

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

FINANCE & AUDIT COMMITTEE AGENDA – SPECIAL MEETING



NOVEMBER 19, 2021 AT 9:30 A.M.

Ontario International Airport Authority Administration Offices
1923 East Avion Street, Room 100, Ontario, CA 91761

STANDING COMMITTEE MEMBERS

ALAN D. WAPNER
Chair

RONALD O. LOVERIDGE
Member

WELCOME TO THE MEETING OF FINANCE & AUDIT COMMITTEE

- All documents for public review are on file at the Ontario International Airport Administration Offices located at 1923 E. Avion Street, Ontario, CA 91761.
- Anyone wishing to speak during public comment or on an item will be required to fill out a blue slip. Blue slips must be turned in prior to public comment, beginning or before an agenda item is taken up. The Secretary/Assistant Secretary will not accept blue slips after that time.
- You may submit public comments by e-mail to publiccomment@flyontario.com no later than 4:00 p.m. the day before the meeting. Please identify the Agenda item you wish to address in your comments. All e-mail comments will be included in the meeting record.
- Comments will be limited to 3 minutes. Speakers will be alerted when they have 1-minute remaining and when their time is up. Speakers are then to return to their seats and no further comments will be permitted.
- In accordance with State Law, remarks during public comment are to be limited to subjects within the Authority's jurisdiction. Remarks on other agenda items will be limited to those items.

Remarks from those seated or standing in the back of the board room will not be permitted. All those wishing to speak, including Committee Member and Staff, need to be recognized by the Committee Chair before speaking.

Sign language interpreters, communication access real-time transcription, assistive listening devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended.

1. CALL TO ORDER

2. ROLL CALL

Wapner (Chair), Loveridge (Member)

3. PUBLIC COMMENTS

The Public Comment portion of the Committee meeting is limited to a maximum of 3 minutes for each Public Comment. Under provisions of the Brown Act, the Committee is prohibited from taking action on oral requests.

4. COMMITTEE AGENDA REVIEW/ANNOUNCEMENTS

Staff will go over all updated materials and correspondence received after the Agenda was distributed to ensure Committee Members have received them.

5. CONFLICT OF INTEREST

Agenda item contractors, subcontractors and agents may require member abstentions due to conflict of interests and financial interests. Committee Member abstentions shall be stated under this item for recordation on the appropriate item.

6. CLOSED SESSION PUBLIC COMMENT

The Closed Session Public Comment portion of the Committee meeting is limited to a maximum of 3 minutes for each Public Comment. Under provisions of the Brown Act, the Committee is prohibited from taking action on oral requests.

7. CLOSED SESSION

GC § 65956.9 CONFERENCE WITH LEGAL COUNSEL

Government Claim (1)

8. REPORT ON CLOSED SESSION

General Counsel

9. COMMITTEE DISCUSSION ITEMS

A. ONTARIO INTERNATIONAL AIRPORT AUTHORITY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Review and recommend to the Commission for approval.

B. FISCAL YEAR 2021-22 BUDGET UPDATE AND QUARTERLY FINANCIAL STATEMENTS FOR THREE MONTHS ENDING SEPTEMBER 30, 2021

Review and recommend to the Commission for approval.

10. COMMITTEE STAFF UPDATES

11. COMMITTEE MEMBER COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Alan D. Wapner, Chair

Ronald Loveridge, Member

12. ADJOURNMENT



DATE: NOVEMBER 19, 2021

TO: FINANCE & AUDIT COMMITTEE

SUBJECT: AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

RELEVANT STRATEGIC OBJECTIVE: Maintain Financial Accountability, Transparency and Compliance with Laws and Regulations.

RECOMMENDED ACTION(S): That the Finance & Audit Committee review and recommend to the Commission to approve the Audited Financial Statements for the fiscal year ended June 30, 2021.

FISCAL IMPACT AND SOURCE OF FUNDS: N/A

BACKGROUND: The Joint Exercise of Powers Agreement of August 21, 2012 created the Ontario International Airport Authority (OIAA) and established the bylaws under which the OIAA would operate and be governed. *Section 9. Accounts and Reports* states that management “shall contract with an independent certified public accountant or firm of certified public accountants to make an annual audit of the accounts and records of the Authority, and a complete written report of such audit shall be filed as public records annually, within six (6) months after the conclusion of the Fiscal Year under examination, with each member of the Commission, the City Clerk of Ontario and the San Bernardino Board of Supervisors.”

The authority is also obligated to provide annual audited financial statements to satisfy certain compliance requirements as stated in our bond indenture, operating certificate and other laws and regulation. Annual reports containing the audited financial statements or elements thereof are filed with the FAA, Municipal Securities Rulemaking Board, State Controller’s Office, and other interested parties

CEQA COMPLIANCE: N/A

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: N/A

SCHEDULE: N/A

EXHIBITS & ATTACHMENTS: Attachment A: Ontario International Airport Authority Audited Financial Statements for the Fiscal Year Ended June 30, 2021.

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be

reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday, although these hours and review procedures may be modified due to COVID-19 precautions. In that case, the documents may be requested by email at clerk@fyontario.com.

This Agenda Report has been reviewed by OIAA General Counsel. |



DATE: NOVEMBER 19, 2021

TO: FINANCE & AUDIT COMMITTEE

SUBJECT: FISCAL YEAR 2021-22 BUDGET UPDATE AND QUARTERLY FINANCIAL STATEMENTS FOR THREE MONTHS ENDING SEPTEMBER 30, 2021

RELEVANT STRATEGIC OBJECTIVE: Reduce Airline Costs; Maintain Financial Accountability and Stability to Support Airport Operations.

RECOMMENDED ACTION(S): That the Finance & Audit Committee review and recommend to the Commission to (1) receive and file Financial Statements for the three months ending September 30, 2021; and (2) approve budget adjustments for FY 2021-22.

FISCAL IMPACT SUMMARY: The OIAA's increase in net position exceeded the budget by \$6.3M, driven largely by higher-than-expected cargo and passenger carrier activity. This activity resulted in an operating revenue budget favorable variance of \$3.8M (18.8%). In addition, the operating expense budget reflects a favorable variance of \$1.7M (9.3%) because of conservative expenditure policies and service levels in the terminals corresponding with passenger activity levels. The position changes as described below are estimated to increase total personnel costs for the balance of the fiscal year ending June 30, 2022 by \$101K and by \$194K annually.

BACKGROUND: Aviation Activity and Financial Statements: In June 2021, the OIAA Board of Commissioners adopted budgets that were based on a continued conservative approach to mitigate the impacts of the continued lower levels in aviation activity because of the COVID-19 pandemic. As passenger carrier activity has increased, OIAA has started to resume pre-pandemic service levels, which includes filling vacant staff positions, increasing public safety resources and resuming pre-pandemic initiatives. The attached financial statements reflect these industry and economic conditions, as well as the OIAA's efforts to respond to those conditions.

Aviation Activity: Aviation activity is measured predominately as a function of commercial enplanements and landed weights as these activities act as direct and indirect drivers of most operating revenues for the Airport.

Enplanements are a measurement exclusive to passenger carriers, and directly and indirectly impact all concession revenues, passenger facility charge revenues, and customer facility charge revenues. Enplanements for the three months ended September 30, 2021 totaled 700K, which exceeded the budgeted amount of 478K by 222K (46.4%). Enplanements for the three months ended September 30, 2021 were also 416K (146.4%) higher than the same period in the prior fiscal year.

Landed weights (in thousand-pound units) for the three months ended September 30, 2021 totaled 2.0M, which exceeded the budgeted amount of 1.7M by 287K (16.7%). Landed weights for the three months ended September 30, 2021 were also 322K (19.1%) higher than the same period in the prior fiscal year. The increase in landed weights over budget and over the same period in the prior fiscal year was primarily due to passenger landed weights exceeding budget by 263K (53.0%) and increasing by 300K (65.4%) over the same period in the prior fiscal year. Cargo landed weights exceeded budget by 24K (2.0%) and were also 23K (1.8%) higher than the same period in the prior fiscal year.

Financial Results for the Three Months Ended September 30, 2021

Operating Revenues: Operating revenues exceed budget by \$3.8M (18.8%) with favorable variances in all aeronautical and nonaeronautical revenues, except operating grant revenues.

Aeronautical revenues exceeded budget by \$1.1M (10.7%), primarily because of higher landing fees, facilities rent, land rent, and airline fees. Higher-than-expected landed weights resulted in landing fee revenues exceeding budget by \$545K (18.6%). Facilities rent exceeded budget by \$232K (5.8%), which was driven by the addition of one new non-signatory airline, Hawaiian Airlines, and rent recoveries. Land rent exceeded budget by \$116K (3.5%), which was driven by the new Federal Express facility and rent recoveries. Airline fees exceeded budget by \$254K (53.0%), which was primarily the result of recoveries experienced in passenger and cargo operations.

Nonaeronautical revenues exceeded budget by \$2.6M (28.1%), which was driven by higher than planned passenger carrier activities. Non-terminal rents exceeded budget by \$70K (11.6%). Total concession revenue of \$10.8M exceeded budget by \$4.3M (65.3%). Concession revenue favorable variances included parking of \$2.9M (69.0%), rental cars of \$917K (59.2%), food and beverage of \$160K (86.0%), gift and news of \$184K (63.6%), and other concessions of \$135K (38.3%).

Operating Expenses: Total operating expenses of \$16.8M were favorable to the budget by \$1.7M (9.3%). There were favorable variances in all operating expense categories except for telecommunications and utilities. Insurance and administration were flat compared to budget. Favorable operating expense variances include personnel of \$290K (12.2%), public safety of \$376K (7.2%), contractual services of \$670K (9.7%), materials and supplies of \$209K (47.7%), and other operating expenses of \$353K (20.5%). Telecommunications and utilities experienced an unfavorable variance of \$170K (11.8%).

Nonoperating Revenues and Expenses: Net nonoperating revenues exceeded budget by \$728K (44.7%), which was primarily a result of higher than planned passenger carrier activities. Net nonoperating revenue favorable variances included passenger facility charge revenues of \$852K (45.8%) and customer facility charge revenues of 58K (7.8%). The favorable variances in net nonoperating revenues were partially offset by lower net investment income of \$212K (87.9%). Lower investment income was associated with unrealized losses from the OIAA's investment in the California Local Agency Investment Fund (LAIF). Unrealized gains and losses are attributable to temporary changes in market conditions, primarily interest rates.

STAFFING IMPACT (# OF POSITIONS): OIAA management submitted an operating budget for OIAA's fiscal year ended June 30, 2022, which was authorized by the OIAA Board of Commissioners on

June 15, 2021. This adopted budget included authorized positions and related compensation amounts. Management is seeking authorization to add an additional full-time position and to establish one new full-time position. The additional cost for the balance of the fiscal year is estimated to be \$101K, as well as offset by an expected reduction in professional services.

Public Safety Supervisor: This is a new position with the Public Safety Department where a substantial number of new projects in other Departments that have been approved or are in various stages of planning require public safety oversight. This position will also provide oversight and updated continuous training to the OIAA contracted security contractor assigned to access control and vehicle inspection procedures, support ONT Film Desk and construction projects as point of contact on all security related issues. Including point of contact and subject matter expert and oversight on curbside management and enforcement activities. In addition to operational efficiencies recognized from this position, it is also intended to reduce a significant portion of security consulting fees. The annual salary range for this position is \$78,610-\$114,705. The estimated cost for this change for the balance of the fiscal year is \$68K, which is estimated to be offset by an expected reduction in professional services by approximately \$54K.

Document Management Specialist: This is an existing position in the Clerk's Office that is currently filled and budgeted as part-time. This request is to add an additional full-time Document Management Specialist, resulting in 1.5 full-time equivalent (FTE) employees. The new full-time position will provide additional assistance with workload related to records management and agenda preparation for Commission and Committee meetings. The hourly salary range for this position is \$23.25 - \$29.90 per hour. The estimated cost for this change for the balance of the fiscal year is \$33K.

PROCUREMENT: N/A

CEQA COMPLIANCE AND LAND USE APPROVALS: N/A

IMPACT ON OPERATIONS: The financial results provide additional resources for the OIAA to respond to increased passenger carrier activity.

SCHEDULE: N/A

ATTACHMENTS: Attachment A: OIAA Financial Statements for the Three Months Ended September 30, 2021

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