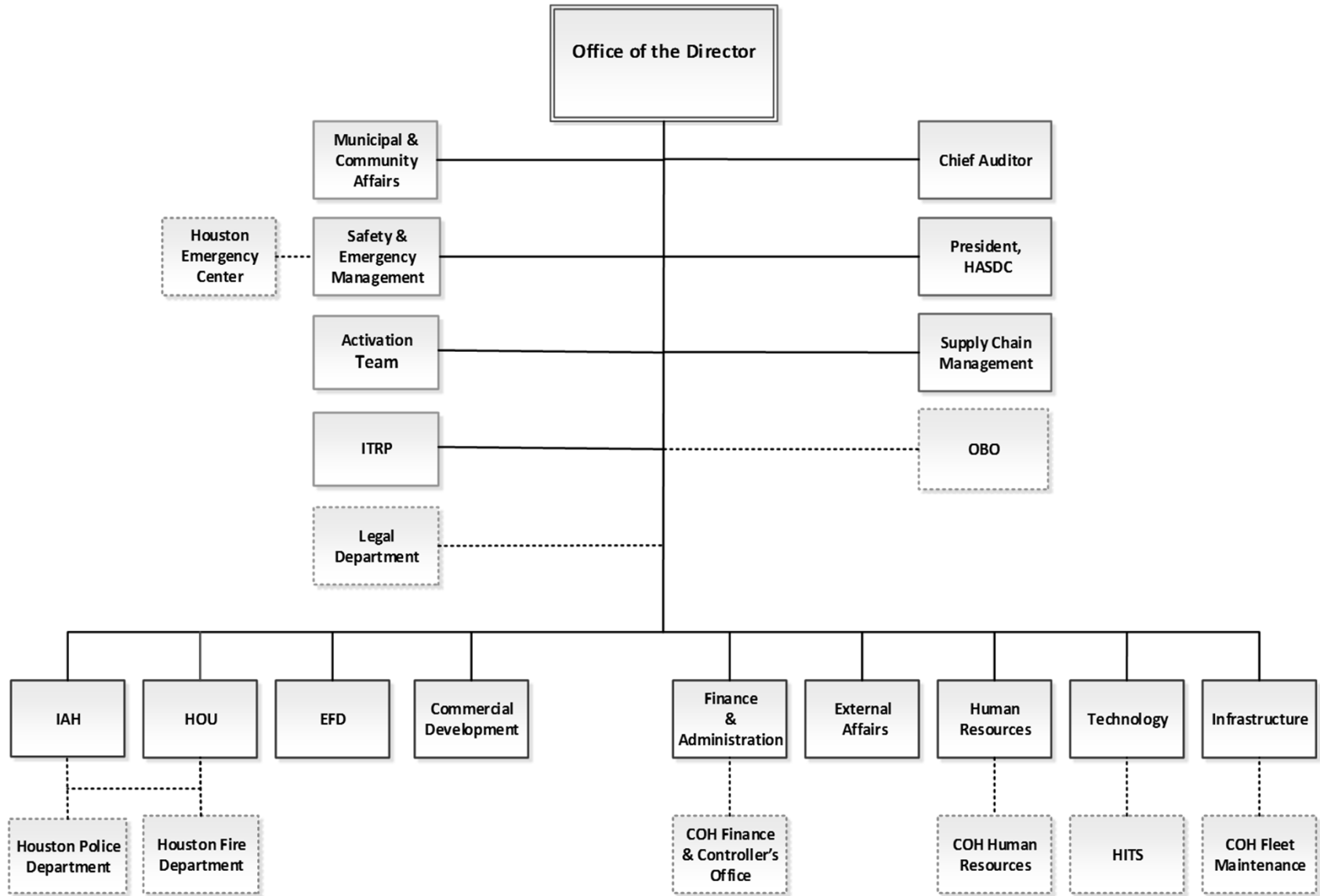
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Line item	Amount	Line item	Amount
Revenue Fund (8001)	\$301.8	Hire Houston Youth initiative	0.3
Capital Outlay Fund (8012)	21.4	Facility maintenance contracts	0.3
Total FY16 Budget	\$323.2		
Contractual or mandated increases		Cost savings	
HOPE, Pension & Health increases w/fringe	5.9	Vehicle fleet reevaluation	(10.8)
Parking Services (mostly ecopark 2 at IAH and new garage at HOU)	3.6	HOU beautification completed FY16	(2.7)
ARFF (Interfund)	1.5	Advertising related to new airlines	(1.2)
HPD (Interfund)	1.3	Overtime reductions	(1.0)
Paint Terminal A	1.0	JOC program reduction	(1.0)
Smarte Carte use in FIS (rate increase)	0.7	Education & training, travel	(0.8)
AMAC Sponsorship	0.6	Management consulting	(0.6)
Note: Dollar amounts are in millions		FY17 Proposed Budget	\$320.3

APPENDIX



HAS Organization Chart



IAH FY 2017 Performance Metrics

Measures	FY15 Actual	FY16 Budget	FY16 Estimates	FY17 Budget
Airline Cost Per Enplaned Passenger (CPE) for IAH	\$10.60	\$10.75	\$10.45	\$10.65
Passengers clearing Customs & Border Protection (CBP) within 30 minutes for IAH	N/A	80%	80%	80%
Passengers clearing TSA within 12 minutes (IAH)	N/A	95%	95%	95%

HOU FY 2017 Performance Metrics

Measures	FY15 Actual	FY16 Budget	FY16 Estimates	FY17 Budget
Airline Cost Per Enplaned Passenger (CPE) for HOU	\$6.44	\$6.64	\$6.54	\$7.02
Passengers clearing Customs & Border Protection (CBP) within 30 minutes for HOU	N/A	80%	95%	90%
Passengers clearing TSA within 12 minutes (HOU)	N/A	95%	99%	95%