



Department of Aviation Houston Airport System

FY2025 Proposed Budget
Workshop Presentation
May 21, 2024

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Houston Airport System FY24 Initiatives



- Skytrax
- Record Passenger Traffic



- Named Best Regional Airport in North America
- 3rd Consecutive Year as a 5-Star Skytrax airport

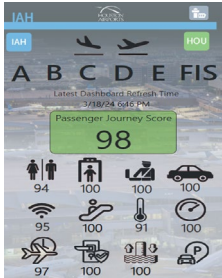


- 2024 Best Airport Art & Entertainment Program in the world
- 7th Consecutive Year as a 4-Star Skytrax airport



Houston Airport System FY24 Initiatives

Improving Customer Experience From Curb to Gate



Passenger Journey Scorecard

- Monitoring real-time continuous data from 12 critical metrics that have a direct effect on passenger experience
 - Wi-Fi, Temperatures, Water Pressure, Parking Status, Conveyances
- Allows airport personnel to respond promptly and proactively to any matter



Sustainability

- ACI Carbon Accreditation Level 1 Achieved
- ACI Carbon Accreditation Level 2 Submitted



Upgraded Amenities, Concessions and Overall Customer Experience

- Completed interfaith prayer room and ablution room specifically for Muslim visitors
- Opened Companion Care Changing and Sensory rooms for our passengers with special needs
- Multiple new concession offerings opened in both airports
- The world class HAS art program includes:
 - Collaborations with prominent visual artists - *Artist in Residence*
 - Live musical performances - *Harmony in the Air*



Houston Airport System FY24 Initiatives

Improving Customer Experience From Curb to Gate



Landside Improvement

- New parking decks at IAH
- Reopening of C/D/E garage entrance
- Additional traffic control staffing
- Expansion of tow truck program



Airfield Excellence

- HOU Non-standard taxiway project
- Safety Management System Program commencement
- Clearway runway extensions at IAH



Air Service

- New airline
 - Avelo Airlines
- New non-stop destinations
 - Georgetown, Guyana; Tulum, Mexico; Medellin, Colombia; New Haven, CT

Our Strategy



STRATEGIC PRIORITIES



MISSION

We exist to connect the people, businesses, cultures and economies of the world to Houston

VISION

Establish Houston Airport System as a 5-star global air service gateway where the magic of flight is celebrated



MAKE OUR PASSENGERS HAPPY

Houston Airports views the traveling passenger as a customer. Therefore, Houston Airports must be focused on continually providing an excellent customer experience at all touchpoints.



ACT RESPONSIBLY TO ACHIEVE SOCIAL, ENVIRONMENTAL, AND ECONOMIC SUSTAINABILITY

Houston Airports has determined three key areas that are critical to the system's sustainability — People (Social), Planet (Environmental) and Profit (Economic). The intersection of these areas will be at the heart of how Houston Airports operates.



BUILD PLATFORMS FOR FUTURE SUCCESS

Houston Airports is working to ensure that the physical, human, financial and system resources are in place to meet future demand. Houston Airports continues to implement systems and programs to manage our airports responsibly and enable us to exceed customer expectations.



INVEST IN OUR PARTNERSHIPS AND OUR EMPLOYEES

To provide a world-class customer experience, Houston Airports must continue to invest in its employees — the pillars of Houston Airports' success and the front line in the effort to improve the customer experience.





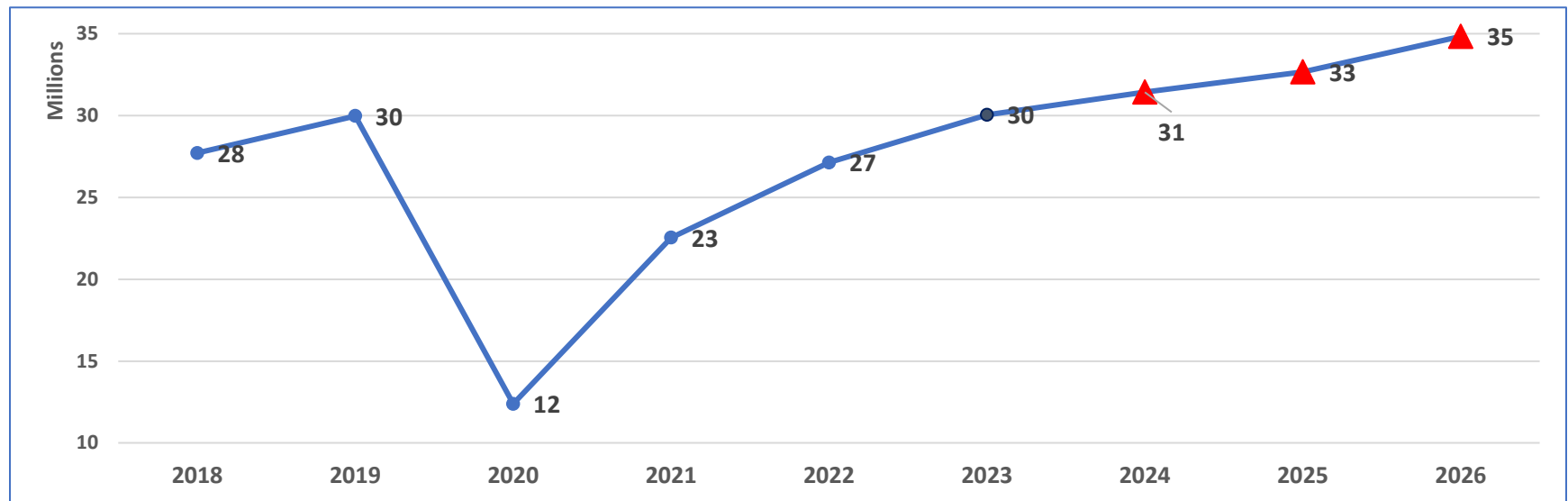
Our Global Reach



Houston requires world class facilities to meet projected travel demands

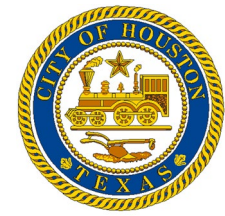


HAS Total Enplanements (2018 – 2026)



- Enplanements have recovered strongly and will surpass 2019 pre-pandemic levels this year.
- FAA's long-term passenger forecast (TAF) is projecting a 2x increase in enplanements at Houston area airports over the next 25 years.
- Future enplanement growth driven primarily by higher airport utilization as airlines schedule more flights using larger planes to simultaneously meet demand while maximizing profit margins.

- All values are for calendar year
- 2018 – 2023 – Actual values
- 2024 total – Actuals through Feb 24 + Forecasted values from Mar 24 through Jun 24
- 2025 & 2026 – Forecasted values for entire year



Major Capital Projects

IAH



International Terminal Redevelopment Program (ITRP)

- D-West Pier opening late summer 2024
- International Central Processor
 - Phase 1 opening early 2025, Phase 2 opening summer 2025

IAH



Terminal B Redevelopment

- Modernizing Terminal B by doubling the central processor and adding 22 narrowbody gates that can service domestic and international flights
- Projected completion in late 2026

IAH



Central Utility Plant Upgrade (CUP)

- Replacing CUP assets reaching end of life and adding additional capacity and efficiency upgrades required for future domestic terminal expansion
- Projected completion in 2026

HOU



West Concourse Expansion

- Expanding the West Concourse through construction of 7 new gates that can service domestic and international flights
- Projected completion in 2027



HAS Revenue Highlights

Revenue for FY25 is projected to be \$697.7M, 12.0% over FY24 estimate

- ➔ Airline revenues from landing fees and terminal rents are projected to increase by \$67.4M (20.8%) due to:
 - ➔ Additional cost recovery in the airfields and terminals
 - ➔ Airlines utilizing larger aircrafts to accommodate higher enplanements.
- ➔ Parking is a significant source of non-airline revenue and is projected to increase \$7.5M (6.2%) due to increased passenger traffic.
- ➔ Revenues from ground transportation and retail concessions are projected to increase \$6.0M (8.0%).
- ➔ Automobile rental concession revenue is projected to increase \$0.97M (2.6%).



HAS Revenue by Airline / Non-Airline

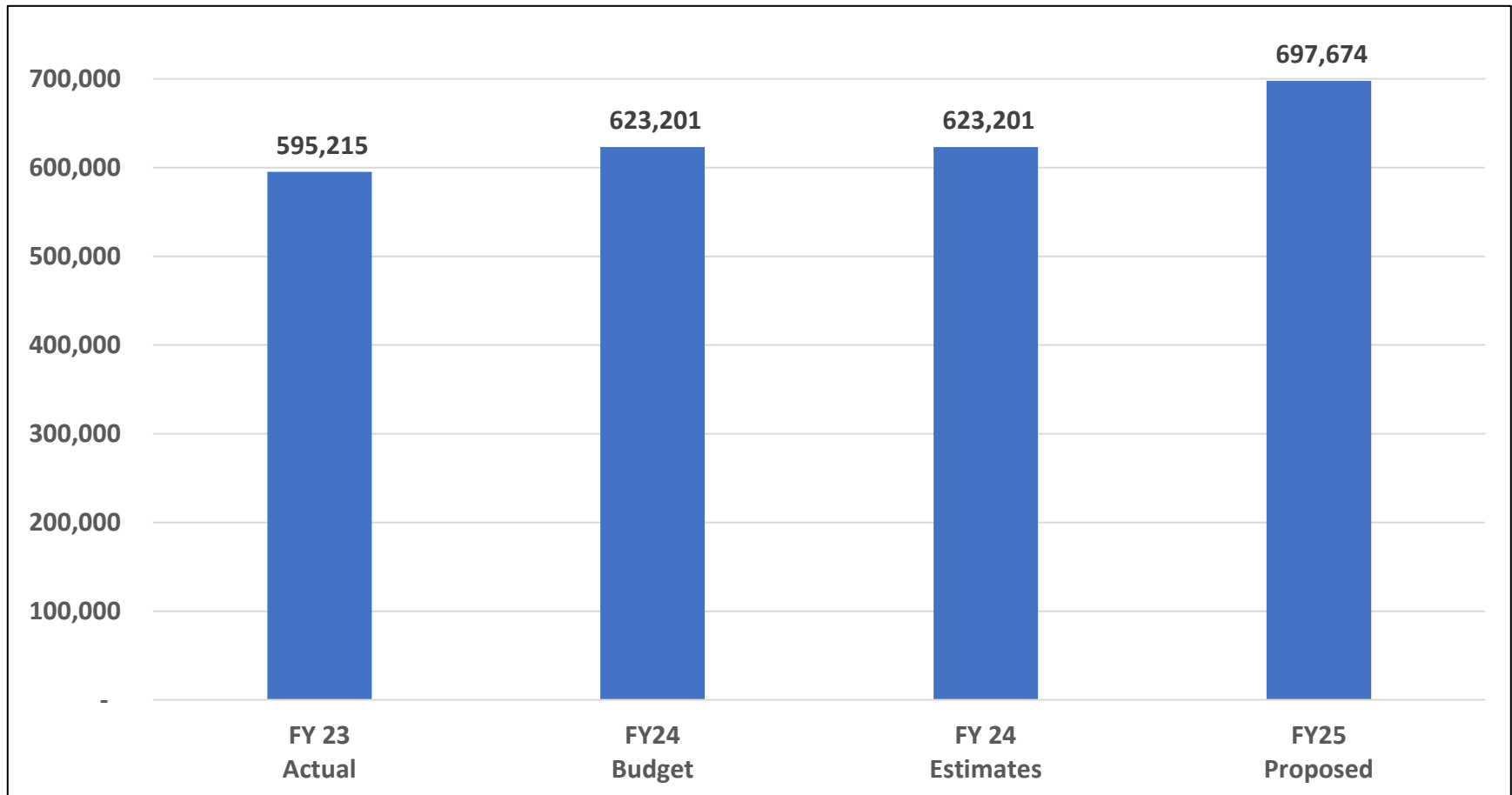
Values in \$ thousands

HAS - Revenue Fund 8001	FY 23 Actual	FY24 Budget	FY 24 Estimates	FY25 Proposed	Variance FY25 Prop/FY24 Estimates	% Change
Airline Landing Fees	88,038	95,743	95,734	114,638	18,904	19.7%
Airline Terminal Rentals and Usage Fees	208,687	228,019	228,019	276,541	48,522	21.3%
Subtotal Airline Revenues	296,725	323,763	323,754	391,179	67,425	20.8%
Garage & Surface Parking	117,460	120,052	120,207	127,703	7,496	6.2%
Ground Transportation & Retail Concession	70,257	74,676	74,818	80,801	5,983	8.0%
Auto Rental Concessions	37,301	37,667	37,667	38,633	966	2.6%
Other	73,472	67,043	66,755	59,359	(7,396)	-11.1%
Subtotal Non-Airline Revenues	298,490	299,438	299,447	306,495	7,048	2.4%
TOTAL Revenue	595,215	623,201	623,201	697,674	74,474	12.0%



Revenue by Fund (8001)

Values in \$ thousands





HAS Expenditure Highlights

Total Expenditures for Fund 8001 in FY25 are projected to be \$697.7M, 12.0% over FY24 estimate

- ➔ O&M expenditures are budgeted to be \$393.4M, an increase of \$35.7M (10.0%) over FY24 estimate
- ➔ Personnel budgeted to increase by \$6.8M (4.9%) due to run rate of volume driven FY24 FTEs and additional ITRP staffing
- ➔ Supplies and Non-Capital Equipment are budgeted to increase by \$1.2M (13.9%)
- ➔ Contracted Services are budgeted to increase \$26.1M (12.4%) primarily maintenance for Terminal D complex and ICP
- ➔ HAS pays \$126.1M to the General Fund for services provided by HPD, HFD, HR, IT, Legal, Water/Sewer and others, an increase of \$10.5M (9.1%) over FY24 estimate
 - ➔ Police Services (HPD Interfund) \$41.6M - \$3.3M increase (8.5%)
 - ➔ Aircraft Rescue & Fire Fighting (ARFF Interfund) \$25.5M - \$2.3M increase (10.0%)
 - ➔ Utilities(Water, Sewer, Electricity & Natural Gas) \$25.9M - \$2.4M increase (10.2%)
 - ➔ Property Insurance of \$11M - \$0.47M increase (4.4%)



Expenditure by Fund

Values in \$ thousands

HAS - Expenses Fund 8001	FY 23 Actual	FY24 Budget	FY 24 Estimates	FY25 Proposed	Variance FY25 Prop/FY24 Estimates	% Change
Personnel	127,136	141,476	137,820	144,593	6,773	4.9%
Supplies	8,236	9,685	8,471	9,651	1,180	13.9%
Contracted Services & Charges	188,914	222,088	209,406	235,463	26,057	12.4%
Non-Capital	1,913	2,903	2,000	3,688	1,688	84.4%
Total O & M Expenditures	326,200	376,152	357,697	393,395	35,698	10.0%
Debt Services & Other Uses	325,158	247,049	265,504	304,279	38,776	14.6%
HAS Revenue Fund (O&M) 8001	651,358	623,201	623,201	697,674	74,474	12.0%

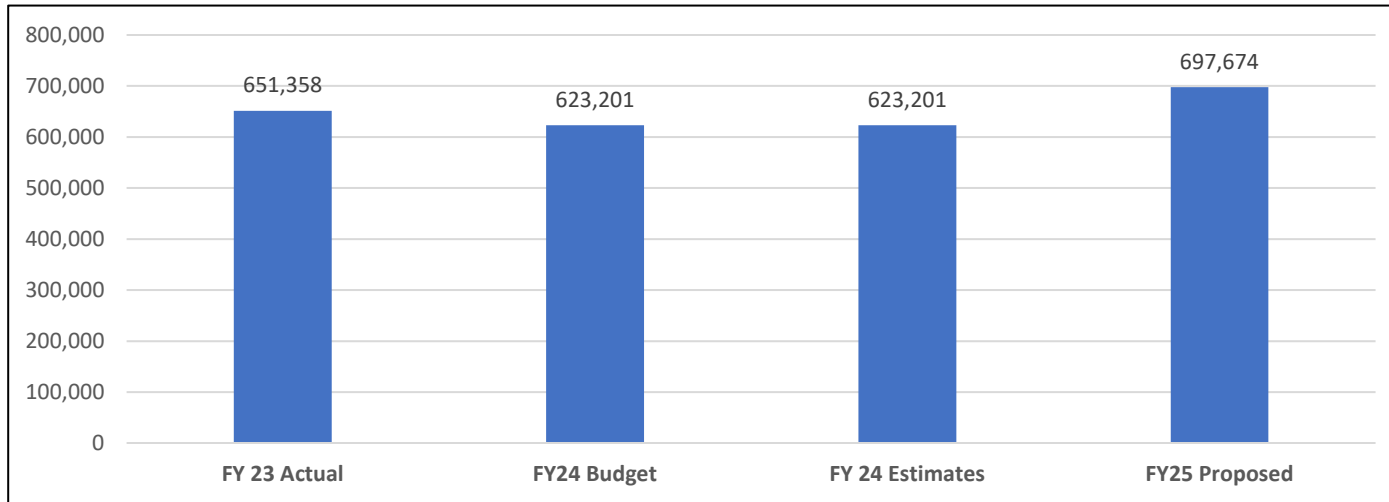
HAS - Expenses Fund 8012	FY 23 Actual	FY24 Budget	FY 24 Estimates	FY25 Proposed	Variance FY25 Prop/FY24 Estimates	% Change
Cap Exp - Furniture Fixtures & Equipment	427	703	69	52	(17)	-24.2%
Cap Exp - Vehicles	6,858	33,006	15,438	18,424	2,986	19.3%
Cap Exp - Computers & Software	43	1,276	524	2,480	1,956	373.2%
HAS Capital Outlay Fund 8012	7,255	34,985	16,031	20,956	4,925	30.7%



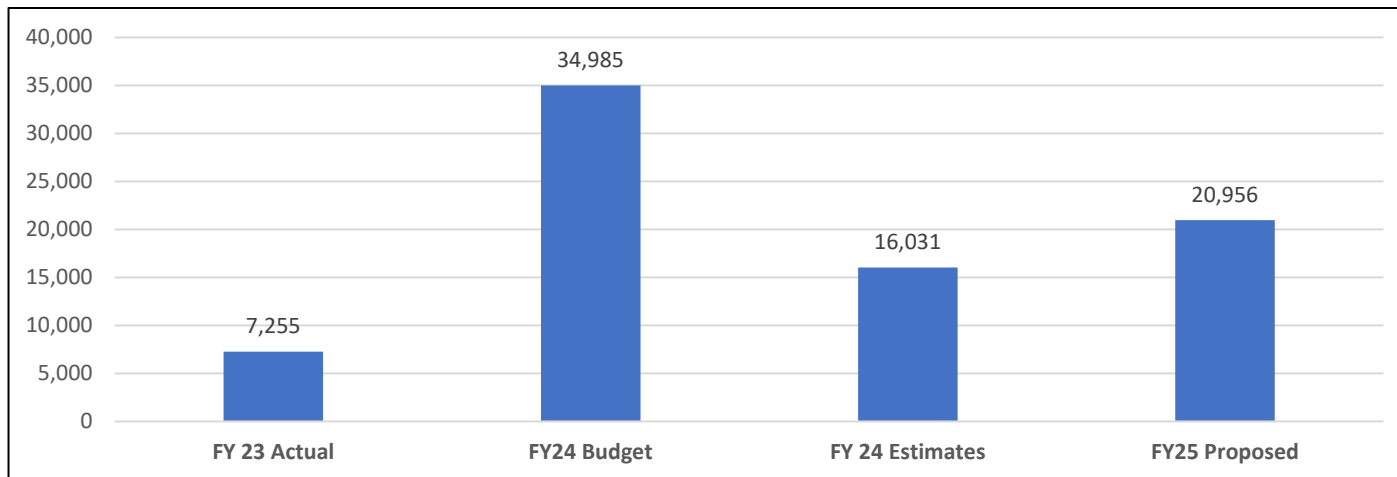
Expenditure by Fund (in Thousands)

Values in \$ thousands

Fund 8001



Fund 8012

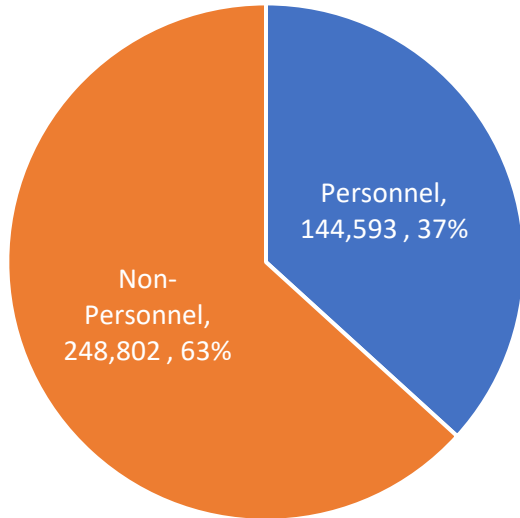




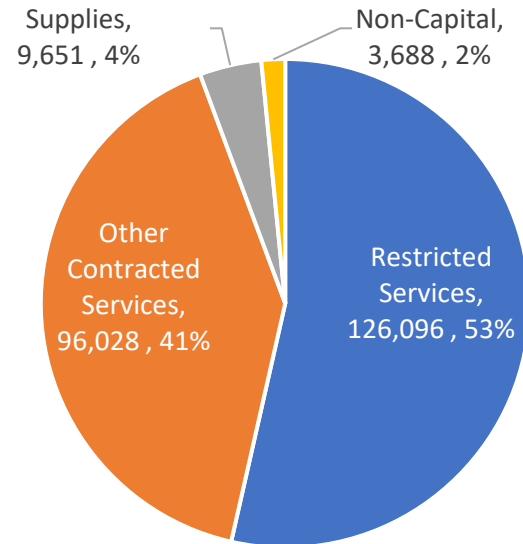
Personnel vs. Non-Personnel FY 25 Proposed

Values in \$ thousands

Revenue Fund (M&O) 8001



Non-Personnel



Other Category Breakdown

Personnel	144,593
Supplies	9,651
Contracted Services & Charges	235,463
Non-Capital	3,688
Total	393,395

Restricted Services	126,096
Other Contracted Services	109,367
Supplies	9,651
Non-Capital	3,688
Total	248,802



Questions?





Appendix

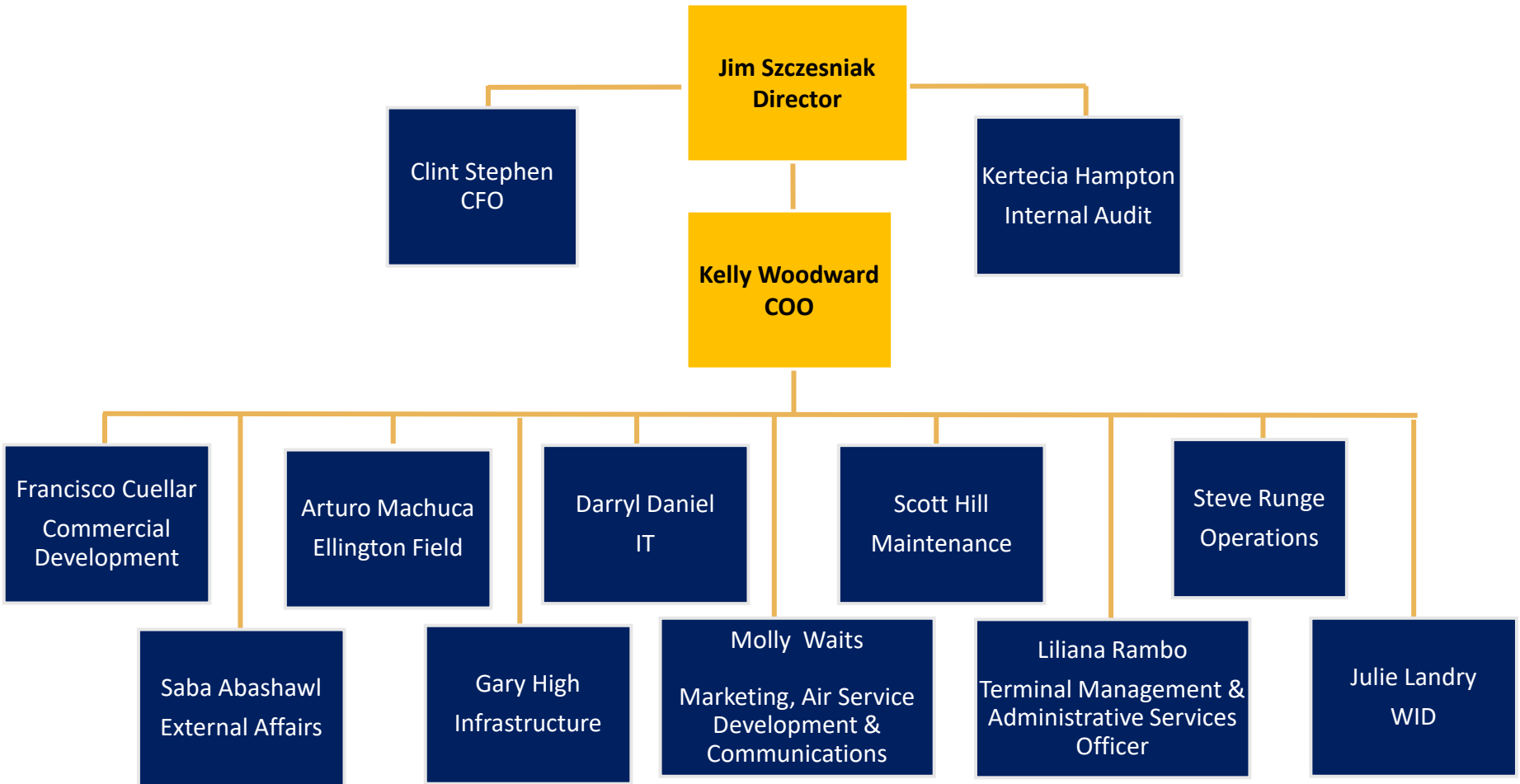
CHANGE IS COMING TO IAH

NEW TERMINAL IN THE MAKING





Department Organization Chart



* The Director's Office also includes Strategy, Planning & Environmental, Internal Audit and Council Liaisons sections



Restricted Accounts

Values in \$ thousands

GL Description	Justification & Cost Drivers	FY25 Proposed Budget
Interfund Police Service	HAS cost for services supported by Houston Police Department (HPD) at the airports.	41,591
Interfund Fire Protection Service	HAS cost for Aircraft Rescue and Fire Fighting (ARFF) services supported by 152 employees of the HFD assigned to Stations 54, 81, 92 and 99 which provide emergency response services for hazardous materials, technical rescue, and aircraft fire fighting at the airports.	25,456
Interfund Electricity	HAS cost for electricity accounts which are administered by the CoH SPD and Finance.	15,949
Interfund Insurance	Cost for monthly property insurance premiums.	11,070
Interfund Drainage Charge	Fee is based on impervious service.	5,075
Interfund Natural Gas	HAS cost for natural gas accounts which administered by SPD and CoH Finance.	4,447
Interfund Vehicle Services	HAS cost for repair, maintenance, and administrative support from FMD for all rolling stock equipment.	4,172
Indirect Cost Recovery	HAS cost for services administered by through the General Fund.	3,457



Restricted Accounts

Values in \$ thousands

GL Description	Justification & Cost Drivers	FY25 Proposed Budget
Sewer Services	HAS cost for sewer services which are administered by the Combined Utility System (CUS) of the Houston Public Works Department.	2,868
Interfund HR Client Services	HAS cost for HR operations reflecting health benefits and restricted accounts increase.	3,383
Water Services	HAS cost for water services which are administered by the Combined Utility System (CUS) of the Houston Public Works Department.	2,625
Interfund Application Services	HAS cost for Microsoft Enterprise licenses, SAP licenses maintenance and support, various Enterprise Application and Server support personnel, eSignature, Project Management, Infor, eDiscovery, Cyber Security Office software and support, HITS Budget Support via the Finance Department and other various technical matters.	2,033
Interfund Vehicle Fuel	HAS cost for fuel which is are administered by the Fleet Management Department.	1,138
Interfund Voice Services	HAS portion of Voice Exp costs administered by CoH Information Technology Department.	473
Interfund Legal Services	HAS cost for legal services/support from the City of Houston's Legal Department	435



Restricted Accounts

Values in \$ thousands

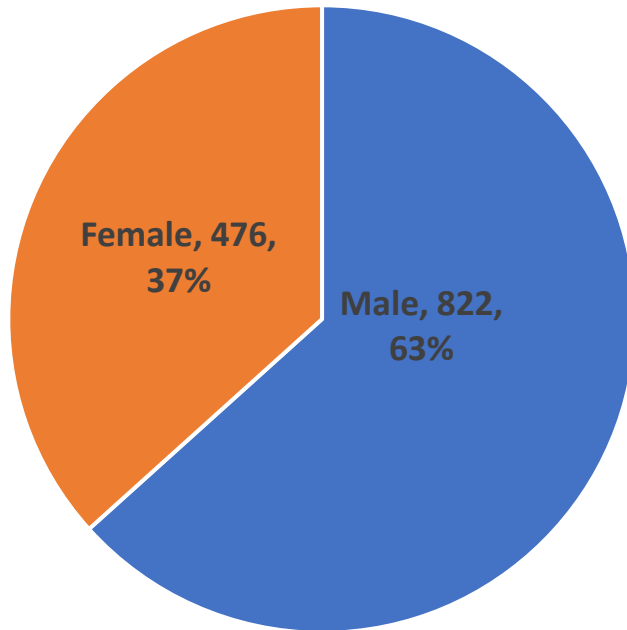
GL Description	Justification & Cost Drivers	FY25 Proposed Budget
Interfund Payroll Services	HAS cost for payroll services, HR operations, reflecting health benefits and restricted account increases.	346
Interfund Network Services	HAS portion of Network Service cost administered by CoH Technology Department.	255
Interfund Data Services	HAS portion of Data Service cost administered by CoH Information Technology Department.	606
Interfund HEC Services	HAS cost for calls dispatched through the Houston Emergency Center.	280
Interfund GIS Services	HAS cost for personnel, software licenses and maintenance associated with city of Houston's Enterprise Geographic Information System (EGIS).	317
KRONOS Service Chargeback	HAS cost for software license and maintenance costs associated with the city of Houston's Time and Attendance System (KRONOS).	97
Interfund Voice Labor	HAS cost for payroll services HR operations reflecting health benefits and restricted accounts increase.	22
INTERFUND TRANSFERS TO GENERAL FUND		126,096



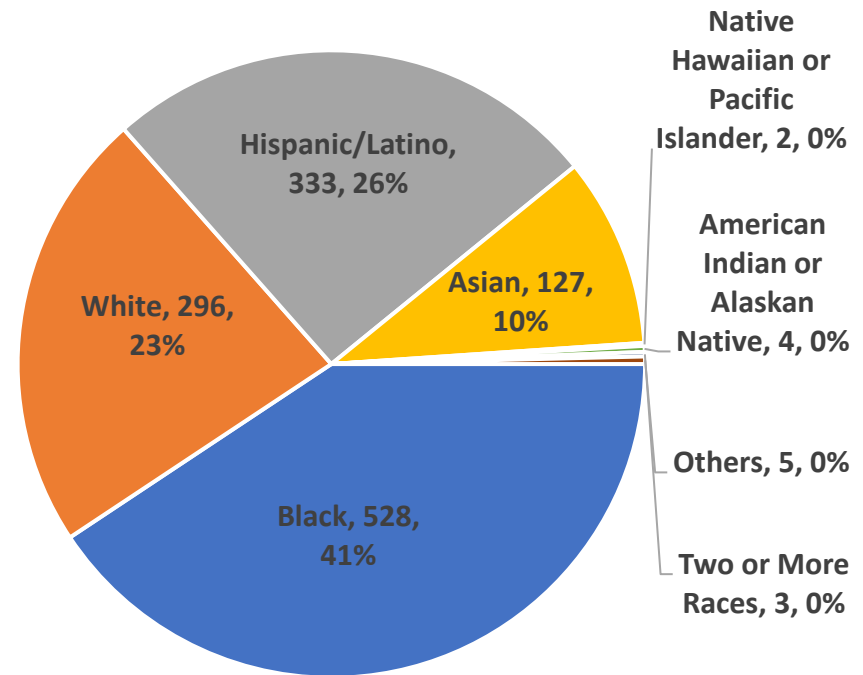
Department Demographic Breakdown

(gender & ethnicity)

HAS Headcount by Gender



HAS Headcount by Race/Ethnicity

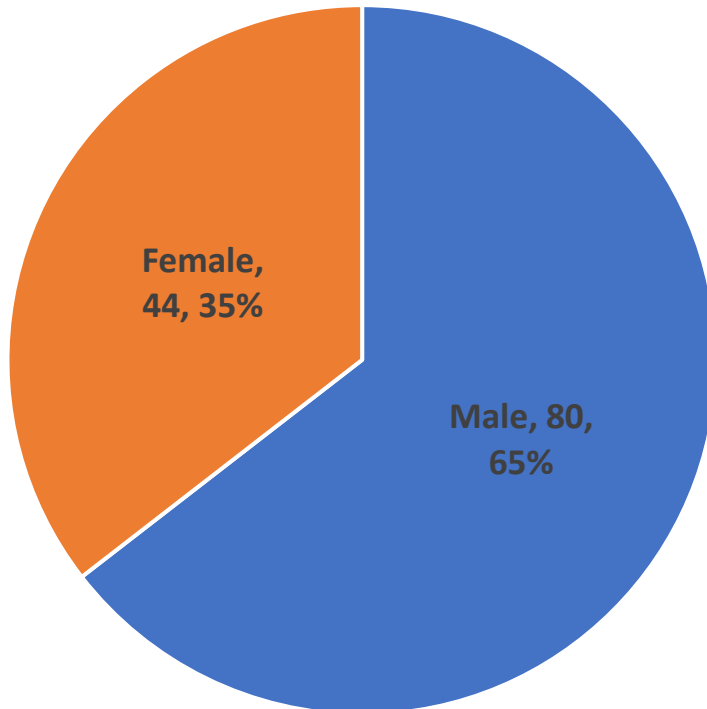




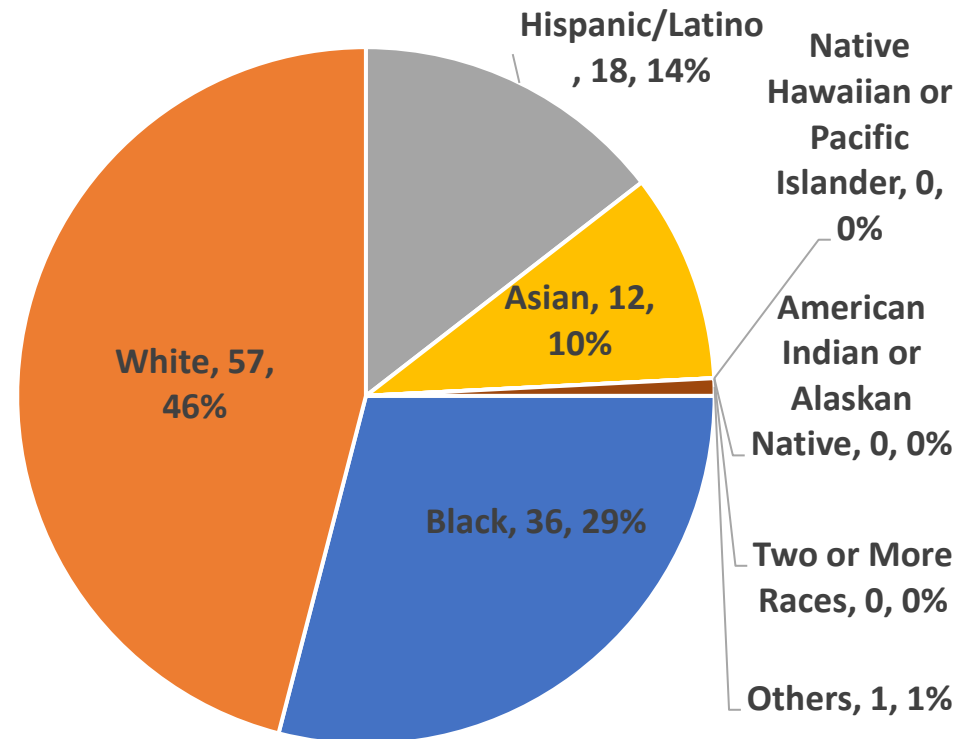
Department Demographic Breakdown

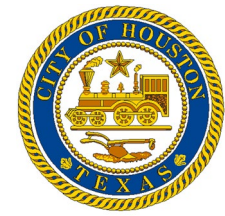
(gender & ethnicity)

**HAS Headcount by Gender
(Pay Grade 29+)**



**HAS Headcount by Race/Ethnicity
(Pay Grade 29+)**





HAS Ratings and Credit Strengths

Extremely strong enterprise risk profile with stable outlook

- Monopoly position, managing both commercial service airports in the combined statistical area
- Economically strong air service market area with strong population growth
- Geographic location that supports hub operations

	Fitch	Moody's	S&P	Kroll
Subordinate Lien	A+	A1	A	AA-



HAS Performance Measures

Business Process Measures	Priorities	FY23 Actual	FY24 Target	FY24 Estimates	FY25 Proposed
Debt Service Coverage Ratio (DSCR)	Sound Financial Management	1.89	2.09	2.12	1.90
Total O&M per Enplaned Passenger - HAS	Sound Financial Management	\$11.27	\$12.37	\$11.76	\$12.20
Total O&M per Enplaned Passenger - IAH	Sound Financial Management	\$7.35	\$7.78	\$7.53	\$7.80
Total O&M per Enplaned Passenger - HOU	Sound Financial Management	\$8.03	\$8.37	\$8.23	\$8.76
Total Operating Revenue per Enplaned Passenger for HAS	Sound Financial Management	\$19.34	\$19.58	\$19.57	\$21.07
Total Operating Revenue per Enplaned Passenger IAH	Sound Financial Management	\$20.33	\$20.58	\$20.57	\$22.28
Total Operating Revenue per Enplaned Passenger HOU	Sound Financial Management	\$16.13	\$16.30	\$16.26	\$17.14