

Fiscal Year 2025-2026 Budget Update #1

**Board of Airport Commissioners
March 13, 2025**

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FY 2025-26 Strategic Financial Planning Outlook

State of the Economy

- Regulatory uncertainty and market volatility
- Geopolitical conflicts and tensions
- January 2025 CPI rose to 3%
- Expectations of reduced GDP growth
- Mixed expectations on the Fed rate

State of the Industry

- Strong airline travel demand in 2024 with high load factors
- Concerns about weakening domestic demand due to economic uncertainty
- Aircraft production and its supply chain still have not caught up with pre-pandemic levels. Global backlog of aircraft orders at 17,000 jets, its highest
- Spirit bankruptcy; Jet Blue service reductions
- Focus on Air Traffic Controller technologies and staffing

LAWA Financial Position

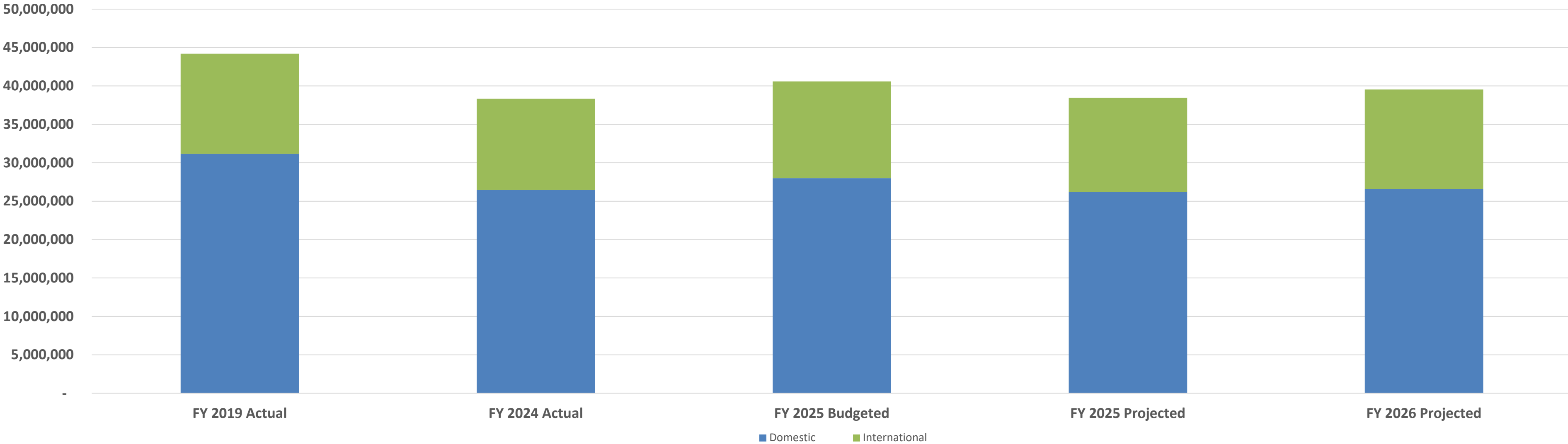
- LAX traffic recovery has been lagging behind the industry. January domestic traffic is 5.3% below last year.
- Significant operating cost escalation and unit cost increase
- Strong liquidity position
- Strong credit rating

Key Business Priorities

- Achieve sufficient staffing levels
- Invest in employee training, facilities, and technologies
- APM and ConRAC operational readiness
- Continue investing in safety, guest experience, operational and organizational efficiencies
- Readiness for major events (World Cup 2026, Super Bowl 2027, LA 28)

LAX Actual and Projected Enplanements

Enplanements



(in millions)	FY 2019 Actual	FY 2024 Actual	FY 2025 Budgeted	FY 2025 Projected	FY 2026 Projected	FY 2026 vs FY 2025 Projected		FY 2026 vs FY 2019 Actuals
						Difference	%	%
Domestic	31.2	26.5	28.0	26.2	26.6	0.4	2%	-17%
International	13.0	11.8	12.6	12.3	12.9	0.7	5%	-1%
Total	44.2	38.3	40.6	38.5	39.5	1.1	3%	-12%

All numbers are preliminary, unaudited, subject to change

FY 2025 - 26 Key Budget Objectives

- **Fund Key Business Priorities**
 - Fund operational and safety mandates and strategic business priorities
- **Control Operating Costs Escalation**
 - Right-size budget based on actual expenditures level
- **Balance Costs and Revenues**
 - Additional LAMP revenues
 - Balance cost increases with increases in revenues to achieve the key metrics:
 - All-in debt service coverage of **at least 1.8x** (cash basis)
 - Budgeted Airline Cost per Enplaned Passenger (CPE) **not to exceed \$38.5**
- **Liquidity**
 - Day Cash on Hand Minimum Target – 550 days

FY 2025 - 26 Budget Challenges

- **Significant Cost Pressures:**
 - Continuing Personnel cost increases
 - LAMP staffing and operating expenses
 - Contractual increases
 - Additional costs for strategic initiatives (Workers Comp, HR Transformation, Guest Experience, Strategic Planning, other studies)
 - Increases in City Services (LAFD for bike medics, VNY planning)
 - Expected higher utility costs
 - Expected increases in insurance premiums due to new facilities and market conditions
- **Slower Traffic Recovery, impacting Non-Aviation Revenues and Cost per Enplaned Passenger**

Next Steps – BOAC Budget Presentations

- **April 17: “Deep dive” into budget details**
- **May 15: Incorporate Board feedback and present near-final revenues and expenses**
- **June 5: Staff presents FY 2025 – 26 Budget for adoption**

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