

# ONTARIO INTERNATIONAL AIRPORT AUTHORITY

## FINANCE & AUDIT COMMITTEE

### SPECIAL MEETING AGENDA



**FEBRUARY 15, 2022 AT 4:00 P.M.**

**MEETING WILL BE HELD VIA LIVE STREAM AND TELECONFERENCE**

#### STANDING COMMITTEE MEMBERS

**ALAN D. WAPNER**  
Chair

**RONALD O. LOVERIDGE**  
Member

Pursuant to Assembly Bill No. 361, the Ontario International Airport Authority (OIAA) Committee Meeting is being conducted via Zoom and teleconference. Members of the public may utilize alternative measures established by OIAA to view the committee meetings and/or to address the Committee members. Please see participation instructions below.

**Link to the February 15, 2022, Finance & Audit Committee Meeting\*:** <https://us02web.zoom.us/j/87499875959>

**To dial in, call either:** US: +1 669 900 6833 or +1 346 248 7799 or +1 253 215 8782

**WEBINAR ID:** 874 9987 5959

\*Zoom may require you to enter a response for name and email. To remain anonymous, you may use Attendee and attendee@flyontario.com to bypass this Zoom feature.

#### ANY MEMBERS OF THE PUBLIC WISHING TO PROVIDE PUBLIC COMMENT MAY DO SO AS FOLLOWS:

**LIVE VIA TELEPHONE:** You may call (909) 403-1131 the day of the meeting starting at 3:50 p.m. to speak live during the public comment portion of the committee meeting. You will be asked to identify the Agenda item you wish to address and be placed on hold until the public comment portion of the meeting. Comments are limited to 3 minutes.

**E-MAIL:** You may submit public comments by e-mail to publiccomment@flyontario.com no later than 2:00 p.m. the day of the meeting. Please identify the Agenda item you wish to address in your comments. All e-mail comments will be included in the committee meeting record.

**VOICEMAIL:** You may record public comments at (909) 544-5307 no later than 2:00 p.m. the day of the meeting. Please identify the Agenda item you wish to address in your comments. Recorded comments are limited to 3 minutes. All voicemail comments will be included in the committee meeting record.

**MAIL:** You may mail in public comments to the OIAA Clerk's Office at 1923 E. Avion St., Ontario, CA 91761. Comments by mail must be received no later than 12:00 p.m. the day before the committee meeting. Postmarks are not accepted.

Any members of the public who require special assistance or a reasonable accommodation to participate telephonically in the standing committee meeting may contact the Board Clerk at 909-544-5307 or clerk@flyontario.com. 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. **CONSENT CALENDAR**

**A. MINUTES**

Approve minutes of the Finance & Audit Committee special meetings on October 26, 2021 and November 19, 2021.

6. **COMMITTEE DISCUSSION ITEMS**

**A. INVESTMENT REPORT FOR THE SIX MONTHS ENDED DECEMBER 31, 2021**

That the Finance & Audit Committee recommend to the Commission to receive and file the Investment Report for the six months ended December 31, 2021.

**B. FISCAL YEAR 2021-2022 QUARTERLY FINANCIAL STATEMENTS FOR SIX MONTHS ENDED DECEMBER 31, 2021**

That the Finance & Audit Committee recommend to the Commission to receive and file Financial Statements for the six months ended December 31, 2021.

**C. FISCAL YEAR 2021-2022 PROPOSED OPERATING BUDGET AMENDMENTS**

That the Finance & Audit Committee recommend to the Commission to approve the amended Operating Budget for Fiscal Year Ending June 30, 2022, including the landing fee and terminal rental rates.

**D. FISCAL YEAR 2021-2022 PROPOSED CAPITAL BUDGET AMENDMENTS**

That the Finance & Audit Committee recommend to the Commission to approve the amended Capital Budget for Fiscal Year Ending June 30, 2022, including the landing fee and terminal rental rates.

7. **COMMITTEE STAFF UPDATES**

8. **COMMITTEE MEMBER COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS**

Alan D. Wapner, Chair

Ronald O. Loveridge, Member

9. **ADJOURNMENT**

**ONTARIO INTERNATIONAL AIRPORT AUTHORITY  
FINANCE & AUDIT SPECIAL COMMITTEE MEETING  
MINUTES  
November 19, 2021  
(not official until approved)**

A special meeting of the Finance & Audit Committee was held on November 19, 2021, at 1923 E. Avion Street, Room 100, Ontario, California.

Notice of said meeting was duly given in the time and manner prescribed by law.

**1. CALL TO ORDER**

Chair Wapner called the Finance & Audit Committee meeting to order at 9:30 a.m.

**2. ROLL CALL**

PRESENT: Commissioners: Ronald O. Loveridge, Member  
Alan D. Wapner, Chair

ABSENT: Commissioners: None

Also present were: Deputy Chief Executive Officer Atif J. Elkadi, Chief Financial Officer John M. Schubert, Assistant General Counsel Kevin Sullivan, and Board Clerk Natalie Gonzaga.

**3. PUBLIC COMMENT**

Members of the public wishing to provide public comment were able to do so via email comments to [publiccomment@flyontario.com](mailto:publiccomment@flyontario.com) or in-person at the meeting.

There were no public comments.

**4. COMMITTEE AGENDA REVIEW/ANNOUNCEMENT**

No announcements were made.

**5. CONFLICT OF INTEREST**

No conflicts were announced.

**6. CLOSED SESSION PUBLIC COMMENT**

There were no closed session public comments.

**7. CLOSED SESSION**

The special Committee meeting adjourned into closed session at 9:31 a.m.

**GC § 65956.9 CONFERENCE WITH LEGAL COUNSEL**  
Government Claim (1)

The meeting was reconvened in open session at 9:59 a.m.

**8. REPORT ON CLOSED SESSION**

Assistant General Counsel Sullivan announced there was no reportable action.

**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.

Kirk Hamblin, LSL, CPAs, provided a presentation on the audited financial statements for FY 2020-21, that received an unmodified opinion and were materially correct. Committee members asked questions related to the audit, including how a virtual audit is conducted. Discussion ensued between Committee members and Staff. The Finance & Audit Committee recommended for approval to the Commission.

**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.

Deputy CEO Elkadi provided a presentation on this item. Committee members asked questions of staff regarding airport financials, and inquired about the addition of two positions, Public Safety Supervisor and Document Management Specialist. The Finance & Audit Committee recommended for approval to the Commission.

**10. COMMITTEE STAFF UPDATES**

Chief Financial Officer John Schubert discussed the status of the upcoming internal audit process.

**11. COMMITTEE MEMBER COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS**

Chair Wapner had no further comments.

Member Loveridge had no further comments.

**12. ADJOURNMENT**

Chair Wapner adjourned the Finance & Audit Committee meeting at 10:36 a.m.

RESPECTFULLY SUBMITTED:

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NATALIE GONZAGA, BOARD CLERK

APPROVED:

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ALAN D. WAPNER, CHAIR

**ONTARIO INTERNATIONAL AIRPORT AUTHORITY  
FINANCE & AUDIT SPECIAL COMMITTEE MEETING  
MINUTES  
October 26, 2021  
(not official until approved)**

A special meeting of the Finance & Audit Committee was held on October 26, 2021, at 1923 E. Avion Street, Room 100, Ontario, California.

Notice of said meeting was duly given in the time and manner prescribed by law.

**1. CALL TO ORDER**

Chair Wapner called the Finance & Audit Committee meeting to order at 3:00 p.m.

**2. ROLL CALL**

PRESENT: Commissioners: Ronald O. Loveridge, Member  
Alan D. Wapner, Chair

ABSENT: Commissioners: None

Also present were: Deputy Chief Executive Officer Atif J. Elkadi, Chief Financial Officer John M. Schubert, General Counsel Lori Balance (via teleconference), and Board Clerk Natalie Gonzaga.

**3. PUBLIC COMMENT**

Members of the public wishing to provide public comment were able to do so via email comments to [publiccomment@flyontario.com](mailto:publiccomment@flyontario.com) or in-person at the meeting.

There were no public comments.

**4. COMMITTEE AGENDA REVIEW/ANNOUNCEMENT**

No announcements were made.

**5. CONFLICT OF INTEREST**

No conflicts were announced.

**6. CONSENT CALENDAR**

**A. APPROVAL OF MINUTES**

Approved minutes of the Finance & Audit Committee meetings on August 11, 2021 and September 2, 2021.

The Committee unanimously approved consent calendar Item 6A.

## **7. COMMITTEE DISCUSSION ITEMS**

The Committee heard Item No. 7B before Item No. 7A.

### **B. INTERVIEW OF INTERNAL AUDIT FIRM**

Interview sole respondent to Request for Proposal (RFP #210012) Internal Audit Services as a qualified certified public accounting firm licensed in the state of California for internal audit services for the Ontario International Airport Authority (OIAA).

Chief Financial Officer John Schubert introduced the agenda item. Mark Sterenka and Olga Darlington of Moss Adams participated virtually for the interview with the Committee members.

The Committee members asked questions to get acquainted with the Moss Adams Firm. Questions included the size of the Moss Adams organization, locations, number of clients, service expectations, internal audit department and experience working specifically with Airports.

Mr. Sterenka and Ms. Darlington provided a detailed overview of the Firm and answered all questions of the Committee members. Mr. Sterenka mentioned Halie Garcia will be the lead for the OIAA internal audit.

Committee Chair Wapner stated the OIAA needs the internal audit firm to establish processes and systems so that at some point an internal employee can handle the functions as part of the internal audit office once it is established. One part of the scope of work will be to establish the systems for the internal audit function, and the other part will be to start to carry out the functions.

Committee members and Staff discussed the proposed contract and next steps. The Committee had an understanding that an increase in the contract amount is a possibility depending on the scope.

The Finance and Audit Committee recommended approval to the Commission.

### **A. THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY PROCUREMENT CARD POLICY AND PROCEDURES**

Review and recommend to the Commission for approval.

Deputy CEO Elkadi presented a draft Procurement Card Policy and Procedures to the Committee members. Discussion ensued regarding the policy and current processes. Deputy CEO Elkadi explained the current process related to credit cards for traveling to conferences.

Commissioners expressed concerns issuing individual credit cards. Discussion ensued related to pre-paid travel purchases and using reimbursements for travel related costs that take place while traveling, in order to not utilize agency credit cards. Staff expressed concerns with requiring staff members purchase and be reimbursed for the expenses.

Staff agreed that credit cards should be used in a very limited way and minimize use, in order to protect the agency. Committee member Loveridge strongly recommended to use reimbursements rather than utilizing credit cards for travel purchases. He asked about a meal limit and Deputy CEO mentioned that a travel policy is to be established next.

Committee members made recommendations to staff for processes to put in place for the credit cards, including having limited cards for Directors and above, and to check out credit cards for purchases, with the exception of Chief Officer titles who would retain their cards. The Board Clerk would also maintain a credit card for purchases related to Commissioners. Travel expenses will be pre-paid as much as possible to limit using the credit card during travel.

The Committee confirmed the policy does not need to come back to the Committee for discussion.

**B. COMMITTEE STAFF UPDATES**

Staff had no further updates.

**C. COMMITTEE MEMBER COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS**

Chair Wapner had no further comments.

Member Loveridge had no further comments.

**D. ADJOURNMENT**

Chair Wapner adjourned the Finance & Audit Committee meeting at 4:15 p.m.

RESPECTFULLY SUBMITTED:

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NATALIE GONZAGA, BOARD CLERK

Ontario International Airport Authority  
Finance & Audit Committee Special Meeting Minutes  
October 26, 2021  
Page 4 of 4  
***(not official until approved)***

APPROVED:

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ALAN D. WAPNER, CHAIR



**DATE:** FEBRUARY 15, 2022

**TO:** FINANCE & AUDIT COMMITTEE

**SUBJECT:** INVESTMENT REPORT FOR THE SIX MONTHS ENDED DECEMBER 31, 2021

**RELEVANT STRATEGIC OBJECTIVE:** Invest in ONT; Master the Basics.

**RECOMMENDED ACTION(S):** That the Finance & Audit Committee review and recommend to the Commission to receive and file the Investment Report for the six months ended December 31, 2021.

**FISCAL IMPACT SUMMARY:** As of December 31, 2021, the OIAA's investment portfolio included a single financial instrument with the Local Agency Investment Fund (LAIF). The fair market value (FMV) of the OIAA's investment in LAIF was \$32,839,032, an increase of \$133,449 from the FMV at June 30, 2021. Interest earned on the LAIF investment for the six months ended December 31, 2021, totaled \$38,790. No additional investments in or distributions from LAIF funds were made during the six months ended December 31, 2021.

**BACKGROUND:** In October of 2016, the OIAA adopted an investment policy for OIAA's revenues in conformance with federal, state, and other legal requirements, including California Government Code Section 53600 et seq. The objectives of the OIAA's investment policy is safety of principal and enhancement of the economic status of the OIAA. The policy sets forth investment objectives, safekeeping of securities, reporting, competitive bidding, authorization for the purchase and sales of investments, allowable types of investments and an annual policy review. In addition, to and in conformity with the adopted Investment Policy, the OIAA adopted a resolution for the investment of inactive funds in the Local Agency Investment Fund.

The Investment Policy requires that reporting include statements as to the OIAA's compliance with the investment policy, as well as a statement denoting the ability of the OIAA to meet its expenditure requirements for the next six months, or an explanation as to why sufficient money may not be available.

The OIAA's investment portfolio as of and for the six months ended December 31, 2021, consists of a single investment in the California Treasury Local Agency Investment Fund (LAIF).

Significant financial aspects of the portfolios' financial position and performance are included in the following table:

**ONTARIO INTERNATIONAL AIRPORT AUTHORITY  
FOR THE YEAR ENDING JUNE 30, 2022**

Description	Quarter Ended				Balance, Year Ending June 30, 2022
	09/30/2021	12/31/2021	03/31/2022	06/30/2022	
FMV End of Quarter	\$ 32,739,138	\$ 32,839,032	\$ -	\$ -	-
Interest Receivable	\$ 19,933	\$ 18,857	\$ -	\$ -	-
Interest Earned	\$ 19,933	\$ 18,857	\$ -	\$ -	38,790
Unrealized Gain (Loss)	\$ 6,850	\$ 79,961	\$ -	\$ -	86,811

**Required Investment Policy Statements:**

- The investments identified above comply in all material respects with the OIAA's Investment Policy.
- The OIAA has the ability to meet its expenditure requirements for the next six months.

**PROCUREMENT:** N/A

**CEQA COMPLIANCE AND LAND USE APPROVALS:** N/A

**STAFFING IMPACT (# OF POSITIONS):** N/A

**IMPACT ON OPERATIONS:** N/A

**SCHEDULE:** N/A

**ATTACHMENTS:** N/A

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**DATE:** FEBRUARY 15, 2022

**TO:** FINANCE & AUDIT COMMITTEE

**SUBJECT:** FISCAL YEAR 2021-2022 QUARTERLY FINANCIAL STATEMENTS FOR SIX MONTHS ENDED DECEMBER 31, 2021

**RELEVANT STRATEGIC OBJECTIVE:** Invest in ONT; Master the Basics.

**RECOMMENDED ACTION(S):** That the Finance & Audit Committee review and recommend to the Commission to receive and file Financial Statements for the six months ending December 31, 2021.

**FISCAL IMPACT SUMMARY:** The OIAA's increase in net position exceeded the budget by \$15M, driven largely by higher-than-expected passenger carrier activity. This activity resulted in an operating revenue budget favorable variance of \$7.5M (18.4%). In addition, the operating expense budget reflects a favorable variance of \$2.1M (5.7%) as a result of conservative expenditure policies and service levels in the terminals corresponding with passenger activity levels.

**BACKGROUND: Aviation Activity and Financial Statements:** In June 2021, the OIAA Board of Commissioners adopted an operating budget that was based on a continued conservative approach to mitigate the impacts of the ongoing lower levels in aviation activity as a result of the COVID-19 pandemic. As passenger carrier activity has resumed to near normal levels, OIAA has resumed operations to almost pre-pandemic service levels, which includes filling vacant staff positions, the addition of new staff positions, increased public safety resources and a return to pre-pandemic initiatives. The attached financial statements reflect these industry and economic conditions, as well as the OIAA's efforts to meet these 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 six months ended December 31, 2021, totaled 1.4M, which exceeded the budgeted amount of 967K by 448K (46.3%). Enplanements for the six months ended December 31, 2021, were also 823K (139.1%) higher than the same period in the prior fiscal year.

**Aviation Activity (continued):** Landed weights (in thousand-pound units) for the six months ended December 31, 2021, totaled 4.3M, which exceeded the budgeted amount of 3.8M by 499K (13.1%). Landed weights for the six months ended December 31, 2021, were also 570K (15.2%) higher than the same period in the prior fiscal year. The increase in landed weights over budget for the same period in the prior fiscal year was due primarily to increased passenger activity. Passenger landed weights exceeding budget by 519K (50.7%) and increasing by 593K (62.5%) over the same period in the prior fiscal year. Cargo landed weights were flat compared to budget and the same period in the prior fiscal year.

## **Financial Results for the Six Months Ended December 31, 2021**

**Operating Revenues:** Operating revenues exceed budget by \$7.5M (18.4%) with favorable variances in all aeronautical and nonaeronautical revenues, except operating grant revenues.

Aeronautical revenues exceeded budget by \$3M (13.7%), for all financial statement categories. Higher-than-expected passenger landed weights resulted in landing fee revenues exceeding budget by \$894K (13.7%). Facilities rent exceeded budget by \$473K (6%), which was primarily driven by the return of international flights and two new non-signatory airlines, Avianca and Express Jet. Land rent exceeded budget by \$672K (10.2%), which was driven by the new Federal Express facility and rent recoveries. Airline fees exceeded budget by \$982K (98.9%), which was primarily the result of recoveries experienced in passenger operations and additional revenue received for contract services. The additional revenue received for contract services was primarily the result of the revised NELA Revenue Agreement effective November 1, 2021, to add NELA revenue generated from services to signatory airlines.

Nonaeronautical revenues exceeded budget by \$4.5M (23.9%), which was driven by higher than planned passenger carrier activities. Non-terminal rents exceeded budget by \$115K (9.6%). Total concession revenue of \$21M exceeded budget by \$8M (61%). Concession revenue favorable variances included parking of \$5.2M (62.2%), rental cars of \$1.8M (57.1%), food and beverage of \$333K (88.9%), gift and news of \$311K (53.4%), and other concessions of \$372K (55.1%).

**Operating Expenses:** Total operating expenses of \$34.2M were favorable to the budget by \$2.1M (5.7%). There were favorable variances in all operating expense categories except for telecommunications and utilities. Public Safety was flat compared to budget. Favorable operating expense variances include personnel of \$597K (12.6%), contractual services of \$636K (4.6%), materials and supplies of \$442K (50.4%), insurance and administration of \$41K (5.0%), and net other operating expenses of \$390K (11.4%). Telecommunications and utilities experienced an unfavorable variance of \$36K (1.2%).

**Nonoperating Revenues and Expenses:** Net nonoperating revenues exceeded budget by \$1.7M (51.1%), which was primarily a result of higher than planned passenger carrier activities. Net nonoperating revenue favorable variances included passenger facility charge revenues of \$1.9M (50.6%) and customer facility charge revenues of \$99K (6.6%). The favorable variances in net nonoperating revenues were partially offset by lower net investment income of \$352K (72.8%). Lower investment income was associated with lower than anticipated unrealized gains 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.

**PROCUREMENT:** N/A

**CEQA COMPLIANCE AND LAND USE APPROVALS:** N/A

**STAFFING IMPACT (# OF POSITIONS):** 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 Six Months Ended December 31, 2021

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**DATE:** FEBRUARY 15, 2022

**TO:** FINANCE & AUDIT COMMITTEE

**SUBJECT:** FISCAL YEAR 2021-2022 PROPOSED OPERATING BUDGET AMENDMENTS

**RELEVANT STRATEGIC OBJECTIVE:** Invest in ONT, Master the Basics, Plan for the Future.

**RECOMMENDED ACTION(S):** That the Finance & Audit Committee review and recommend to the Commission to approve the Amended Operating Budget for the Fiscal Year Ending (FYE) June 30, 2022, including the landing fee and terminal rental rates.

**FISCAL IMPACT SUMMARY:** The proposed budget changes will result in a net reduction to the operating budget of \$1.2M (53.2%). Landing fee rates will decrease by 8.3% from \$1.71 per thousand pounds of MGW to \$1.60. Terminal rental rates will decrease by 19.5% from \$99.38 per annual square foot to \$80.00.

**BACKGROUND: Fiscal Year Financial Performance:** In June 2021, the OIAA Board of Commissioners adopted an operating budget that was based on a continued conservative approach to mitigate the impacts of the ongoing lower aviation activity as a result of the COVID-19 pandemic. Passenger activity has resumed near normal levels with enplanements at 1,414,979 for the six-months ending December 31, 2021, which is 94.7% of the same six-months for the year ending June 30, 2021, the previous high. This activity has driven favorable financial results, including operating revenues that exceed budget by \$7.5M and operating expenses that are lower than budget by \$2.1M for the six-months ending December 31, 2021. This favorable financial performance provides an opportunity to accelerate and expand current operating resources and initiatives, as well as to reduce landing fee and terminal rental rates. Consequently, management has prepared an amended operating budget for the year ended June 30, 2022 that reflects these changes.

**Operating Budget Amendment:** Proposed operating budget amendments are detailed in the attachment and are described below.

**Operating Revenues:** Operating revenue budgets have been increased by \$12.4M to reflect expected material increases in forecast operating revenues. Major budget increases include Auto Parking of \$7.9M (48.24%) and Rental Cars of \$2.5M (40.0%). The budget increases associated with these revenue categories have been reduced by decreases in estimated landing fees of \$2.1M (16.0%) and terminal rents of \$3.4M (21.5%).

**Operating expenses:** Personnel changes have resulted in a net reduction in the budgeted personnel costs of \$850K (8.34%). This is a net decrease associated with expected cost savings from higher-than-expected vacancies offset by increased costs from new Board approved positions that were added during

the six-months ending December 31, 2021. Nonpersonnel costs have been increased by \$4.5M (7.1%) to accelerate and expand operating resources and initiatives.

Other Sources and (Uses): Total other sources and uses have been increased from \$17.0M to \$21.2M. The increase is substantially related to a reduction in required fund transfers (use) of \$3.8M offset by an increase in other reserve balances of \$809K. The originally budgeted unrestricted fund transfer was an amount necessary to keep the terminal rental rates the same as the previous fiscal year, \$99.38 annual per square foot. This funding is longer required to meet this terminal rental rate.

**PROCUREMENT:** N/A

**CEQA COMPLIANCE AND LAND USE APPROVALS:** N/A

**STAFFING IMPACT (# OF POSITIONS):** 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: Operating Budget Proposed Amendments.

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**DATE:** FEBRUARY 15, 2022

**TO:** FINANCE & AUDIT COMMITTEE

**SUBJECT:** FISCAL YEAR 2021-2022 PROPOSED CAPITAL BUDGET AMENDMENTS

**RELEVANT STRATEGIC OBJECTIVE:** Master the Basics, Invest in ONT, Plan for the Future.

**RECOMMENDED ACTION(S):** That the Finance & Audit Committee review and recommend to the Commission to approve the amended Capital Budget for the Fiscal Year Ending (FYE) June 30, 2022.

**FISCAL IMPACT SUMMARY:** The proposed change in the FY 2022 Capital Budget will increase the Capital Budget by \$31.5M.

**BACKGROUND: Fiscal Year Financial Performance:** In August 2021, the OIAA Board of Commissioners adopted a Capital budget that was based on a continued conservative approach to mitigate the impacts of the ongoing lower aviation activity as a result of the COVID-19 pandemic. Passenger activity has resumed near normal levels with enplanements at 1,414,979 for the six-months ending December 31, 2021, which is 94.7% of the same six-months for the year ending June 30, 2021, the previous high. This activity has driven favorable financial results, including operating revenues that exceed budget by \$7.5M and operating expenses that are lower than budget by \$2.1M for the six-months ending December 31, 2021. This favorable financial performance provides an opportunity to accelerate and expand current Capital Projects. Consequently, management has prepared an amended capital budget for the year ended June 30, 2022 that reflects these changes.

**Capital Budget:** Proposed capital budget amendments are detailed in attached proposed amended capital budget. The net increase in the capital budget from \$14.7M to \$46.1M is a combination of changes in previously approved project budgets as well as two potential new projects. Such possible new projects are subject to all applicable environmental review and approvals under CEQA, OIAA Commission approvals, and funding. Substantial changes are described below.

The scope and amount of the Avion Realignment has changed significantly and includes an acceleration and commitment for OIAA to design and potentially construct the realignment of Avion, including a new Bridge over the Cucamonga Channel. The previous budget of \$1M, which covered only estimated environmental planning costs, has been increased to \$26M to fund the entire potential project. Project changes are necessary to facilitate the possible expansion and improvement of the South Cargo land and facilities. The Authority expects to obtain a revolving credit facility from a financial institution to fund the possible project during design and construction.

The remote T4 security checkpoint point was determined to be unfeasible and has been replaced by a project that will expand the existing T4 security checkpoint by two inspection lanes. This change in scope results in an increase the budget from \$750K to \$3.1M.

New projects include Signage and Wayfinding, and a Monument Sign. The project budgets for each are \$2.1M and \$1.5M, respectively.

In addition to the increase in other project budgets totaling \$535K, certain project budgets have been reclassified within MII agreement limits to meet current project completion schedules.

**PROCUREMENT:** N/A

**CEQA COMPLIANCE AND LAND USE APPROVALS:** No development activity or ground disturbance relating to any potential project listed in the Capital Budget will occur until (1) all applicable environmental reviews and approvals have been obtained and issued under the California Environmental Quality Act (CEQA), Public Resources Code § 21000 *et seq.*, (2) the OIAA Commission approves any possible project, and (3) funding for potential projects is obtained. Before any potential project listed in the Capital Budget might be implemented or any development activity could occur, OIAA shall be required to issue or obtain all applicable land use, zoning, and CEQA reviews, approvals, and certifications (collectively “Government Approvals”), and shall implement any requirements under such Governmental Approvals, including, without limitation, the study and consideration of potential project alternatives, as well as any mitigation measures required as a result of compliance with CEQA.

**STAFFING IMPACT (# OF POSITIONS):** 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: Proposed 2022 Amended Capital Budget.

*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@flyontario.com](mailto:clerk@flyontario.com).*