

**ONTARIO INTERNATIONAL AIRPORT AUTHORITY
FINANCE & AUDIT COMMITTEE
SPECIAL MEETING AGENDA**



MAY 17, 2022 AT 3:00 P.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 12:00 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 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.

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 February 15, 2022 and cancelled meeting on April 20, 2022.

6. **COMMITTEE DISCUSSION ITEMS**

A. INVESTMENT REPORT FOR THE NINE MONTHS ENDED MARCH 31, 2022

That the Finance & Audit Committee recommend to the Commission to receive and file the Investment Report for the nine months ended March 31, 2022.

B. FISCAL YEAR 2022/2023 DRAFT BUDGET REVIEW

That the Finance & Audit Committee recommend to the Commission for approval.

7. **COMMITTEE STAFF UPDATES**

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

Alan D. Wapner, Chair

Ronald O. Loveridge, Member

9. **ADJOURNMENT**

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.

Deputy Chief Executive Officer Elkadi presented to the Committee regarding investment report. Discussion ensued between Staff and Committee Members. The Finance & Audit Committee members recommended to the full Commission for approval of the quarterly investment report.

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.

Deputy Chief Executive Officer Elkadi presented to the Committee regarding quarterly financials. Discussion ensued between Staff and Committee Members. The Finance & Audit Committee members recommended to the full Commission for approval of the quarterly financial statements.

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.

Deputy Chief Executive Officer Elkadi presented to the Committee regarding proposed operating budget amendments. Discussion ensued between Staff and Committee Members. Specific amendments were reviewed. Committee members asked staff to look at what other airports have as a model for luggage carts. Committee Members asked staff to make adjustments for new personnel positions to the amended budget. The Finance & Audit Committee members recommended to the full Commission for approval of the proposed operating budget amendments.

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.

Deputy Chief Executive Officer Elkadi presented to the Committee regarding proposed capital budget amendments. Discussion ensued between Staff and Committee Members. President Wapner asked about consistency of signage from the freeway and offered his assistance with

outside agency communication. Details were provided to Committee Members regarding the funding of the capital projects and Majority in interest (MII) requirements. The Finance & Audit Committee members recommended to the full Commission for approval of the proposed capital budget amendments.

7. COMMITTEE STAFF UPDATES

Staff had no updates.

8. COMMITTEE MEMBER COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Alan D. Wapner, Chair, expressed appreciation to Staff.

Ronald O. Loveridge, Member, had no further comments.

9. ADJOURNMENT

Chair Wapner adjourned the Finance & Audit Committee meeting at 5:03 p.m.

RESPECTFULLY SUBMITTED:

NATALIE GONZAGA, BOARD CLERK

APPROVED:

ALAN D. WAPNER, CHAIR

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
MINUTES
Wednesday, April 20, 2022
(not official until approved)

The Finance and Audit Committee Meeting scheduled for Wednesday, April 20, 2022 at 4:00 p.m. was cancelled due to lack of quorum.

Respectfully submitted:

SECRETARY / ASST. SECRETARY

ALAN D. WAPNER, PRESIDENT
ONTARIO INTERNATIONAL AIRPORT AUTHORITY



DATE: MAY 17, 2022

SECTION: COMMITTEE DISCUSSION

SUBJECT: FISCAL YEAR 2021-2022 FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022

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

RECOMMENDED ACTION(S): That the Finance and Audit Committee receive and file financial statements for the nine months ended March 31, 2022.

FISCAL IMPACT SUMMARY: The OIAA’s increase in net position exceeded the budget by \$24.9M, which was primarily driven largely by higher-than-expected passenger carrier activity. This activity resulted in an operating revenue budget favorable variance of \$10.3M (16.2%). In addition, the operating expense budget reflects a favorable variance of \$5.5M (9.7%) 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 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.

In February 2022, the OIAA Board of Commissioners adopted an amended operating budget for Fiscal Year 2021-2022, including an adoption of a resolution to approve the airport system rates and charges to update the landing fee and terminal rental rates. The operating budget amendment was the result of favorable financial performance for the first six months of Fiscal Year 2021-2022.

STAFF MEMBER PRESENTING: Chief Financial Officer, John M. Schubert

Department: Finance

Submitted to OIAA: May 17, 2022

Approved: _____

Continued to: _____

Denied: _____

Chief Executive Officer Approval:

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 nine months ended March 31, 2022 totaled 2.0M, which exceeded the budgeted amount of 1.4M by 593K (42.3%). Enplanements for the nine months ended March 31, 2022 were also 1.1M (128.2%) higher than the same period in the prior fiscal year.

Landed weights (in thousand-pound units) for the nine months ended March 31, 2022 totaled 6.25M, which exceeded the budgeted amount of 5.6M by 644K (11.5%). Landed weights for the nine months ended March 31, 2022 were also 748K (13.6%) 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 exceeded budget by 731K (48%) and increased by 839K (59.2%) 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 Nine Months Ended March 31, 2022

Operating Revenues: Operating revenues exceeded the budget by \$10.3M (16.2%) with favorable variances in all aeronautical and nonaeronautical revenues, except operating grant revenues.

Aeronautical revenues exceeded budget by \$5.1M (16.9%). Higher-than-expected passenger landed weights resulted in landing fee revenues exceeding budget by \$1.5M (17%). Facilities rent exceeded budget by \$1.3M (13.1%) and was primarily the result of an increase in international flights and rent recoveries. Land rent exceeded budget by \$610K (6%), which was driven by the new Federal Express facility and rent recoveries. Airline fees exceeded budget by \$1.7M (116.3%), 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 \$5.2M (15.6%). Nonaeronautical facility and land rents exceeded budget by \$107K (5.8%). Total concession revenue of \$30.1M exceeded budget by \$5.4M (21.7%) and was primarily the result of recoveries experienced in passenger operations. Concession revenue favorable variances included parking of \$3M (18.8%), rental cars of \$1.3M (21.9%), food and beverage of \$271K (32.2%), gift and news of \$103K (8.9%), and other concessions of \$717K (73.8%).

Operating Expenses: Total operating expenses of \$51.6M were favorable to the budget by \$5.5M (9.7%). There were favorable variances in all operating expense categories. Favorable operating expense variances include personnel of \$608K (8.6%), public safety of \$375K (2.5%), contractual services of \$2.4M

(10.6%), materials and supplies of \$630K (47.9%), insurance and administration of \$177K (14.4%), telecommunications and utilities of \$246K (5.7%), and other operating expenses of \$1.1M (19.5%).

Nonoperating Revenues and Expenses: Net nonoperating revenues exceeded budget by \$1.4M (29.3%), which was primarily the result of higher-than-expected passenger carrier activity. Net nonoperating revenue favorable variances included passenger facility charge revenues of \$2.3M (42.5%) and customer facility charge revenues of \$67K (3%). The favorable variances in net nonoperating revenues were offset partially by a net investment loss unfavorable variance to budget of \$1M. The investment loss was associated with an unanticipated unrealized loss from the OIAA's investment in the California Treasury Local Agency Investment Fund (LAIF). Unrealized gains and losses are attributable to temporary changes in market conditions.

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 Nine Months Ended March 31, 2022

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.

This Agenda Report has been reviewed by OIAA General Counsel.



DATE: MAY 17, 2022

SECTION: COMMITTEE DISCUSSION

SUBJECT: BUDGET DRAFT FYE JUNE 30, 2023

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

RECOMMENDED ACTION(S): None

FISCAL IMPACT SUMMARY: The proposed FYE 2023 budget results in Net Income from Operations of \$13.5M a \$2.8M (26.2%) increase compared to FYE 2022.

BACKGROUND: Fiscal Year Financial Performance: The proposed operating budget for the fiscal year ending June 30, 2023 is driven by strong aviation activity and financial performance realized by OIAA through March 31, 2022. Net income from operations totaled \$17.8M with a favorable variance to the amended budget of \$15.6M. Operating revenue of \$74.0M exceeded budget by \$10.3M and Operating expenses of \$51.6M were favorable to budget by \$5.5M. The proposed budget was developed from OIAA Goals and Objectives and includes significant increases in resources to meet current and expected near term growth. The budget FYE 2023 assumes that there will be no significant impacts associated with any possible COVID outbreaks.

Operating Revenues: Total FYE 2023 budgeted operating revenues of \$102M exceed the budget FYE 2022 by \$14.8M (16.9%), with aeronautical revenue increasing by \$9.2M (23.6%) and nonaeronautical revenues by \$5.6M (11.4%). The Authority has budgeted \$6M of ARPA grant funds to maintain a relatively level rate structure. Budget revenue forecasts do not reflect proposed changes in any airport rates and charges, except for landing fees and terminal rents that are calculated under the terms of the Operating Use and Lease Agreement.

STAFF MEMBER PRESENTING: Chief Financial Officer, John M. Schubert

Department: Finance

Submitted to OIAA: May 17, 2022

Approved: _____

Continued to: _____

Denied: _____

Chief Executive Officer Approval: 

Aeronautical revenue increases are primarily driven by increases in landing fees and terminal rents. Landing fee increases by \$3.6M (32.7%) and are associated with greater landed weights. Terminal rents increase by \$4M (32.3%) are driven by higher per square foot rental rates. In addition, ground handling rate increases approved in January 2022 have led to material increases in ground handling fees and FYE 2023 ground handling revenues reflect a full fiscal year at these higher rates.

Nonaeronautical revenues budgeted FYE 2023 of \$54.2M are greater than FYE 2022 by \$5.6M (11.4%). This increase is driven by higher concession revenues offset by a decrease in recognized operating grant revenues. The most significant operating revenue budget increases include parking revenues of \$4.0M (16.6%) and rental car \$1.8M (20.9%). Parking revenue and rental car increases are primarily associated with aviation activity growth. In addition, rental car revenues reflect higher rental car rates, that have been driven by smaller rental car inventory. Operating grant revenues budgeted FYE 2023 of \$6M are lower than the \$8.2M budgeted FYE 2022 by \$2.2 (26.8%). This leaves unspent operating grant funding of \$18M and concession relief funds of \$3M which will be rolled over to FYE 2024. The grant funding must be spent by September 30, 2024.

Operating Expenses: Total budgeted Operating Expenses FYE 2023 of \$89M, exceed the budget FYE 2022 of \$77.0M, by \$ \$12.0M (15.6%). Major changes are for personnel, contractual services and telecommunications and utilities. No uniform budget increases have been provided for inflation, as contracted service and material expenses are largely controlled by established agreements.

Personnel expenses FYE 2023 of \$13.1M, are greater than FYE 2022 by \$3.6M, (38.2%). This includes 10 new OIAA staff positions, totaling \$1.3M and \$2.0M for increases associated with filling previously approved positions, that were vacant for all or a portion of FYE 2022. Also, the FYE 2023 personnel budget assumes a 6% COLA increase, capped at \$9K for an individual employee, as well as a 3% merit pool for performance-based increases. Three, prior year approved positions have been eliminated, which totals \$538K.

Nonpersonnel expenses FYE 2023 of \$75.9M increase by \$8.3M (12.4%), compared to FYE 2022 budgeted expenses of \$67.5M. The largest increases are for Public Safety and Contractual expenses. Public Safety expenses of \$21.2M FYE 2023 are higher than the FYE 2022 budget by \$1.9M. Public safety, police, fire, and dispatch services are provided under a Municipal Services agreement with the City of Ontario. The budgeted increase is 10% based on an estimated contractually required increases as well as police personnel changes to meet increased passenger activity. The contractual expense budget FYE 2023 of \$35.6M is greater than the FYE 2022 budget by \$3.8M (3.8%). The greatest increases are for security and technology support services to complete information technology initiatives as well as the implementation and operation of the new Common Use system in Terminal 2. Telecommunications and Utilities of \$7.3M FYE 2023 are greater than the FYE 2022 budget by \$1.5M (26.7%). This increase is associated with increases in electric utilities.

Nonoperating Revenues are budgeted to increase by \$3.6M (3.1%). Most of this net increase is driven by activity-based facility charges. These facility charge increases are for Passenger Facility Charges and Customer Facility Charges and are directly related to passenger activity increases. There are no changes

in the rate structure for these facility charges, PFCs remain at \$4.50 per enplaned passenger and CFCs stay the same at \$10 per rental car contract.

Other Sources and (Uses), net, are from required reserves and adjustments established under the Operating Use and Lease Agreement, Revenue Bond Covenants, and regulatory authority. The Discretionary reserve is to fund Capital projects without airline approval, that would otherwise require approval under the Majority in Interest provisions of the ULA. The Discretionary reserve increase is for required reserve adjustments based on CPI. The Maintenance and Operations (M&O) reserve requires that 25% of operating expenses be included in the M&O reserve on a rolling funding basis, whereby adjustments in a fiscal year are provided to adjust the reserve balance by an amount necessary to meet the 25% requirement. The Debt Service reserve is also on a rolling fund basis, to provide a reserve balance equal to 25% of the revenue bond debt service for the budgeted fiscal year.

The budget establishes a net residual requirement, that is covered by landing fees and terminal rental rates. Landing fees are established by dividing the net requirement in the Airfield Cost Center by the estimated landed weight for cargo and passenger air carriers. The terminal rental rate is established by dividing the net requirement in the Terminal Cost Center by the total of terminal space leased by the airlines, including joint use space in public areas.

The calculated landing fee rate for FYE 2023 is \$1.64 per 1,000 lbs. of landed weight generating \$14.5M in landing fees and the terminal rental rate FYE 2023 is \$91.68, which results in \$16.5M of terminal rent revenue.

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 and to meet OIAA goals and objectives.

SCHEDULE: N/A

ATTACHMENTS: ATTACHMENT A - Budget FYE 2023 Proposed vs FYE 2022 Amended

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