



Fiscal Year 2019-2020 Budget



Prepared June 19, 2019

Ontario International Airport Administration Offices

1923 E. Avion Street, Ontario, CA 91761

ALAN D. WAPNER
President

RONALD O. LOVERIDGE
Vice President

JIM W. BOWMAN
Secretary

CURT HAGMAN
Commissioner

JULIA GOUW
Commissioner

MARK A. THORPE
Chief Executive Officer

LORI D. BALLANCE
General Counsel

JOHN M. SCHUBERT
Treasurer

July 1, 2019

Proposed Fiscal Year 2019-2020 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 2019/2020.

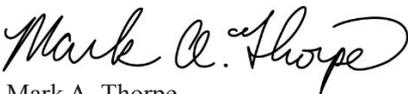
The recently completed fiscal year marked a number of unprecedented milestones as the airport continues to grow and flourish under local control, including, but not limited to:

- ONT continues double digit growth of passenger and air cargo traffic
- Global Traveler names ONT the fastest growing airport in the U.S.
- FreightWaves names Ontario the top U.S. market for outbound cargo, replacing Atlanta for the #1 spot
- Major service expansion includes new non-stop destinations to Houston, Atlanta and New York's JFK
- China Airlines celebrates one year of historic service at ONT and adjusts its daily flight times to conveniently connect passengers to even more destinations throughout Asia.
- ONT was awarded \$11.8 million in FAA grants to upgrade and modernize our infrastructure

The ONT brand can be seen throughout the Airport delivering a brand experience that further solidifies the vision of being "So Cal. So Easy." Valet parking and new VIP lounges are accessible to all travelers and provide a more relaxing, convenient experience. Travelers can now book their parking online and order their meals delivered to their gate offering a customer experience unique to Southern California's Fastest Growing Airport.

The OIAA has had a successful FY 2019 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.

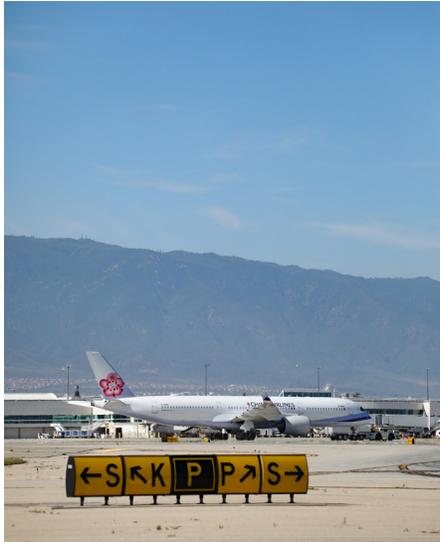
Respectfully submitted,



Mark A. Thorpe

Chief Executive Officer

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OIAA Commission



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President



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Vice President



Julia Gouw
Commissioner



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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 5.1 million enplaned passengers in 2018 representing an increase of approximately 11% over the prior fiscal year. As of September 2018, eight 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 2018, increasing by 32.4% to 751,529 tons compared to 2017.

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 Stakeholders**
- 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) 2019-2020 budget.

The FYE 2020 Budget

The FYE 2020 Budget is the third budget that the OIAA generated and will manage after a transitional and transformative year in 2017 to return the airport to local control. 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. ONT is a key economic asset serving the Inland Empire and the entire Southern California region using best practices, evidence-based and data-driven decisions.

OIAA Budget Summary

	Actual FYE 2018	Budget FYE 2019	Budget FYE 2020	\$	%
OPERATING REVENUES					
Aeronautical Revenues	\$39,932,155	\$42,310,616	\$43,266,211	\$955,595	2.2%
Non-aeronautical Revenues	30,660,643	35,596,633	34,715,231	(881,402)	-2.5%
Total Operating Revenues	70,592,798	77,907,249	77,981,442	74,193	0.1%
OPERATING EXPENSES					
Personnel	6,038,610	6,128,446	7,767,987	1,639,541	21.1%
Operations	58,897,245	50,264,800	51,212,597	947,797	1.9%
General and Administrative	7,142,615	10,915,200	12,641,199	1,725,999	13.7%
Total Operating Expenses	72,078,470	67,308,446	71,621,783	4,313,337	6.0%
Net Income (Loss) from Operations	(1,485,672)	10,598,803	6,359,659	(4,239,144)	-66.7%
NON-OPERATING REVENUES					
Interest Income	703,964	500,400	700,000	199,600	28.5%
Passenger Facility Charges	9,605,169	10,134,426	11,884,232	1,749,806	14.7%
Customer Facility Charges	4,078,166	3,911,999	3,881,269	(30,730)	-0.8%
Other	581,903	-	-	-	0.0%
Total Non-operating Revenues	14,969,202	14,546,825	16,465,501	1,918,676	11.7%
Net Income	13,483,530	25,145,628	22,825,160	(2,320,468)	-10.2%
OTHER SOURCES AND USES					
Debt Service	18,112,878	19,421,671	21,393,073	1,971,402	9.2%
Reserve Balance (Increase) Decrease	2,841,539	938,336	1,432,087	493,751	34.5%
Total Other Sources and Uses	20,954,417	20,360,007	22,825,160	2,465,153	10.8%
Increase (Decrease) in Net Position	\$(7,470,887)	\$4,785,621	\$ -	\$(4,785,621)	N/A



Budgeted Operations

Overview

Operating and Non-Operating revenues for FY 2020 are projected to be \$93.5M, an increase of \$1.1M (1.2%) above the FY 2019 budget of \$92.4M.

Landing Fees

Landing Fees are revenues from passenger and cargo carriers for commercial aircraft landings at the Airport. The landing fee is set to recover 100.0% of the direct and allocated costs of the airfield net of other airfield revenue. Airfield costs include maintenance and operation expenses, debt service and amortization of capital investments. Other airfield revenues include facility and land rents, airline handling service fees and aircraft parking.

In FY 2020, landing fee revenues are projected to increase to \$16.3M which is \$.7M (4.5%) over the FY 2019 budget due to the projected increase in both commercial and cargo airline landed weights. Estimated landed weight for FY 2020 is projected to increase to 8.3M per 1,000 pounds of maximum gross landed weight (MGLW), a 7.6% increase from 7.8M (per 1,000 pounds of MGLW) in the FY 2019 Budget. The combination of higher landed weight and increased net airfield requirement results in the FY 2020 landing fee rate (per 1,000 pounds of MGLW) of \$1.98, which is the same as the landing fee rate for FYE 2019.

Facility Rentals

FYE 2020 facility rental revenues remain relatively flat, with a \$.1M (.7%) increase. FYE 2020 and 2019 budgeted revenues are \$19.1M and \$19.0M, respectively. Terminal rents are charged at a prescribed rate based on the actual square footage used by each air carrier for exclusive or preferential use space (i.e. office, ticket counter, baggage makeup, holdroom areas), plus an allocation of common use space. Terminal rental rates are calculated on residual cost basis, which is equal to direct and allocated terminal expenses net of non-signatory rents as well other tenant rents, e.g. the Transportation Security Administration.

The FYE 2020 and 2019 terminal rental rates are listed in the following table.

	Budget FYE	
	2019	2020
Signatory	\$109.86	\$109.80
Non-signatory	\$120.84	\$120.78

Land Rentals

Land rentals includes airside and landside airport property leased to airlines and other non-aeronautical tenants. Lease agreement rates and terms vary depending on the properties location, improvements and use. The Land Rental budget for FYE 2020 is \$3.8M a \$.2M increase over the FYE 2019 budget of \$3.6M. The increase relates to market rate adjustments as well as a reassessment of the total square footage occupied by the lessee.

Gate Use and Jet Bridge Fees

Gate Use and Jet Bridge Fees are per turn fees charged to commercial and cargo carriers for the use of gates or jet bridges that are not assigned to and paid for under their Airline Use and Lease Agreement. The budget for gate use and jet bridge fees for FYE 2020 is \$1.8M a \$.2M (9.3%) increase over the FYE 2019 budget of \$1.6M. The increase is from higher usage as well as increased per turn rates.

Airline Handling Services Fees

Airline Handling Service Fees represent percentage fees received from airline service companies that provide ground handling and other turnaround services that they provide to non-signatory carriers; services to signatory carriers are exempt from the fee. Budgeted Airline Handling Service Fees for FYE 2020 are \$.5M compared to \$1.2M for FYE 2019 a 61.5% decrease. The substantial decrease is due to non-signatory carriers converting to signatory status.

Other Aeronautical Revenues

Other Aeronautical Revenues FYE 2020 are budgeted to increase by \$.8M to \$1.5M compared to \$.7M for FYE 2019. This increase is primarily related to increases in aircraft parking fees. These increases primarily reflect an increase in number of parking positions which are assessed based on the number of aircraft parking positions assigned to each air carrier. Aircraft parking rates vary according to the amount of time each parking position is occupied and the airlines signatory/non-signatory status.

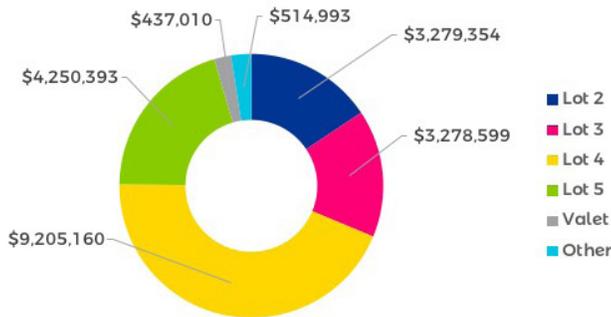


Parking

Parking revenue is generated from approximately 6,200 spaces located in four parking lots, including three parking lots in front of the terminals and an economy parking lot located along Airport Drive. In addition, the Airport provides valet and online parking options

The FY 2020 parking revenue is budgeted at \$20.9M, an increase of \$.2M (1.0%) from the FY 2019 Budget. This increase is attributable to increased passenger traffic as as reflects increases in parking rates for all on-airport parking products, effective July 1, 2019. Pricing for these products is based on proximity of the parking lot locations to the terminals, passenger demand, market conditions and pricing at other commercial airports in Southern California. These increases are partially offset by decreases in the number of parking transactions due to competitive pressures from Transportation Network Companies (TNCs). Parking revenues are recorded net of taxes.

Net Parking Revenues



Rental Car Privilege Fees

Rental car privilege fee revenue includes fees received from rental car companies that conduct business at the Airport. These privilege fees are based on a percentage of gross sales. Rental car companies that operate out of the Consolidated Rental Car Facility (CONRAC) pay 10% of gross sales, off-airport car rental companies pay 9% of gross sales. These percentage based privilege fees are subject to minimum annual guarantees.

In FYE 2020, rental car privilege fees are projected at \$7.7M, a decrease of \$.2M (2.7%), which reflects a projection of lower than expected sales for the FYE 2019, despite an increase in passenger activity.

Rental Car Revenues



Terminal Concessions

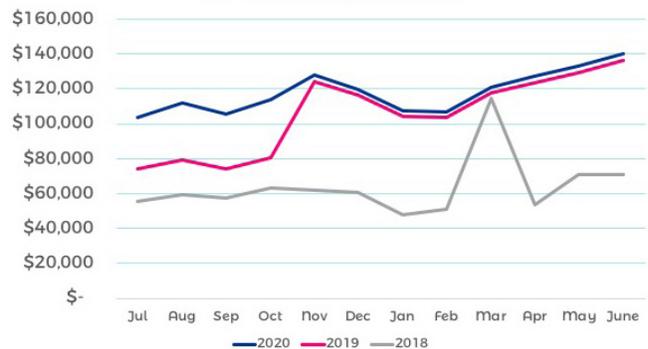
Terminal Concession revenue is generated from food, beverage, merchandise, advertising and other concessions operated out of Terminals 2 and 4 under master agreements with concessionaires. In FYE 2017, the Authority entered into new concession agreements for substantially all terminal concessions.

Concession revenue is based on various percentages charged on gross sales from these products and are subject to minimum annual guarantees.

Food and Beverage

The FY 2020 budget for food and beverage concessions at \$1.4M are relatively flat with an increase of approximately 2.4% compared to the FY 2019 Budget.

Food & Beverage Revenues



News & Gifts

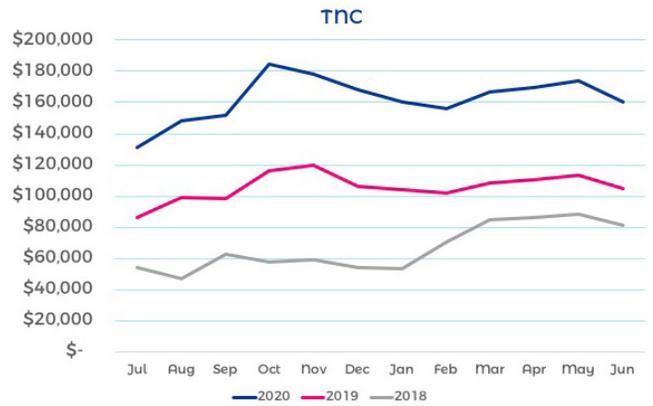
The FY 2020 budget for news and gifts concessions at \$.8M represents a decrease of \$.3M compared to FYE 2019. The decrease is based on recent sales trends and a level amount of retail space.



Ground Transportation

Revenues represent concession fees paid by the various transportation companies serving the airport. 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 \$2.4M for 2020 compared to \$1.7 for 2019. The increase of \$.7M (44.0%) is primarily attributable to rapid growth in the selection of TNC's to get to and from the airport. In addition, the increase reflects a \$1 per transaction increase for TNCs beginning July 1, 2019 as well as a new 12% of gross sales charge for off-airport parking operators that began April 2019.



Other Operating Revenues

Other Operating revenues primarily include revenues to process employee fingerprints for new tenants, and any associated contractors or vendors who conduct business at the Airport. In addition, this category includes various miscellaneous revenues that do not fall into a specific category and are usually a one-time occurrence.



Non-Operating Revenues

Interest Income

Interest Income is derived from interest earned by the Airport Authority on discretionary funds and reserves established under the master trust indenture. In FYE 2020, interest income is budgeted at \$.7M, a projected increase of \$.2M (39.9%) from the FYE 2019 budget reflecting a projected increase in interest rates and restricted cash balances.

Passenger Facility Charges (PFC)

PFC revenue is comprised of a \$4.50 charge (net \$4.39 to the Airport after deduction of \$0.11 for the airline processing fee) paid by each ONT enplaned passenger. The FY 2020 Budget is based on the projected number of enplaned passengers at an estimated collection rate of 85%. The PFC revenue budget for FYE 2020 is \$11.4M compared to \$10.1M, which is a \$1.2M (12.1%) increase over FYE 2019. PFC revenues are currently restricted under the settlement agreement with LAWA for repayment of the note payable to LAWA.

Customer Facility Charges (CFC)

CFC revenue is collected by the car rental concessionaires and remitted to the Airport Authority according to state law to support the operation of the CONRAC facility, including debt service. Current CFC rates are \$10 per rental car contract for on-airport rental car companies and \$6 per contract for off-airport rental car companies. For FY 2020, CFC revenues are projected to be relatively flat at \$3.9M compared to the FYE 2019.



	Actual FYE 2018	Budget FYE 2019	Budget FYE 2020	\$	%
OPERATING REVENUES					
Aeronautical Revenues					
Landing Fees	\$14,667,511	\$15,594,979	\$16,303,493	\$708,514	4.5%
Facility Rentals	19,502,944	18,974,332	19,111,831	137,499	0.7%
Land Rentals	3,227,486	3,617,471	3,848,228	230,757	6.4%
Gate Use and Jet Bridge Fees	1,495,626	1,638,667	1,790,308	151,641	9.3%
Airline Handling Service Fees	410,461	1,206,000	464,007	(741,993)	-61.5%
Operating Grants	-	506,500	203,500	(303,000)	-59.8%
Other Aeronautical Revenues	769,278	772,667	1,544,844	772,177	99.9%
Total Aeronautical Revenue	40,073,306	42,310,616	43,266,211	955,595	2.3%
Non-aeronautical Revenues					
Auto Parking	18,075,732	20,764,000	20,965,509	201,509	1.0%
Rental Cars	8,400,322	7,930,667	7,716,240	(214,427)	-2.7%
Food & Beverage	954,273	1,384,667	1,417,641	32,974	2.4%
Gifts & News	773,984	1,122,000	830,438	(291,562)	-26.0%
Ground Transportation	1,026,751	1,662,167	2,393,093	730,926	44.0%
Advertising Revenue	436,895	1,002,667	512,538	(490,129)	-48.9%
Other Operating Revenues	992,685	1,730,467	508,000	(1,222,467)	-70.6%
Total Non-aeronautical Revenue	30,660,642	35,596,634	34,343,459	(1,253,175)	-3.5%
Total Operating Revenues	70,733,948	77,907,249	77,609,670	(297,579)	-0.4%
NON-OPERATING REVENUES					
Interest Income	703,964	500,400	700,000	199,600	39.9%
Passenger Facility Charges	9,605,169	10,134,426	11,357,119	1,222,693	12.1%
Customer Facility Charges	4,078,166	3,911,999	3,881,269	(30,730)	-0.8%
Total Non-operating Revenues	14,387,299	14,546,825	15,938,387	1,391,562	9.6%
Total Revenues	\$85,121,247	\$92,454,074	\$93,548,057	\$1,093,983	1.2%

Operating Expenses

In FYE 2020, total operating expenses are budgeted at \$71.6M compared to \$67.3M for FYE 2019, an increase of \$4.3M (6.4%).

Personnel Expenses

Personnel Expenses include salary and wages, overtime, and employee benefits. Benefits include payroll taxes, retirement, health insurance: workers' compensation, unemployment, life and short-term disability.

The FYE 2020 budget includes 63 full-time-equivalent (FTE) positions compared to 44.5 FYE 2019. Total personnel costs for FYE 2020, including overtime and fringe benefits are projected to increase by \$1.6M (26.8%) over the FY 2019 Budget. This increase is primarily attributable to the net increase of 18.5 positions and pay-for-performance increases for eligible employees. Employee benefits are projected to remain relatively flat at 27.5% of gross wages. The increase in FTE positions is associated with the transition of OIAA functions from contract staff to OIAA staff positions as well as additional positions to adequately provide resources necessary to manage the increase in passenger traffic, as well as OIAA efforts to improve the overall passenger experience at ONT.

Operating & Maintenance Expense

Public Safety

Public safety expenses are costs for law enforcement, aircraft rescue and firefighting (ARFF), dispatch, medical response, inspection/guard services and other similar services. Law enforcement, firefighting and dispatch account for approximately 84.1% of total public safety costs. These services are provided under a contract with the City of Ontario, based on actual costs incurred by the City in accordance with the contract along with a portion of each department's indirect costs. The FYE 2020 budget for fire and police includes a required 5% increase in salaries and wages in accordance with the union contract.

In addition to the costs described above, the OIAA contracts with Customs and Border Protection under a user-fee agreement to provide customs and public safety services for the Federal Inspection Station (FIS). The agreement provides ten full-time positions. Additional requested and or required services are billed at established hourly rates, which may include overtime, as they are provided by CBP. The substantial increase in costs relates to these additional services.

Certain inspection services and other nonrecurring public safety requirements are provided through nongovernmental third-party providers based on established hourly rates as well certain reimbursable costs.

Maintenance, Repairs & Airside Operations

OIAA contracts with TBI, Inc. to provide maintenance, repairs and airside operations at OIAA. Under the terms of the contract TBI receives a \$600,000 annual management fee for services it provides and invoices OIAA for actual expenses incurred in providing those services, including personnel, certain contract services and supplies. TBI provides a budget to OIAA annually, inclusive of all these costs, which is reviewed, adjusted as necessary and incorporated in total in the OIAA budget. TBI's budget, including personnel and materials represents approximately 90% of the maintenance, repairs and airside operations budget. The budget for FYE 2020 is \$5.9M compared to \$5.8M for the year ending 2019. The increase is approximately .1M (1.7%).

Parking Management & Related Costs

OIAA contracts with a non-governmental, third-party provider to manage OIAA parking operations, which primarily covers personnel and access/ticketing infrastructure. The contract provides a management fee of \$600,000 annually as well as reimbursement for actual costs incurred by the contractor in fulfilling its requirements under the agreement. The FYE 2020 budget is \$6.6M a \$.2M (3.8%) increase over FYE 2019.

Shuttle System

OIAA provides shuttle service between the terminals and the CONRAC facility through a non-governmental, third-party provider. The budget for FYE 2020 shuttle services is \$2.1M, which is relatively flat compared to FYE 2019.

Information Technology

Information technology (IT) covers technology support services and equipment/software for operations as well as general and administrative budget categories. This includes a contract with the City of Ontario to provide assistance with hardware, network and application support. Costs related to this contract are primarily

related to reimbursement for personnel costs incurred by City of Ontario staff in performing OIAA IT functions. In addition, IT costs includes equipment, supplies, software licenses, cloud-based subscriptions, operational systems e.g. video surveillance, video information displays and security systems, as well administrative hardware, ERP, MS Office and other electronic productivity tools. The total Information Technology budget remains relatively unchanged from FY 2020 compared to FY 2019 at \$2.5M.

Utilities

Utilities expense includes gas, electric and water costs. FYE 2020 costs for utilities are projected to increase by \$.4M (11.0%) from the FY 2019 Budget, primarily due to anticipated electricity rate increases and higher usage due to increased passenger traffic.

General & Administrative Expense

Advertising, Promotions & Community Engagement

ONT experiences constant competition from several other Southern California commercial airports. In addition, OIAA is reaching out to individuals and organizations within its catchment area to inform them of changes to ONT related to its recent acquisition by the local community. Consequently, ONT invests in advertising, marketing, promotions and other community engagement activities to promote the airports convenience and amenities, as well to improve the overall customer experience at OIAA. Total expenses related to these activities is \$6.7M for FYE 2020 a \$1.9M (40.3%) increase over FYE 2019. The largest share of this increase is attributable to improvements to its digital infrastructure and distribution channel, as well as the deployment of a new customer engagement campaign to monitor the quality of services provided by OIAA and third-party organizations to customers in the terminals.

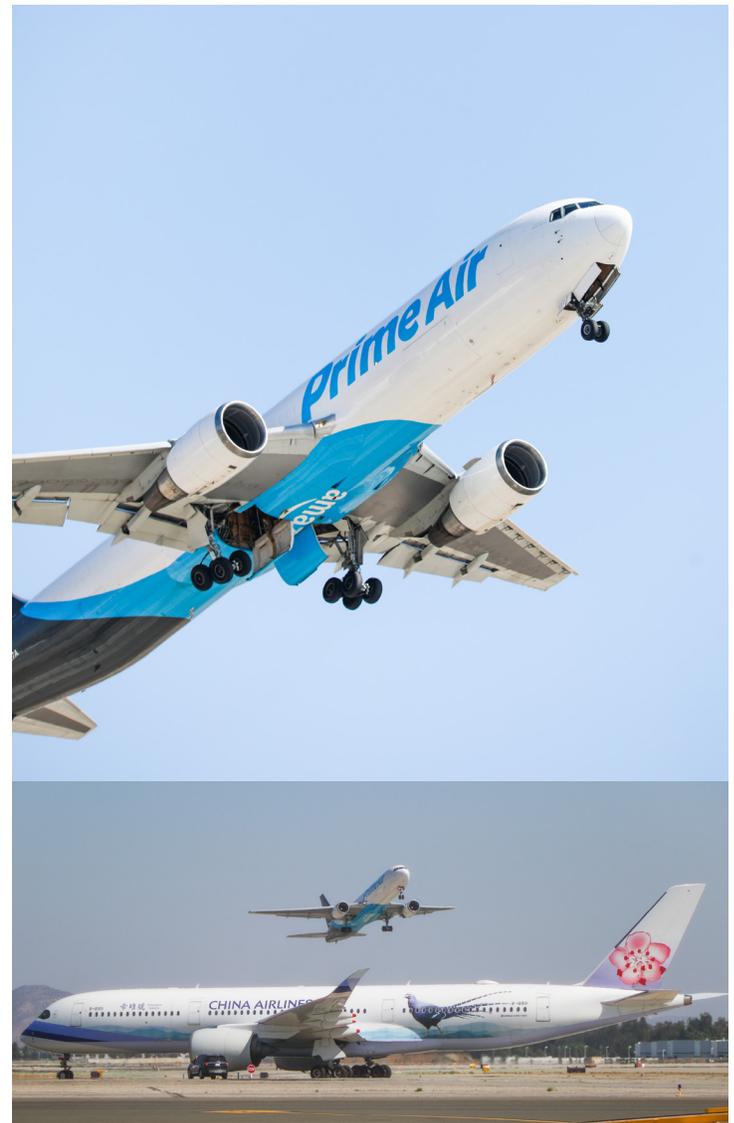


Professional Services

OIAA utilizes various professional services to support the general and administrative activities of the organization, including accounting, financial reporting, human resources and risk management, commercial management, legal, marketing and other. These services are contracted under various arrangements, including multi-year fixed agreements and per hour charges for professional services provided to OIAA.

Other Operating Expenses

Other operating expenses include insurance, office expense, telecommunications, travel, training and conferences. Year-over-year budgets from FYE 2020 to FYE2019 are adjusted based on recent trends, established costs and organizational needs.



	Actual FYE 2018	Budget FYE 2019	Budget FYE 2020	\$	%
PERSONNEL EXPENSES					
Salaries and Wages	\$5,112,629	\$4,806,624	\$6,092,539	\$1,285,915	26.8%
Fringe Benefits	925,981	1,321,822	1,675,448	353,626	26.8%
Total Personnel	6,038,610	6,128,446	7,767,987	1,639,541	26.8%
OPERATING & MAINTENANCE EXPENSES					
Police, Fire & Rescue Services	30,073,969	19,874,350	21,225,995	1,351,645	6.8%
Security Services	1,121,989	823,500	1,521,276	697,776	84.7%
Customs and Border Protection	431,550	1,600,000	2,482,000	882,000	55.1%
Parking Management & Related Costs	6,493,376	6,400,000	6,642,000	242,000	3.8%
Shuttle System	1,991,141	2,138,000	2,088,000	(50,000)	-2.3%
Merchant Fees	543,862	533,000	550,000	17,000	3.2%
Aviation Consultants & Services	489,428	500,000	722,000	222,000	44.4%
Environmental Services	598,152	1,116,400	821,000	(295,400)	-26.5%
Engineering Services	1,126,725	5,256,300	2,115,000	(3,141,300)	-59.8%
Gas & Electric	3,625,273	3,245,000	3,545,000	300,000	9.2%
Water	642,854	610,000	734,000	124,000	20.3%
Operations & Maintenance Services	10,011,457	5,877,500	5,911,980	34,480	0.6%
Maintenance Supplies	-	936,250	1,500,000	563,750	60.2%
Information Technology Systems & Maintenance	1,508,531	1,097,500	1,094,346	(3,154)	-0.3%
Land Assessments	238,938	257,000	260,000	3,000	1.2%
Total Operating & Maintenance	58,897,245	50,264,800	51,212,597	947,797	1.9%
GENERAL & ADMINISTRATIVE					
Advertising, Promotions & Community Engagement	1,136,849	4,750,000	6,663,920	1,913,920	40.3%
Commissioners' Fees	59,282	50,000	60,000	10,000	20.0%
Dues, Subscriptions & Licenses	81,813	130,000	70,825	(59,175)	-45.5%
Insurance	657,377	750,000	799,000	49,000	6.5%
Information Technology Systems & Maintenance	684,354	1,442,500	1,438,354	(4,146)	-0.3%
Office Expense	115,722	140,000	95,000	(45,000)	-32.1%
Professional Services					
Financial	214,021	145,000	215,000	70,000	48.3%
HR & Risk Management	408,474	533,300	394,000	(139,300)	-26.1%
Commercial Management	351,144	-	350,000	350,000	100.0%
Legal	852,956	975,000	1,000,000	25,000	2.6%
Marketing	882,552	721,400	80,000	(641,400)	-88.9%
Management	769,177	768,000	926,000	158,000	20.6%
Telecommunications	334,289	160,000	355,000	195,000	121.9%
Travel, Training & Conferences	594,605	350,000	194,100	(155,900)	-44.5%
Total General & Administrative	7,142,615	10,915,200	12,641,199	1,725,999	15.8%
Total Operating Expenses	72,078,470	67,308,446	71,621,783	4,313,337	6.4%

Capital Projects and Debt Service

Overview

Capital projects are funded by a combination of sources that include revenue bonds and other debt instruments. Debt service amounts appearing in the budget are based on payments of principal, interest, and fees. Debt service, which also includes amortization of bond premiums and cost of issuance fees are projected at \$21.4M for the FY 2020 Budget.

The Authority does not have taxing power and therefore issues revenue bonds to finance the construction of airport projects. The bonds are called revenue bonds because their repayment is secured solely by revenues produced by the Airport system.

The Authority's policy is to manage its current and future debt service requirements in compliance with all bond covenants, while prudently meeting the Airport Authority's capital needs. The Authority does not have a legal debt limit but is constrained by its bond indenture requirement for debt service coverage, which requires that net revenues (generally defined as operating revenues less operating expenses) pledged to pay debt service exceed 125% (1.25x) of annual senior lien bond debt service and that subordinate net revenues shall exceed 110% (1.10x) of subordinate lien debt service. This acts as a cap on the annual debt service, not a cap on the amount of outstanding debt, and is a common provision in airport bond resolutions.



Outstanding Debt

Series 2016 Bonds — Senior Airport Revenue Bonds

On November 1, 2016, the Authority issued \$52.0M in Senior Airport Revenue Bonds. The bond proceeds were used to retire bonds issued by LAWA prior to acquisition of ONT by OIAA. The Series 2016 Bonds were structured as term bonds that bear interest rates ranging from 1.90% to 3.998% maturing in Fiscal Years 2020-2026.

The Series 2016 Bonds are payable solely from and secured by a pledge of net revenues and amounts in certain funds established under the Master Indenture of Trust as amended, and the Debt Service Reserve Fund (provided through surety). The bonds have been given a rating of A- by Standard & Poor's and Fitch.

2016 Notes Payable — LAWA

In connection with the acquisition of ONT from LAWA, OIAA issued a \$70M noninterest-bearing note to LAWA, which was due on the 10th anniversary of the closing. The agreement was subsequently revised to provide payment arrangements commencing with the 3rd anniversary from closing. Annual payments are due based on annual PFC collections but not less than \$1M or 100% of PFC's collected. The Authority may prepay the loan at any time applying a discount of 1.1%. The note was discounted to net present value using a weighted average discount rate of 1.83%. The deferred interest of approximately \$9M is amortized over the life of the loan, with no fixed amortization schedule.

Debt service on the note is based on collections from Passenger Facility Charges, which are estimated at \$11.4M for FYE 2020.

2017 Notes Payable — Master Lease/Purchase Agreement

OIAA entered into a Master Lease/Purchase arrangement on September 29, 2017 with a lender to finance the acquisition and implementation of its Enterprise Resource Planning (ERP) system. The note provides a credit facility that allows for monthly drawdowns, with each drawdown converting to a sixty-month term note. The note bears

interest at approximately 3.7%. Principal and interest payments are made semi-annually in April and October. The note is secured by a first lien on the software / equipment financed under the lease agreement.

OIAA entered various lease/purchase debt instruments to fund the acquisition of vehicles and equipment.

Series 2019 Bond Anticipation Notes (BANs)

On May 22, 2019 the Authority issued \$34.4M in Bond Anticipation Notes. The BAN proceeds are to be used for Board approved projects, including design, construction and other capital outlays.



Aggregate Annual Debt Service

Year Ended June 30	2016 Revenue Bonds Principal and Interest	2016 Notes Payable-LAWA Principal and Interest	2017 Notes Payable Principal and Interest	2019 Bond Anticipation Notes Principal and Interest	2019 Vehicle and Equipment Notes Payable Principal and Interest	Total
2020	\$6,009,553	\$11,884,232	\$637,336	\$2,529,935	\$332,016	\$21,393,073
2021	6,040,145	12,109,032	637,336	17,738,377	332,016	36,856,906
2022	6,072,778	12,335,832	637,336	16,260,179	321,910	35,628,035
2023	6,106,375	8,836,189	385,532	-	210,505	15,538,601
2024	6,152,690	-	66,864	-	14,748	6,234,303
2025	6,169,743	-	-	-	-	6,169,743
2026	6,221,080	-	-	-	-	6,221,080
Total	\$42,772,364	\$45,165,285	\$2,364,405	\$36,528,492	\$1,211,195	\$128,041,741

Proposed Debt Issuance

Notes Payable – ARFF Vehicles

The Authority intends to issue approximately \$4.3M in additional notes to finance the acquisition and replacement of four Airport Rescue & Firefighting Vehicles in 2020.

Capital Improvement Program

The OIAA uses a rolling capital improvement program. Projects that have been identified, prioritized and adequately scoped are presented to OIAA Airport Board of Commissioners for approval. Board approved capital projects that require Majority in Interest (MII) approval are presented to signatory airlines for approval. The program includes capital projects that address federal security requirements, airfield safety, environmental remediation, terminal upgrades and development. Funding sources for the projects include Federal Aviation Administration's Airport Improvement Program (AIP) grants, Transportation Security Agency grants, Passenger Facility Charges (PFCs), Customer Facility Charges, cost recovery through airport rates and charges, Airport revenue bonds and other financing. The following is the status of Board approved projects.

Current Projects

Project Number	Project	Description
201705019	Rehabilitate Taxiway S&W Intersection and Construction Taxiway S5	Rehabilitate pavement at the intersection of Taxiway S and Taxiway W and construction of a new permanent bypass taxiway, S5.
201711052	Terminal 1 Apron (Gates 1, 2 and part of 3) and Taxilane G Reconstruction – Design & Construction	Design and fully reconstruct a portion of the Terminal 1 Apron (at Gates 1, 2, and part of 3) as well as the adjoining Taxilane G.
Pending	North Parallel Taxiway Design	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.
N/A	Workday – Enterprise Resource Planning Software Acquisition and Implementation	Acquisition and implementation of a cloud-based subscription ERP system – Workday. This includes consulting for configuration, training and report writing.
201804008	Northwest development and South Cargo Relocation	Demolish the blast wall area and old bus terminal. Repair and replace the paved surface around the proposed site. Bring supporting infrastructure, including electrical, water, sewer and communications, on site. Build two 70,000 sq. ft fabric covered structures to preserve cargo operations for Amazon/LGSTX and Southwest Cargo.
201808023	Taxiway S Rehabilitation	Rehabilitation of Taxiway S.
20189022	Runway 26R Touchdown Zone (TDZ) Lighting	Install TDZ lights on Runway 26R to provide special authorization Cat II/III approaches to Runway 26R.
201806017	Cargo Relocation	Relocate and clear air cargo handling hangars. The project will entail demolition, site work, development of necessary utilities, and the development of a multi-use hangar.
Pending	Terminal 2 & 4 Redesign & Refresh	Modernize the terminals which will include replacing antiquated wall coverings and flooring, improving the lighting fixtures, new furniture, and charging stations for mobile devices.
201807019	Airfield Markings and Painting	Replacement and repair of runway and taxiway markings in compliance with the FAA standards.
201811036	Airfield Pavement Management Program (PMP)	Development of a pavement management system to comply with FAA standards that OIAA will ensure it has 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.
201810032	Airport Layout Plan (ALP) Update	Updates the ONT Airport Layout Plan (ALP). Encompasses the collection of detailed airport geographic information system (GIS) data as well as the preparation of the required narrative report.

Budget	MII Status	Funding Source (s)	Grant Status	Project Status
\$8,471,213	Approved	AIP/Airport Rates and Charges	Approved	Completed
\$4,810,000	Approved	AIP/Airport Rates and Charges	Approved	Construction
\$3,500,000	Approved	Financing/Airport Rates and Charges	N/A	Design
\$2,242,000	Approved	Financing/Airport Rates and Charges	N/A	Completed
\$17,092,000	Approved	Financing/Airport Rates and Charges	N/A	Construction
\$750,000	Approved	AIP/Airport Rates and Charges	Approved	Construction
\$4,590,000	Approved	AIP/Airport Rates and Charges	Pending	Design
\$2,279,000	Approved	AIP/Airport Rates and Charges	Approved	Construction
\$3,000,000	Approved	Financing/Airport Rates and Charges	N/A	Construction
\$3,000,000	Approved	Financing/Airport Rates & Charges	N/A	Design
\$1,088,000	Approved	AIP/Airport Rates and Charges	Approved	Construction
\$971,000	Approved	AIP/Airport Rates and Charges	Pending	Design

Project Number	Project	Description
Pending	ARFF Apparatus Replacement	Replace three ARFF vehicles with 3,000-gallon commercial grade Rosenbauer ARFF apparatus, as well as one Rosenbauer Rapid Intervention Vehicle.
Pending	Aircraft Rescue & Firefighting (ARFF) vehicles and equipment	Purchase of four (4) additional pieces of ARFF equipment to complete the update of the Aircraft Rescue & Firefighting (ARFF) apparatus at ONT, including: an airport command vehicle, a piercing prop for high reach extendable turrets, an airplane stair truck and a utility vehicle.
201808024	Building 18 Refurbishment	Refurbish, recondition and repair existing Building 18. The work includes upgrading and repairing the existing mechanical, electrical and plumbing systems as well as providing doors and interior barriers. The project also includes site improvements and installation of supporting infrastructure, including electrical, water, sewer and communications.
201809029	Runway 26R ILS Upgrade FAA Survey	First phase of a multi-year project, that will upgrade Runway 26R to a CAT III runway. This initial phase will fund a Federal Aviation Administration survey to determine the needs for aspects of the CAT III project including installation of an upgraded glideslope array, localizer array, runway visual range station, and new approach lighting system (ALSF-II).
201808022	Runway 26R Touchdown Zone Lighting Design	Engineering design work for installation of Touchdown Zone Lights for Runway 26R at ONT.
201808023	Taxiway S Rehabilitation – Construction	Rehabilitate and repair that portion of Taxiway S over the Cucamonga Channel extending west to Taxiway F.
201705023	Police Department Modular Substation Facility	Installation of a 3,600 square foot modular facility on the north side of the airport with supporting utility infrastructure, pavement improvements, and a security fence – for dedicated use as a police substation.
Pending	Terminals 2 and 4 Escalator Replacement	Replace all four escalators in Terminals 2 and 4 (two in each terminal). This will include complete replacement of the escalators and installation of modern, energy-efficient, large volume, heavy duty equipment.
201804009	Common Use Terminal Equipment and Passenger Processing System for Check-in and Gate Areas in T2	Install CUTE (Common Use Terminal Equipment)/CUPPS (Common Use Passenger Processing System) equipment and improvements in Terminal 2. This includes 21 check-in desks located on the west end of Terminal 2, four common use kiosks located in the west end of Terminal 2, and four common use gates (Gates 204, 207, 211 and 212).
201803004	New International Arrivals/ Federal Inspection Service Facility – Design	Initiate the process of designing a new International Arrivals/Federal Inspection Services (FIS) Facility for Terminal 2. The new facility would be an expansion of the existing Terminal 2, including two wide-body contact gates, a new ground-loading parking position, and a new sterile corridor connecting at least two of the existing Terminal 2 gates, and a complete, inbound-passenger processing facility consistent with United States Customs and Border Protection (CBP) requirements. This initial project authorization would include design development up to 60% as well as preconstruction activities such as estimating, evaluations, value engineering, value analysis, scheduling, constructibility reviews, permitting, and life-cycle costing.
		TOTAL APPROVED PROJECTS

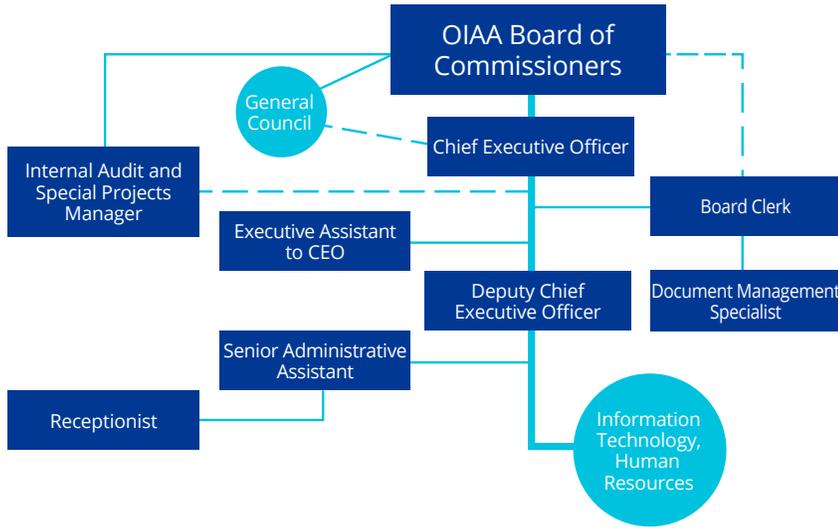
Budget	MII Status	Funding Source (s)	Grant Status	Project Status
\$4,270,000	Approved	Financing/Airport Rates and Charges	N/A	Construction
\$441,000	Approved	Financing/Airport Rates and Charges	N/A	Construction
\$500,000	Approved	Financing/Airport Rates and Charges	N/A	Construction
\$100,000	Approved	Financing/Airport Rates and Charges	Approved	Design
\$500,000	Approved	Financing/Airport Rates and Charges	Approved	Design
\$6,140,000	Approved	Financing/Airport Rates and Charges	Approved	Design
\$1,410,000	Approved	Financing/Airport Rates and Charges	Approved	Construction
\$2,000,000	Approved	Financing/Airport Rates and Charges	N/A	Design
\$2,550,000	Disapproved	Financing/Airport Rates and Charges	N/A	N/A
\$6,000,000	Disapproved	Financing/Airport Rates and Charges	N/A	N/A
\$75,704,213				



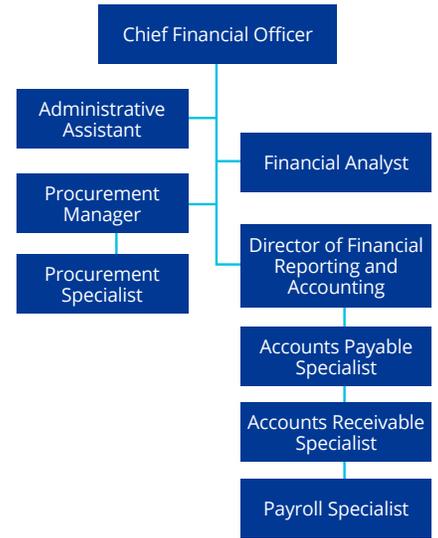
FY 2018-2019 OIAA Organizational Structure



OIAA Executive



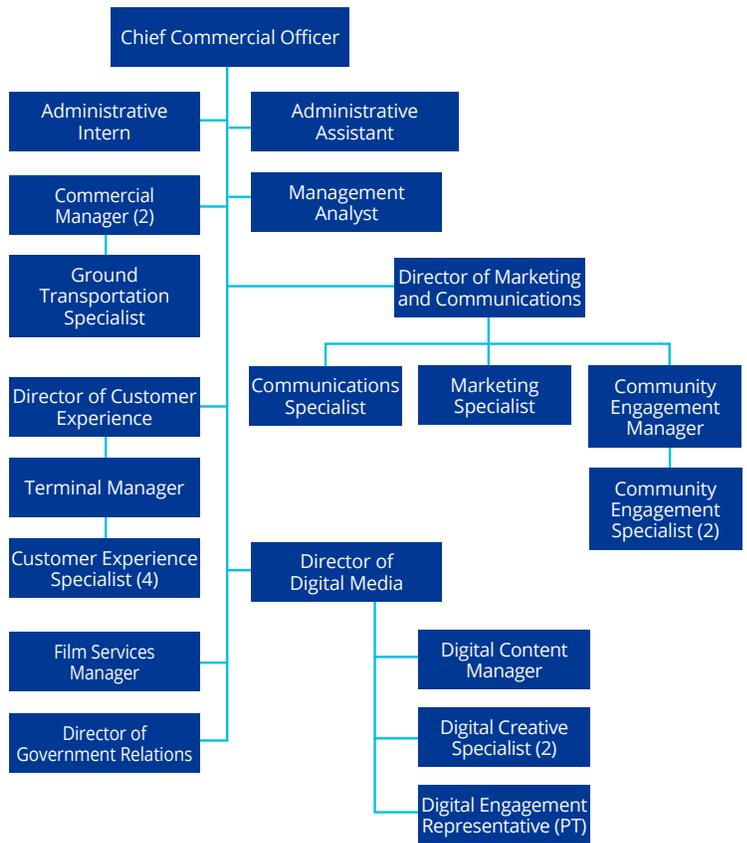
OIAA Finance



OIAA Operations



OIAA Commercial





Administrative Offices

1923 East Avion Street | Ontario, CA 91761
(909) 544-5300 | TDD (909) 937-2163
flyontario.com | [@flyONT](https://twitter.com/flyONT)