RALEIGH-DURHAM AIRPORT AUTHORITY
BUDGET WORK SESSION
MINUTES
MARCH 13, 2014

Chairman Hunt presided. Present: members Ali; Elting; Kane; Teer; Wheeler; and Yeargan. Also present: Airport Director Landguth; Deputy Airport Directors Damiano, Legan, McFall, Powell and Styres, and; Finance Director Barritt; Marketing Communications Manager Hamlin; General Counsel Locklear and Administrative Executive Assistant Rivera.

Chairman Hunt opened a Public Hearing on the drafts of the proposed FY 2014-15 Operating and Capital Budgets. No one asked to speak. Therefore, the hearing was closed.

Airport Director Landguth opened the presentation of the proposed FY 2014-15 budgets. The Operating Budget is an annual budget under which the authorization for expenses expires at the end of the fiscal year and does not carry over into the succeeding year. Project budgets in the Capital Budget are cumulative budgets that do not expire but carry over from year to year as long as the project is authorized. They may be increased or decreased (so long as the funds actually spent or encumbered are less than or equal to the budget) at any time. A collaborative approach to budget development was utilized this fiscal year driven by senior staff collectively working with the Airport Director and the Finance Department, in parallel with development of the Authority's strategic goals and objectives for the year ahead.

These budgets continue RDU's commitment to maintain a fiscally sound airport with a low airline cost structure. The Authority continues to cost its services to air carriers at about ¾ the medium hub average per the most recent Airport Council International's survey data. Overall, airline cost per enplanement (CPE) will increase 10.3% to $6.95 for FY 2014-15.

The Authority's annual Operating and Capital Budgets and their respective ordinances, are reviewed with the Board in a Budget Work Session and subsequently approved at the regular meeting annually in March for the upcoming fiscal year that begins on April 1. The Authority will continue to maintain its cash reserve policy to set aside and reserve an operating cash reserve of one times the current fiscal year's annual Operating Budgeted Expenses (excluding depreciation). For FY 2014-15, this cash reserve was maintained at the policy cap of $50 million.

Finance Director Barritt reported the FY 2014-15 budgeted operating revenues of the Authority have been increased by 4.7% ($4.6 million) over those budgeted for FY 2013-14. The majority of this overall increase in revenues relates to an increase in the terminal space rental rates. For those revenue sources that do fluctuate with passenger volume, we have conservatively based our revenue forecasts for FY 2014-15 on expected (enplaned) passenger volume, which we have estimated to be 4.65 million, slightly more than where we expect to finish the FY March 31, 2014.
Finance Director Barritt also reported the FY 2014-15 budgeted operating expenses of the Authority excluding depreciation have increased by $1.66 million (3.1%) over those over those budgeted for FY 2013-14. Of this $1.66 million increase in operating expense, $1.0 million was driven by contract janitorial cost in the terminals and garages.

For FY 2014-15 the Authority will add $2.5 million to its fund balance after funding all of its cash requirements. Of the $22.3 million (net of grants) capital cash flow required by the FY 2014-15 Capital Budget, $8.1 million relates to terminal projects. This was down from the $47.7 million Capital Cash requirement for terminal projects in FY 2013-14. The rating agencies used by the Authority have reviewed our financial plan and in late 2013 have affirmed our industry-exceptional AA-/Aa3 bond ratings (Fitch and Moody's respectively) with stable outlooks.

Finance Director Barritt briefly reviewed the Operating Budget Ordinance and the Project Ordinances that accompany the Capital Budget (whose enactment is required by the Local Government Commission). He also summarized the Cash Flow schedule related to the Capital Budget, the calculations of Landing Fees and Terminal Rents, and the schedule of all rates, fees and charges that are proposed for implementation effective April 1, 2014.

The draft FY 2014-15 Operating and Capital Budgets, Budget Ordinance and Project Ordinances will be presented to the Authority for consideration of adoption at the upcoming meeting on March 20, 2014.

There being nothing further to come before the meeting, Chairman Hunt adjourned the Budget Work Session.