



# Fiscal Year 2018-2019 Budget

Prepared June 19, 2018



Ontario International Airport Administration Offices

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President

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**MARK A. THORPE**  
Chief Executive Officer

**LORI D. BALLANCE**  
General Counsel

**JEFF P. REYNOLDS**  
Treasurer

June 19, 2018

### Proposed Fiscal Year 2018-2019 Operating Budget

To the President and Members of the Ontario International Airport Authority (OIAA) Board of Commissioners:

It is my pleasure to present you the Proposed Operating Budget for the OIAA for Fiscal Year 2018/2019.

The recently-completed fiscal year marked a number of major milestones in the history of Ontario International Airport (ONT) as the airport operated under local control for the first time in 40 years.

It was a year of unprecedented accomplishment and success, including, but not limited to:

- Record growth of passenger traffic and air cargo traffic
- October 12, 2017, Frontier Airlines begins service from ONT
- March 25, 2018, history was made when China Airlines flew the first ever transoceanic flight from ONT to Taipei
- April 26, 2018 Jet Blue announces its return to ONT and will begin daily service to JFK on September 5, 2018

The ONT brand can be seen throughout the Airport delivering a brand experience that further solidifies the vision of being “So Cal. So Easy.” and delivers the sense of ownership that has been nonexistent for more than a decade. Global brands such as Einstein Bagels, Wolfgang Puck Pizza and Rock & Brews are open and operational in the Terminals and deliver a customer experience unique to Southern California’s Fastest Growing Airport.

The OIAA has had a successful FY 2018 setting the foundation for a financially successful year ahead at ONT. The vision, leadership, and direction of the OIAA Board of Commissioners has placed our organization on a path that will lead to even greater accomplishments for many years to come.

Respectfully submitted,

A handwritten signature in black ink that reads "Mark A. Thorpe". The signature is written in a cursive, flowing style.

Mark A. Thorpe

Chief Executive Officer

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# OIAA Commission



**Alan D. Wapner**  
President



**Ronald O. Loveridge**  
Vice President



**Julia Gouw**  
Commissioner



**Jim W. Bowman**  
Secretary



**Curt Hagman**  
Commissioner



# A Brief Overview

Ontario International (ONT) Airport is located in the Inland Empire, approximately 35 miles east of downtown Los Angeles in the center of Southern California. It is a full-service airport with nonstop commercial jet service to 19 major airports in the U.S. and Mexico and connecting service to many domestic and international destinations. After 40-years under control of the City of Los Angeles and Los Angeles World Airports, ownership and control were transferred to the Ontario International Airport Authority (OIAA) on November 1, 2016. ONT served approximately 4.5 million enplaned passengers in 2017 representing an increase of approximately 7.6% over the prior fiscal year. As of September 2017, five U.S. passenger carriers and two foreign-flag carriers provided passenger service at ONT. In addition, seven all-cargo carriers serve ONT, including Federal Express (FedEx) and United Parcel Service (UPS), which are the world's leading all-cargo carriers by volume. ONT posted strong cargo volumes in 2017, increasing by 15.32% to 567,429 tons compared to 2016.

## About OIAA

The Ontario International Airport Authority (OIAA), which runs ONT, is a joint exercise of powers authority created by the City of Ontario and the County of San Bernardino (the County). OIAA was created primarily to operate, maintain, manage, develop and market ONT. It is governed by the OIAA Board of Commissioners (OIAA Board), which is comprised of five members, who are responsible for formulating airport policy and strategic direction for and oversight of the OIAA executive management team. The mission of OIAA's strategic business plan is to "Operate and grow Ontario International Airport (ONT) as one of the most competitive, efficient, innovative and customer-friendly passenger, cargo and business airports in the United States as a key economic asset serving the Inland Empire and the entire Southern California region". The OIAA Strategic Business Plan focuses on five key elements:

- 1) Provide Safe, Secure and efficient Infrastructures and Facilities for our Passengers, Employees, and Stake Holders**
- 2) Reducing Airline Costs**
- 3) Developing Airport-Related Businesses**
- 4) Expanding Air Service**
- 5) Providing Customer Friendly Facilities and Services**

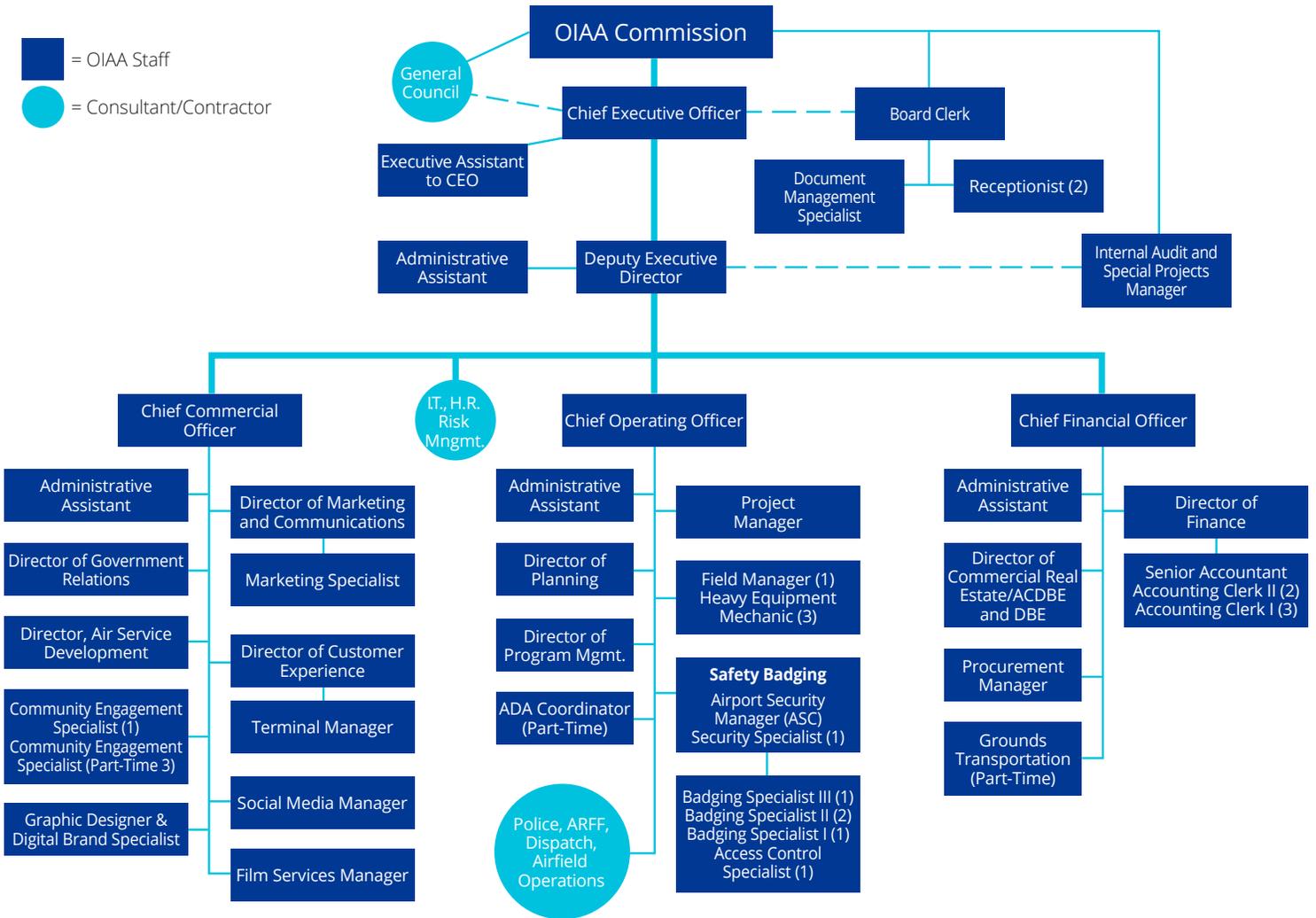
The OIAA mission, the organizational structure, and key elements of the strategic business plan are underway in terms of the development and implementation of the Fiscal Year (FY) 2019 budget.

## The FY 2019 Budget

The FY 2019 Budget is the second budget that the OIAA generated and will manage after a transitional and transformative year in 2017. The Board adopted and implemented existing ONT policies, procedures, leases and agreements to allow for seamless operation of the airport throughout the transition. Corporate Administration is tasked with operating and growing ONT as one of the most competitive, efficient, innovative and customer-friendly passenger, cargo and business airports in the United States as a key economic asset serving the Inland Empire and the entire Southern California region using best practices, evidence-based and data-driven decisions.



# FY 2018-2019 OIAA Organizational Structure



### OIAA Operations



### OIAA Finance



### OIAA Strategic Marketing Corporate Communications & Airline Development



# Management's Discussion and Analysis

## Cautionary Note on Forward-Looking Statements

The Fiscal Year 2018-2019 Budget contains forward-looking statements. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events. They are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements.

All statements other than historical facts contained in this document, including statements regarding our future financial position, capital expenditures, cash flows, strategy and plans and objectives of management for future operations are forward-looking statements. The words "anticipated," "believe," "expect," "plan," "intend," "seek," "estimate," "project," "could," "may," and similar expressions are intended to identify forward-looking statements. These statements include, among others, information regarding future operations, future capital expenditures, and future net cash flow. Such statements reflect our management's current views with respect to future events and financial performance and involve risks and uncertainties, including, without limitation, our ability to receive reimbursement of allowable costs the Federal Aviation Administration ("FAA") in certain construction contracts or our ability to obtain financing for certain capital expenditures on terms contemplated in this budget.

Should one or more of these risks or uncertainties occur, or should underlying assumptions prove to be incorrect, actual results may vary materially and adversely from those anticipated, believed, estimated or otherwise indicated. Consequently, all the forward-looking statements made in this Budget are qualified by these cautionary statements and accordingly there can be no assurances made with respect to the actual results or developments. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context requires otherwise, the terms "Authority," "OIAA," "Airport," "we," "us," and "our" in this document refer to the Ontario International Airport Authority, a joint exercise of powers authority created by the City of Ontario and the County of San Bernardino (the County) under California Government Code Section 6500.



# Budgeted Operations

## Revenues

Revenues are primarily generated from fees charged for aircraft landings, rent charged for the use of land and buildings, car parking, rental cars, and other aviation and terminal revenue. These revenues are available for use in paying the airports operating and maintenance costs and well as general and administrative expenses.

The Airport also collects fees that are restricted for specific purposes which include Passenger Facility Charges ("PFC") and Customer Facility Charges ("CFC").

Revenues for the year ending June 30, 2019 (in \$000) are budgeted as follows:

### Landing Fees

Landing fees represent amounts paid by both passenger and cargo carriers based on the weight each aircraft landed. Fees are paid at a set rate per each one thousand pounds of weight landed. The fees are remeasured and determined at the beginning of the fiscal year July 1 and remain constant for the remainder of the fiscal year.

Air carriers are either characterized as "Signatory" or "Non-Signatory". Signatory airlines generally maintain a higher number of routes, more frequent landings and generate more landed weight. Signatory air carriers have entered into a "Use and Lease Agreement" with the airport and accordingly, are accorded a preferential rate structure.

Landing Fees for the fiscal years 2018 compared to 2019 are as follows:

	2018	2019
Signatory	\$2.37	\$1.98
Non-Signatory	\$2.96	\$2.44

Landing fee revenues for Signatory carriers was estimated at \$15,567 for 2018 compared to \$14,203 for 2019. The estimated decrease in the amount of \$1,364 is primarily attributable to the projected decrease in landing rates of \$.39 partially offset by a projected increase in landed weights for 2019.

Landing fee revenues for Non-Signatory carriers was estimated at \$1,937 for 2018 compared to \$1,391 for 2019. The estimated decrease in the amount of \$546 is primarily attributable to the projected decrease in landing rates of \$.47 partially offset by a projected increase in landed weights for 2019.

### Terminal Rents

Terminal rents are charged at a prescribed rate based on the actual square footage used by each air carrier for exclusive use space (i.e. office, ticket counter spaces, and baggage makeup areas) plus an apportioned amount common use space (i.e. baggage claim, etc.) areas.

Terminal rental rates for the fiscal years 2018 compared to 2019 are as follows:

	2018	2019
Signatory	\$110.79	109.86
Non-Signatory	\$121.87	\$120.84

Terminal Rental revenues was estimated at \$15,607 for 2018 compared to \$16,895 for 2019. The estimated increase in the amount of \$1,288 is primarily attributable to the estimated increase in rentable square footage in the approximate amount of 13,000, partially offset by a projected decrease \$.93 per square foot in 2019.

### Gate Use and Jet Bridge Fees

Gate Use and Jet Bridge Fees are charged to the air carriers at a prescribed rate per occurrence. Gate use and jet bridge fees was estimated at \$1,182 for 2018 compared to \$1,638 for 2019. The estimated increase in the amount of \$456 is primarily attributable to the projected increase in both usage and rates for 2019.

### *Land and Non-Terminal Building Rental*

Land and non-terminal rental represent amounts charged to lessees at contractual agreed upon terms for use of various parcels of airport property and facilities. Rental amounts were estimated at \$2,925 for 2018 compared to \$5,696 for 2019. The estimated increase in the amount of \$2,771 is primarily attributable to the projected increases in land usage and market based rental adjustments in 2019.

### *Airline Handling Services Fees*

Airline Handling Service Fees represent commissions earned from airline service companies for providing ground handling and other turnaround services provided to Non-signatory carriers. Fees were estimated at \$1,818 for 2018 compared to \$1,206 for 2019. The estimated decrease in the amount of \$612 is primarily attributable to the conversion of non-signatory carriers to signatory in 2019.

Concessions and Parking revenues are charged to concessionaires and passengers within the terminal facility and other landside areas.

### *Auto parking*

Auto parking represents the gross revenues earned from the airport's four parking lots in front of the terminals. Parking Revenue is estimated at \$18,271 for 2018 compared to \$20,764 for 2019. The estimated increase in the amount of \$4,492 is primarily attributable to the projected rezoning of additional parking area, adjustments to parking rates and innovative yield management for 2019.

### *Rent-A-Car*

Rent-A-Car Revenues represents concession fees paid by the car rental agencies located at the airport's Consolidated Rent-A-Car ("CONRAC") facility as well as off-site locations. The fees are based on a minimum annual guaranty as well as percentage of revenue exceeding a certain threshold. Rental Car revenue is estimated at \$7,307 for 2018 compared to \$7,930 for 2019. The increase of \$623 is primarily attributable to an increase long haul passenger traffic in 2019. Direct expenses associated with the CONRAC were \$ 2,138 in 2018 compared to \$1,968 in 2019. The expenses are primarily related to the operation of the shuttle system.

### *Food and Beverage*

Revenues represents concession fees paid by the various food and beverage vendors located in the passenger terminals. The fees are based on a minimum annual guaranty as well as percentage of revenue exceeding a certain threshold. Revenue is estimated at \$942 for 2018 compared to \$1,384 for 2019. The estimated increase in the amount of \$442 is primarily attributable to the projected full occupancy in 2019, new restaurant concepts and increased traffic.



### *Gift and News*

Revenues represents concession fees paid by the various retail vendors located in the passenger terminals. The fees are based on a minimum annual guaranty as well as percentage of revenue exceeding a certain threshold. Revenue is estimated at \$867 for 2018 compared to \$1,122 for 2019. The estimated increase in the amount of \$255 is primarily attributable to renovated store space and increased traffic.

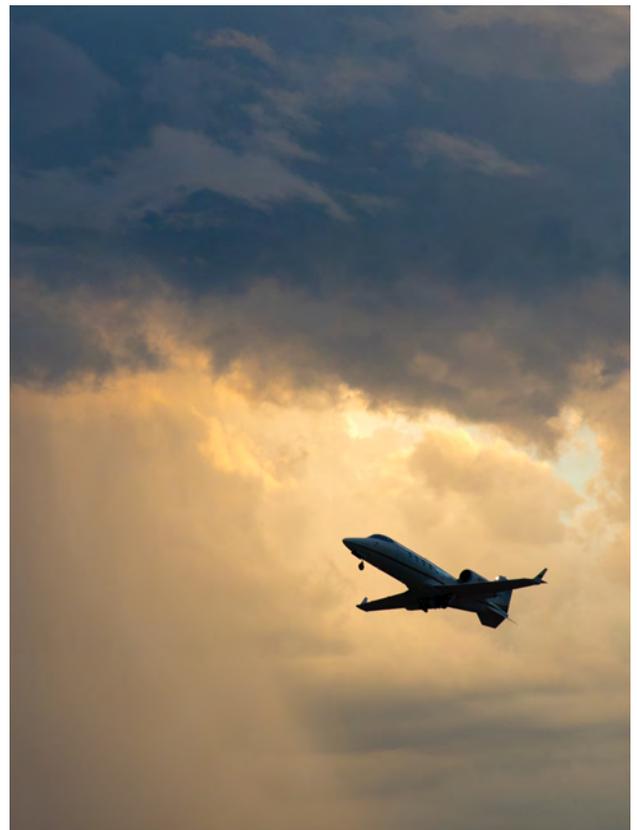
### *Ground Transportation*

Revenues represents concession fees paid by the various transportation companies serving the airport's two terminals. These include buses, limos, taxis, shuttles and transportation network companies ("TNC"). Certain transportation companies like limos taxis and shuttles pay negotiated monthly amounts while TNC's pay per drop off and pick up. Revenue is estimated at \$567 for 2018 compared to \$1,662 for 2019. The estimated increase in the amount of \$1,095 is primarily attributable to the full year effect of TNC's in 2019 as well as a projected increase in passenger traffic.

### *Other Concession Revenues*

Other Concession revenues represent amounts charged for ancillary services such as advertising, ATMs, badging, permits, and utility charge-backs. Revenue is estimated at \$1,106 for 2018 compared to \$1,927 for 2019. The estimated increase in the amount of \$821 is primarily attributable to projected increases in advertising and TSA charge backs in 2019.

*Continued on next page >*



## Non-Operating Revenues

Non-operating revenues consist of the following:

### Film Production

Revenues represent fees received from studio production companies for use of OIAA premises based on prescribed rates. Revenue is estimated at \$505 for 2018 compared to \$806 for 2019. The estimated increase in the amount of \$301 is primarily attributable to forecasted demand, the addition of a full-time production manager and revisions to revenue rates.

### Investment Income

Revenue represents income received from invested funds. The bulk of OIAA's funds are invested with Local Agency Investment Fund ("LAIF"), a California government agency. Revenue is estimated at \$200 for 2018 compared to \$500 for 2019. The estimated increase in the amount of \$300 is primarily attributable to anticipated higher returns.

### Grant Revenue

OIAA qualifies for FAA entitlements and discretionary funds as well as support for K-9 and law enforcement officers ("LEO"). The FAA funds for K-9 and LEO are estimated at \$506 in 2019.

## Operating And Maintenance Expenses

Operating and Maintenance expenses represent costs directly related to or associated with operating the airfield, terminals, CONRAC and parking facilities.

### Personnel

Total Personnel costs were estimated at \$6,740 in 2018 compared to \$6,128 for 2019. The estimated decrease in the amount of \$612 is primarily attributable to a decrease in OIAA headcount in 2019.

Salary and Benefits are based on OIAA's organization hierarchy. The 2019 budget reflects partial year costs for staffing new positions, where applicable. The budget also reflects total health and pension costs approximating 27.5% of base wages and salaries which are included in total personnel costs disclosed above.

OIAA contributes 85% of total health and wellness premiums. Additionally, OIAA contributes a percentage of the employee's base salary to a 401(a) plan and employees may also elect to defer a portion of their salaries to under an IRS 457b plan.

### Police, Fire and Rescue

Represents cost incurred for Law Enforcement, Area Rescue and Fire Fighting ("ARFF"), and Dispatch primarily contracted through the City of Ontario in 2019. Total costs were estimated at \$22,914 (adjusted for LAWA costs) in 2018 compared to \$19,874 for 2019. The estimated decrease in the amount of \$3,040 is primarily attributable transitioning from personnel leased from LAWA to the Ontario Police Department.



### *Customs Border Protection*

Represents costs incurred for Federal Inspection Services for international flights. Total costs were estimated at \$900 in 2018 compared to \$1,600 in 2019. The estimated increase in the amount of \$700 is primarily attributable the phase in of a full year's services in 2019.

### *Parking Management and Related Costs*

Represents costs incurred to a third-party for management, maintenance and improvement to the airport's parking facilities. Total costs were estimated at \$6,130 in 2018 compared to \$6,400 in 2019. The estimated increase in the amount of \$270 is primarily attributed to a projected increase in operations of valet services in the terminals.

### *Aviation Consultants and Services*

Represents costs for various consultants engaged to perform services for planning, air service marketing, aviation reporting, etc. Total costs were estimated at \$1,716 in 2018 compared to \$516 in 2019. The estimated decrease in the amount of \$1,200 is primarily attributable to the multitude of projects performed in the Authority's first full year of operations.

### *Engineering and Environmental Services*

Represents costs for various consultants engaged to perform services for planning, engineering, air service marketing, environmental reporting, etc. Total costs were estimated at \$1,301 in 2018 compared to \$6,372 in 2019. The estimated increase in the amount of \$5,071 is primarily attributable to the multitude of short term and long-term construction projects planned for 2019 and future years.



### *Operations and Maintenance Services*

Represents costs for maintaining all aspects of the terminal, airfield, roadways and general infrastructure. The authority had previously performed the many maintenance tasks associated with respect to repairs and maintenance using employed staff and incurred costs for materials and supplies for painting, paving, elevator repairs, etc. directly. During the calendar year 2018, the authority entered into an agreement with an unrelated third party to perform all the maintenance functions previously performed internally.

Total costs were estimated at \$6,605 in 2018 (adjusted for LAWA payroll) compared to \$5,877 in 2019. The estimated decrease in the amount of \$728 is primarily attributable to the transition from labor leased from LAWA in 2018.

### *IT Systems and Maintenance*

Represents costs of implementing and maintaining the technology infrastructure of the airport facilities. Total costs were estimated at \$384 in 2018 compared to \$1,097 in 2019. The estimated increase in the amount of \$713 is primarily attributable to the implementation of new automated systems.

### *Utilities*

Represents costs incurred for electricity, gas, water, and sewer charges. Total costs were estimated at \$4,656 in 2018 compared to \$3,855 in 2019. The estimated decrease in the amount of \$801 is primarily attributable to reflecting amounts more closely associated with historical trends as well as outsourcing maintenance of the airfield and terminals to third party providers in 2019.

## General and Administrative Cost

General and Administrative represent costs incurred in the management, marketing and administration of the airport operations.

### Advertising and Marketing

Represents costs incurred for various forms of print, radio, television advertising, general market awareness programs, community engagement, sponsorships and events. Total costs were estimated at \$1,016 in 2018 compared to \$4,750 in 2019. The estimated increase in the amount of \$3,734 is primarily attributable to the Authority's strategic plan focused on market awareness designed to increase passage traffic, cargo operations and discover new sources of non-aviation revenue.

### IT Services

Represents costs incurred for IT maintenance, software licenses, outside consulting and new automated systems. Total costs were estimated at \$840 in 2018 compared to \$1,442 in 2019. The estimated increase in the amount of \$602 is primarily attributable to the implementation of an enterprise software system to integrate financial, human capital, and procurement requirements. Additionally, the increase is attributable to the continued investment in lease management software.

### Professional Services

Represents costs incurred for various outside services for legal, financial, management, human resources, risk management, and marketing consultants. Total costs were estimated at \$3,002 in 2018 compared to \$3,142 in 2019. The estimated increase in the amount of \$290 is primarily attributable to the multitude of projects contemplated in the 2019 budget.

### Travel and Travel Related

Represents costs associated with business related travel for marketing, air service development, training and conferences. Total costs were estimated at \$330 in 2018 compared to \$350 in 2019.

## Operating Capital

Operating Capital represents costs associated with equipment used in operations, either leased, purchased or charged back for items not qualifying for capitalization. Total costs were estimated at \$987 in 2018 compared to \$936 in 2019. The primary costs comprising the 2019 amounts are charges for police vehicles in the amount of \$496.

### Other Budget Components

Other cash outlays (in \$000) impacting the budget are as follows:

	2018	2019
Debt Service- 2016 Revenue Bonds	\$5,381	\$6,913
Debt Service Reserve Adjustment	\$(296)	\$383
Airport Discretionary Account Deposit	\$97	\$367
M & O Reserve Account Deposit	\$3,239	\$1,351
Capital Depreciation	\$1,597	\$2,744
Airline Incentive Program	\$0	\$1,375

Debt service consists of principal and interest payments due to holders of the 2016 Series A Revenue Bonds. Debt Service in 2019 contemplates additional bond financing for the construction of a new international terminal.

Debt service reserve adjustment consists of a prescribed reserve related to the 2016 Bond Series.

Airport discretionary account deposit consists of a prescribed reserve related to the capital improvement projects not requiring airline approval.

M&O reserve account deposit consists of a prescribed reserve based on a percentage of the overall M&O operating budget. The amount represents the incremental difference in the calculated reserve over the prior year.

Capital Depreciation consists of the cost of long term assets over their estimated useful lives.

Airline Incentive Program consists of concessions granted to new airline partners in terms of abated landing fees, terminal rents and other charges.

The above components are added to total costs that determine the amount of landing fees and rental rates each year.

**Other Airport Statistics**

The authority tracks other data which provides insights into activity and operations of the airport as follows:

	2018	2019
Cost Per Enplanement	\$9.24	\$9.04
Passenger Enplanements	2,463,670	2,715,912
Landed Weight – Passenger (in 000)	2,517,962	3,033,776
Landed Weight – Cargo (in 000)	4,049,815	4,151,908
Passenger Facility Charges (Per Enplaned Passenger)	\$4.50	\$4.50
Customer Facility Charges (Per Contract)	\$10.00	\$10.00

Cost per enplanements represents the airlines costs associated with boarding each passenger.

Passenger enplanements represent the total number of passengers for the period.

Landed weight for passengers represented the total weight of all passenger aircrafts landing during the period.

Landed weight for cargo represented the aggregate weight of all passenger aircrafts landing during the period.

Passenger Facility Charge (“PFC”) is an FAA-approved charge levied on each enplaned passenger (currently \$4.50, net of collection fee of \$0.11).

The Customer Facility Charge (“CFC”) is a State of California permitted \$10 charge established by the Authority levied per rental car contract.



# Ontario International Airport Authority Operating and Maintenance Budget for the Fiscal Years Ending June 30, 2018 and 2019

	FY 2017-2018 Budgeted	FY 2017-2018 Projected	FY 2018-2019 Budget
<b>AIRLINE REVENUE</b>			
Landing Fees-Signatory	\$15,567,752	\$14,650,691	\$14,203,078
Terminal Rents-Airlines	15,606,714	15,397,823	16,894,999
Gate Use and Jet Bridge Fee	1,182,620	1,331,839	1,638,667
Building Rental- Non Terminal	1,396,505	2,078,033	2,079,333
Land Rental	1,529,019	3,397,553	3,617,471
Plane Parking	894,771	721,376	772,667
Landing Fees-Non Signatory	1,937,334	1,851,919	1,391,901
Airline Handling Service Fees	1,818,795	2,267,124	1,206,000
<b>Total Aviation</b>	<b>39,933,510</b>	<b>41,696,358</b>	<b>41,804,115</b>
<b>CONCESSIONS &amp; PARKING</b>			
Auto Parking, Net of Taxes	18,271,560	17,953,076	20,764,000
Rent-A-Car	7,307,518	7,757,955	7,930,667
Food & Beverage	942,310	749,981	1,384,667
Gifts & News	867,272	807,347	1,122,000
Bus, Limos & Taxi, TNC	567,782	872,710	1,662,167
Advertising Revenue	835,657	458,774	1,002,667
Other Concession Revenue	270,358	530,086	924,467
<b>Total Concessions &amp; Parking</b>	<b>29,062,457</b>	<b>29,129,929</b>	<b>34,790,634</b>
<b>Total Operating Revenue</b>	<b>68,995,967</b>	<b>70,826,287</b>	<b>76,594,749</b>
<b>PERSONNEL EXPENSES</b>			
Salaries & Wages	5,405,490	3,952,491	4,806,624
Payroll Taxes & Benefits	1,335,457	826,131	1,321,822
<b>Total Personnel</b>	<b>6,740,948</b>	<b>4,778,622</b>	<b>6,128,445</b>
<b>OPERATING &amp; MAINTENANCE EXPENSES</b>			
Police, Fire & Rescue Services	22,914,293	22,056,527	19,874,350
Security Services	1,379,480	1,291,697	823,500
Customs Border Protection	900,000	699,948	1,600,000
Parking Management & Related Costs	6,130,000	6,380,228	6,400,000
Shuttle System	1,968,000	2,143,836	2,138,000
Merchant Fees	410,000	532,746	533,000
Aviation Consultants & Services	1,716,000	457,936	500,000
Environmental Services	508,200	572,972	1,116,400
Engineering Services	793,400	2,196,197	5,256,300
Gas & Electric	3,991,600	3,241,506	3,245,000
Water	665,000	603,867	610,000
Operations & Maintenance Services	6,605,100	8,214,703	5,877,500
IT Systems & Maintenance	384,000	467,944	1,097,500
Land Assessments	257,000	245,179	257,000
<b>Total Operations</b>	<b>48,622,073</b>	<b>49,105,286</b>	<b>49,328,550</b>

	FY 2017-2018 Budgeted	FY 2017-2018 Projected	FY 2018-2019 Budget
<b>GENERAL &amp; ADMINISTRATIVE</b>			
Advertising, Promotions & Community Engagement	1,016,600	1,067,718	4,750,000
Commissioners Fees	25,000	48,676	50,000
Dues, Subscriptions & Licences	62,000	142,019	130,000
Insurance	496,000	646,968	750,000
IT Services & Equipment	840,100	855,370	1,442,500
Office Expense	74,500	166,083	140,000
Professional Services- Financial	242,200	161,977	145,000
Professional Services- HR & Risk Management	350,000	348,000	533,300
Professional Services- Legal	1,050,000	839,207	975,000
Professional Services- Marketing	730,000	300,000	721,400
Professional Services- Management	480,000	652,965	768,000
Real Estate Appraisals	150,000	148,191	-
Telephone	381,900	318,826	160,000
Travel, Training & Conferences	330,500	426,890	350,000
<b>Total General</b>	<b>6,228,800</b>	<b>6,122,890</b>	<b>10,915,200</b>
Operating Capital	987,000	-	936,250
<b>Total Operating &amp; Maintenance Expenses</b>	<b>62,578,820</b>	<b>60,006,798</b>	<b>67,308,445</b>
<b>Net Operating Income</b>	<b>6,417,147</b>	<b>10,819,489</b>	<b>9,286,304</b>
<b>Other Non-Operating Revenue</b>			
Filming	505,093	623,075	806,000
Grant Revenue	506,500	415,360	506,500
Investment Income	200,000	636,565	500,400
<b>Total Other Non-Operating</b>	<b>1,211,593</b>	<b>1,675,000</b>	<b>1,812,900</b>
<b>Excess Operating Revenue Over Expenses</b>	<b>\$7,628,740</b>	<b>\$12,494,489</b>	<b>\$11,099,204</b>



# Capital Improvement Program

## Overview

The FY2019 Budget for the Capital Improvement Program (CIP) is analyzed in the table following this discussion.

The schedule indicates that OIAA will initiate 14 projects during the fiscal year representing total project funding of \$98,917,000. The OIAA anticipates to receive more than \$73 million in debt and FAA funding for a net capital outlay of approximately \$26 million. Of this amount, approximately \$2.8 million will be added to the airline rate base and recovered during the FY2019 budget year. Under the Residual rate methodology prescribed under the Airline Operating Use and Terminal Lease Agreement, the OIAA is entitled to recover its capital spending on a straight-line basis over the useful life of the assets procured or constructed. Debt service or lease payments are also included in the rate base at full value. The largest projects to be undertaken in the budget year are described here.

## Terminal 2 Federal Inspection Services – CBP Building

The OIAA team is in the process of procuring the design/build construction of a 104,000 square foot facility to adjoin the existing Terminal 2. The building will replace the existing 36,000 square foot facility, which is located on a site away from terminals. The project will convert Terminal 2 to a full service international facility and mitigate the operational inefficiencies inherent with the existing arrangement. The project will add two passenger boarding bridges and will have an estimated international arrivals capacity of 800 passengers per hour. The total project cost is estimated at \$125 million and is expected to be completed in 2020. The amount anticipated to be expended during the budget year is approximately \$70.0 million and significant debt funding is anticipated. The OIAA is considering alternative delivery approaches.

## Taxiway S Rehabilitation

Taxiway S was commissioned in 1993 and has not been well-maintained. A recent pavement study noted that the taxiway, “particularly the portion located above the Cucamonga Channel, consists of pavement that is experiencing severe cracking despite multiple attempts . . . to patch and control the cracking.” Severe cracking has been occurring for the past several years. Following an option study, the planned rehabilitation plan was adopted and approved by the FAA for entitlement funding. The total project cost is approximately \$7.5 million.

## Runway 26R Touchdown Zone (TDZ) Lighting

ONT maintains a Cat I approach to Runway 26R and Cat III approach to Runway 26L. OIAA intends to install TDZ lights on Runway 26R to provide special authorization Cat II/III approaches to Runway 26R. The project would provide ONT with two benefits: First, the Airport would have greater operational flexibility during inclement weather providing airlines with the capability to fly approaches to both runways in Cat II or Cat III conditions. Secondly, OIAA expects to be completing rehabilitation work on Runway 26L within the next few years, which will require long-term closure of the runway. This project will mitigate the operational limitations during the periods of closure. The estimated cost of the project is \$4.0 million. FAA approval has been given for entitlement funding.

## MTS Southwest (MN) Cargo Relocation

The OIAA is in advanced discussions with an air freight operator to develop a large portion of the northwest quadrant. Within this area are cargo handling hangars that will need to be cleared and the existing operations will be relocated just to the east of its current location. The project will entail demolition, site work, development of necessary utilities, and the development of a multi-use hangar. The cost of the project is estimated to equal \$4.0 million. This project does not meet the FAA guidelines for entitlement funding. The rent revenues from the hangar operator(s) will credit the airfield cost center and the engineering, procurement, and construction costs will be recovered from the airlines over the useful life of the facility.

## North Parallel Taxiway Design

The project comprises the engineering design work for a new taxiway north of and parallel to Taxiway N. The new taxiway will be approximately 2,800 feet in length and extend to the east from the West Cucamonga Channel. Construction of a new parallel taxiway will support air cargo development at the northwest quadrant. The cargo development project at the northwest quadrant is consistent with OIAA's land use plan. This project is an essential enabling project that will support this development. This design work is estimated to cost \$3.5 million and has been approved by the FAA for AIP entitlement funding.

## Terminal 2 & 4 Redesign & Refresh

The two passenger terminals opened to the public twenty years ago. Under the previous ownership, very little was done to enhance the customer experience and keep up with industry trends. Since the transfer in November, 2016, the OIAA has orchestrated the opening of new concession concepts and replaced the flight displays but there is much more that can be done. The OIAA believes the time has come to modernize the terminals to deliver an elevated

passenger experience and provide a sense of place that represents the Greater Ontario region. This project will include replacing antiquated wall coverings and flooring, improving the lighting fixtures, new furniture, and more. The cost is estimated at \$3.0 million and will not be eligible for FAA funding.

## Airfield Markings and Painting

The airfield has markings and paintings which meet the minimum standards of the FAA but are in need of replacement. The runway and taxiway markings have been maintained with paint overlays over the past many years and there are a number of changes to the markings needed to meet the latest FAA standards. Many of the airfield signs have faded letters, numbers, and symbols and need replacing. The project cost is approximately \$3.0 million and is not eligible for federal funds.

## Airfield Pavement Management Program (PMP)

When commercial airports such as ONT receive federal grants, they make certain assurances that are required to maintain eligibility for future grants. Grant Assurance No. 11 states that the airport sponsor "certifies that it has implemented an effective airport pavement maintenance-management program (PMMP) and it will use such program for the useful life of any pavement constructed, reconstructed or repaired with Federal financial assistance at the airport." At this time, OIAA does not have a pavement preventive maintenance program in place and will not be in compliance with this particular Grant Assurance until it has successfully implemented a PMMP. Although the total cost of the PMMP is approximately \$1.0 million, the OIAA anticipates expending approximately \$0.5 million during the budget year. The cost is eligible for FAA funding.

# OIAA Capital/Amortization Costs

Projects	Total Project Costs	2019 Project Costs	Bonds Payout	Grants	Budget 2019	Airfield	Terminal	Total
<b>Subtotal from Previous (2017-2018) Budget</b>	85,364,862	-	(35,830,090)	(32,263,572)	931,944	591,264	340,680	931,944
<b>Change in 2017-2018 Estimates</b>								
NW Development Site Clearing - Demo- NEPA/CEQA	375,000	-	-	3,088,500	173,175	173,175	-	173,175
ARFF Vehicles	270,000	270,000	(4,270,000)	3,223,600	(77,640)	(77,640)	-	(77,640)
Terminal 1 Apron Rehabilitation	(5,925,000)	-	-	4,774,958	(57,502)	(57,502)	-	(57,502)
South Cargo Ramp Expansion	(275,000)	-	-	221,623	(2,669)	(2,669)	-	(2,669)
<b>Fiscal Year 2018 CIP Not Budgeted</b>								
2017-2018 Terminal Improvements	712,595	712,595	-	-	35,630	-	35,630	35,630
2017-2018 Building Improvements	22,750	22,750	-	-	1,138	-	1,138	1,138
2017-2018 IT Hardware/Software	612,678	612,678	-	-	122,536	-	122,536	122,536
2017-2018 Paint Mixing Equipment	11,633	11,633	-	-	2,327	-	2,327	2,327
<b>2018-2019 New Projects</b>								
North Parallel Taxiway (DESIGN)	3,500,000	3,500,000	-	(2,800,000)	35,000	35,000	-	35,000
TBI- Airfield Markings and Painting	3,000,000	3,000,000	-	-	500,000	500,000	-	500,000
Modular Facility for ONT Police	750,000	750,000	-	-	37,500	37,500	-	37,500
Airfield Pavement Management System	1,000,000	500,000	-	(402,500)	4,875	4,875	-	4,875
AARF - Other Equipment	210,000	210,000	-	-	21,000	21,000	-	21,000
Rwy 26R Touchdown Zone Lighting	4,000,000	4,000,000	-	(3,223,600)	38,820	38,820	-	38,820
Twy S Rehabilitation	7,500,000	7,500,000	-	(6,044,250)	72,788	72,788	-	72,788
Terminal 2 FIS	125,000,000	70,000,000	(60,000,000)	-	333,333	-	333,333	333,333
Airport Layout Plan Update	1,000,000	1,000,000	-	(805,000)	9,750	9,750	-	9,750
MTS SW Cargo Relocation	4,000,000	4,000,000	-	-	266,667	266,667	-	266,667
Terminal 2 & 4 Redesign & Refresh	3,000,000	3,000,000	-	-	150,000	-	150,000	150,000
IT Equipment	407,000	407,000	-	-	40,700	-	40,700	40,700
Multiple Terminal IT Systems	630,000	630,000	-	-	63,000	-	63,000	63,000
Telecom Equipment Upgrades	420,000	420,000	-	-	42,000	-	42,000	42,000
<b>New Projects</b>	<b>154,417,000</b>	<b>98,917,000</b>	<b>(60,000,000)</b>	<b>(13,275,350)</b>	<b>1,615,433</b>	<b>986,399</b>	<b>629,033</b>	<b>1,615,433</b>
<b>Grand Total</b>	<b>235,586,518</b>	<b>100,546,656</b>	<b>(100,100,090)</b>	<b>(34,230,242)</b>	<b>2,744,370</b>	<b>1,613,027</b>	<b>1,131,343</b>	<b>2,744,370</b>

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# Financial Details

## Revenue Detail- Airlines

	FY 2017-2018 Budgeted	FY 2017-2018 Projected	FY 2018-2019 Budget
<b>LANDING FEES – SIGNATORY</b>			
Passenger <sup>1</sup>	\$8,106,291	\$6,964,948	\$8,059,049
Cargo <sup>2</sup>	7,461,461	7,685,743	6,144,030
<b>Total</b>	<b>\$15,567,752</b>	<b>\$14,650,691</b>	<b>\$14,203,079</b>
<b>LANDING FEES – NON-SIGNATORY</b>			
Passenger	\$13,131	\$177,851	\$184,346
Cargo <sup>3</sup>	1,924,203	1,674,068	1,192,555
<b>Total</b>	<b>\$1,937,334</b>	<b>\$1,851,919</b>	<b>\$1,376,901</b>
<b>TERMINAL RENTS</b>			
Airline- Exclusive Use	\$6,288,551	\$7,037,385	\$7,662,455
Airline- Joint Use	9,217,506	8,261,278	9,131,812
Non Airline	100,656	99,160	100,732
<b>Total</b>	<b>\$15,606,714</b>	<b>\$15,397,823</b>	<b>\$16,894,999</b>
<b>AIRLINE HANDLING FEES</b>			
Contract Services	\$1,663,175	\$2,026,423	\$939,000
Fuel Fees	155,620	240,701	267,000
<b>Total</b>	<b>\$1,818,795</b>	<b>\$2,267,124</b>	<b>\$1,206,000</b>

<sup>1</sup> 2018 Overbudgetd by one month, China Air, JetBlue in 2019, general increase in landed weight

<sup>2</sup> ABX, ATI, Atlas to Signatory

<sup>3</sup> ABX Move to Signatory

## Revenue Detail – Concessions and Parking

	FY 2017-2018 Budgeted	FY 2017-2018 Projected	FY 2018-2019 Budget
<b>PARKING REVENUE</b>			
Parking Fees	\$20,665,560	\$20,277,793	\$23,595,000
Parking Taxes	(2,394,000)	(2,324,717)	(2,831,000)
<b>Total</b>	<b>\$18,271,560</b>	<b>\$17,953,076</b>	<b>\$20,764,000</b>
<b>BUS, LIMO TAXI, AND TNC</b>			
Taxis	116,600	\$116,600	\$116,600
Shuttles, Limos	65,182	57,819	73,406
Transportation Network Companies (TNC)	386,000	698,291	1,472,161
<b>Total</b>	<b>\$567,782</b>	<b>\$872,710</b>	<b>\$1,662,167</b>
<b>OTHER CONCESSION REVENUE</b>			
Operating Permits	\$100,400	\$160,385	\$181,512
ATM Revenue	90,000	90,000	78,000
Utility Reimbursements	79,956	171,556	179,322
Badging	-	108,145	485,633
<b>Total</b>	<b>\$270,356</b>	<b>\$530,086</b>	<b>\$924,467</b>

## All Terminal Revenue

	FY 2017-2018 Budgeted	FY 2017-2018 Projected	FY 2018-2019 Budget
Rental Income From:			
Airlines	\$15,506,058	\$15,298,663	\$16,794,268
Non Airlines	100,656	99,160	100,732
Food & Beverage Concessions	942,310	749,981	1,384,667
Gift & News Concessions	867,272	807,347	1,122,000
Advertising Revenue	835,657	458,774	1,002,667
Other Concession Revenue	270,358	530,086	924,467
<b>Total</b>	<b>\$18,522,311</b>	<b>\$17,944,011</b>	<b>\$21,328,800</b>

## Parking Revenue, Net Of Direct Costs

	FY 2017-2018 Budgeted	FY 2017-2018 Projected	FY 2018-2019 Budget
Parking Fees	\$20,665,560	\$20,277,793	\$23,595,000
Parking Taxes	(2,394,000)	(2,324,717)	(2,831,000)
Net Revenue	18,271,560	17,953,076	20,764,000
Parking Management & Related Costs	(6,130,000)	(6,380,228)	(6,400,000)
Merchant Fees	(410,000)	(532,746)	(533,000)
<b>Total</b>	<b>\$9,337,560</b>	<b>\$8,715,385</b>	<b>\$11,000,000</b>



## CONRAC, Net Of Direct Costs

	FY 2017-2018 Budgeted	FY 2017-2018 Projected	FY 2018-2019 Budget
Rental Income	\$7,307,518	\$7,757,955	\$7,930,667
Direct Expenses	(1,968,000)	(2,143,836)	(2,138,000)
Net Revenue	5,339,518	5,614,119	5,792,667
Allocated Terminal Costs, Net of Credits	(614,766)	(631,816)	(647,075)
Interest on Debt	(112,428)	(112,428)	(105,032)
Net Operating Income	\$9,951,842	\$10,483,994	\$10,833,226
Bond Principal	(475,000)	(475,000)	(480,000)
<b>Net Cash Flow</b>	<b>\$9,476,842</b>	<b>\$10,008,994</b>	<b>\$10,353,226</b>

## Personnel

	FY 2017-2018 Budgeted	FY 2017-2018 Projected	FY 2018-2019 Budget
Salaries and Wages by Department:			
Executive	\$806,061	\$1,018,729	\$818,851
Finance & Accounting <sup>1</sup>	871,921	993,509	1,250,481
Marketing & Communications	1,193,279	641,238	1,169,344
Operations—Administrative	467,357	360,702	725,025
Maintenance & Landside	850,621	550,357	361,296
Safety & Badging	263,799	162,380	481,627
Airfield Operations	952,454	225,547	-
<b>Total</b>	<b>\$5,405,492</b>	<b>\$3,952,462</b>	<b>\$4,806,624</b>
Benefits by Department:			
Executive	\$78,962	\$140,738	\$225,184
Finance & Accounting	235,672	214,924	343,882
Marketing & Communications	311,585	200,979	321,570
Operations—Administrative	120,179	124,613	199,382
Maintenance & Landside	242,427	62,097	99,356
Safety & Badging	75,183	65,386	132,447
Airfield Operations <sup>2</sup>	271,449	17,384	-
<b>Total</b>	<b>\$1,335,457</b>	<b>\$826,121</b>	<b>\$1,321,821</b>

<sup>1</sup> Added Procurement, Internal Auditor

<sup>2</sup> Air Ops in 2008 Assumed Hiring LAWA People

## Police, Fire & Rescue

	FY 2017-2018 Budgeted	FY 2017-2018 Projected	FY 2018-2019 Budget
Salaries & Wages:			
Police <sup>1</sup>	\$13,601,554	\$7,426,620	\$11,696,372
Fire	8,376,192	12,323,943	6,338,799
Dispatch — Police	-	1,086,971	1,014,745
Dispatch — Fire	507,667	-	507,372
Police Supplies	256,087	941,454	222,067
Fire Supplies	172,793	277,539	94,995
<b>Total</b>	<b>\$22,914,293</b>	<b>\$22,056,527</b>	<b>\$19,874,350</b>

<sup>1</sup> LAWA Billed ONT Exactly Opposite in Terms of Police and Fire

## Selected Other Operating Expenses

	FY 2017-2018 Budgeted	FY 2017-2018 Projected	FY 2018-2019 Budget
Security Services:			
Guard Services	\$262,000	\$449,142	\$350,000
Security Cameras, Systems	530,200	793,878	473,500
Supplies, Other	587,280	48,677	-
<b>Total</b>	<b>\$1,379,480</b>	<b>\$1,291,697</b>	<b>\$823,500</b>
Aviation Consultants & Services:			
Planning	\$1,050,000	\$213,633	\$300,000
Logistical	188,000	150,000	100,000
Administrative	478,000	94,303	100,000
<b>Total</b>	<b>\$1,716,000</b>	<b>\$457,936</b>	<b>\$500,000</b>
Operations & Maintenance Services:			
Contracted Services <sup>1</sup>	\$3,983,100	\$6,438,654	\$4,774,500
Materials and Supplies	2,622,000	1,776,048	1,103,000
<b>Total</b>	<b>\$6,605,100</b>	<b>\$8,214,702</b>	<b>\$5,877,500</b>
IT Systems & Maintenance—Operations			
Contracted Services	\$384,000	\$387,644	\$650,500
Systems	-	80,300	447,000
<b>Total</b>	<b>\$384,000</b>	<b>\$467,944</b>	<b>\$1,097,500</b>
Advertising, Promotion & Engagement			
Advertising—Media	\$795,000	\$515,063	\$4,000,000
Community Engagement	50,000	50,004	50,000
Events	100,000	272,352	200,000
Creative Items	12,000	104,881	300,000
Promotional	59,600	125,418	200,000
<b>Total</b>	<b>\$1,016,600</b>	<b>\$1,067,718</b>	<b>\$4,750,000</b>
IT Systems & Maintenance—Administrative			
Contracted Services	\$360,200	\$387,644	\$443,000
Systems	479,900	467,726	999,500
<b>Total</b>	<b>\$840,100</b>	<b>\$855,370</b>	<b>\$1,442,500</b>

<sup>1</sup> 2018 LAWA Payroll



## Operating Capital

	FY 2017-2018 Budgeted	FY 2017-2018 Projected	FY 2018-2019 Budget
Passenger Vans (3)	\$36,000	-	\$27,000
OFD — Battallian Chief Vehicles (2X)	-	-	18,000
Ford Interceptors (4)	36,000	-	36,000
Ford Pick-Ups (6)	36,000	-	24,000
Police Vehicle Lease	54,000	-	496,250
Replacement (Acams) Readers	75,000	-	20,000
Replacement Intercoms	-	-	15,000
Other Projects — TBD	500,000	-	300,000
Travelers Aid Welcome Center	250,000	-	
<b>Total</b>	<b>\$987,000</b>	<b>-</b>	<b>\$936,250</b>

## Current & Five Year Debt Schedule — FY 2019

Debt Maturities	Coupon	2016 Rates			2016 CONRAC			Total
		Principal	Interest	Debt Service	Principal	Interest	Debt Service	
6/30/18	1.557%	\$4,330,000	\$1,051,203	\$5,381,203	\$475,000	\$112,428	\$587,428	\$5,968,631
6/30/19	1.818%	4,430,000	983,785	5,413,785	480,000	105,032	585,032	5,998,817
6/30/19			1,500,000					150,000
6/30/20	2.084%	4,520,000	903,247	5,423,247	490,000	96,306	586,306	6,009,553
6/30/21	2.184%	4,645,000	809,051	5,454,051	500,000	86,094	586,094	6,040,145
6/30/22	2.484%	4,775,000	707,604	5,482,604	515,000	75,174	590,174	6,072,778
6/30/23		4,925,000	588,993	5,513,993	530,000	62,382	592,382	6,106,375
		<b>\$27,625,000</b>	<b>\$5,043,883</b>	<b>\$34,168,883</b>	<b>\$2,990,000</b>	<b>\$537,416</b>	<b>\$3,527,416</b>	<b>\$36,346,299</b>

Thank You



**ONTARIO**   
INTERNATIONAL AIRPORT



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