Department of Aviation
Fiscal Year 2017 Budget Book

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General Manager's Message

Fiscal Year 2017 (FY17) should prove to be an exciting yet challenging year for the operation and development of Hartsfield-Jackson Atlanta International Airport (ATL). ATL recently completed its negotiations with the airlines updating the Airport's master lease agreement now known as the Airport Use and Lease Agreement (AULA). The key issues in the new agreement include rate-making methodologies, revenue sharing components, gate operations, majority-in-interest provisions, the Airport's capital plan and airline project approvals, and the establishment of priority for the Master Bond Ordinance. The AULA is the basis under which the Airport will operate and will have a significant impact on ATL's budget and financial operations in the future. Though the negotiation of the new AULA is complete, only the section related to the capital program is effective July 1, 2016. The remainder of the agreement takes effect Oct. 1, 2017. The current CPTC Lease Agreement will stay in effect until such time.

Outside of the AULA, the ATL sets its internal mode of operation based on the recently established six pillars. The six pillars were established in conjunction with the Department of Aviation's strategic plan representing its basic framework of operation. The six pillars include 1) Employees, 2) Customer Service, 3) Finance, 4) Economic Generation, 5) Environment, and 6) Safety & Security.

While all six pillars are important, ATL, along with other airports across the nation, must do all they can to ensure a high level of customer satisfaction. ATL handles more passengers than any airport in the world which heightens the probability of unacceptable wait times in the future. Additionally, the International Air Transport Association (IATA) forecasted as recently as October 2015 that passenger traffic in North America will increase 4.3 percent per year through 2020. In 2015, 101,491,106 passengers traveled through ATL with 54,701,722 (53.9 percent) listed as originating traffic.

In Fiscal Year 2017, ATL will begin its multibillion-dollar capital improvement program, commonly referred to as ATLNext. It includes numerous projects, as follows:

- Terminal modernization, now to 2019, $393 million
- Concourse T extension, 2016 - 2021, $200 million
- Plane Train people-mover turnback relocation, 2016 - 2027, $307 million
- Concourse G, 2016 - 2023, $983 million
- 6th runway
- Parking development

ATLNext projects fulfill pieces of the six pillars as they will serve to provide an enhanced level of customer service, take advantage of financing opportunities, and stimulate the region's economy via the expenditure of billions of dollars and creation of jobs. The capital improvement program will continue to keep ATL as the leader and principal economic generator of the region.

In addition to the start of the new capital plan, ATL will enter FY17 with a $503.7 million Operating Budget.

Operating Revenue:

- $184.8 million in Aeronautical Revenue
- $318.9 million in Non-Aeronautical Revenue

Operating Expenses:

- $99 million in Personnel Expenses
- $149.8 million in Contract Services
- $16.5 million in Supplies
- $537k in Capital Expenses
- $13.2 million in Interfund Charges
- $3.9 million Operating Expenses
- $141.1 million in Debt Service
- $79.66 million in Reserves

In closing, I would like to thank all of the Department of Aviation's employees for their hard work and dedication, and acknowledge their efforts in preparing the FY17 budget. I would also like to recognize the Accounting and Finance Department for their tireless effort and professionalism preparing the FY17 Budget Book and their focus on the financial health of ATL.

Finally, a special acknowledgement is extended to Mayor Kasim Reed, Chief Operating Officer Dan Gordon, the Atlanta City Council and members of the Transportation and Finance Executive committees for their continued leadership in enabling the Department to fulfill its role.

Executive Summary

Airport Overview

Top 10 Passenger Airports Worldwide (Calendar Year 2015)	
Rank	**Airport**
1	Atlanta
2	Beijing
3	London Heathrow
4	Tokyo Haneda
5	Chicago O'Hare
6	Los Angeles
7	Dubai International
8	Paris Charles de Gaulle
9	Dallas/ Fort Worth
10	Soekarno Hatta Int'l

Source: Experience the Skies

Hartsfield-Jackson Atlanta International Airport (ATL, the Airport) is owned by the City of Atlanta (City) and operated by the Department of Aviation (Department) as an enterprise fund using only its financial resources for operations and capital development. ATL occupies a 4,750-acre site in Clayton and Fulton counties about 10 miles south of downtown Atlanta. It is classified as a large hub by the Federal Aviation Administration (FAA) and is the principal air carrier airport serving Georgia and the southeastern United States. ATL serves as a primary transfer point in the national air transportation system. In Calendar Year 2015, ATL handled more than 101 million passengers and just over 882,000 aircraft operations, making it the world's busiest passenger airport.

This has resulted in a large number of destination offerings from metro Atlanta compared with similarly sized metropolitan areas. ATL is one of the largest economic generators in the Southeast, with a direct regional impact in total business revenues estimated to be more than $34.8 billion annually, and an indirect and induced impact of $29.5 billion annually. Including these indirect and induced effects, the total economic impact of the Airport is $64.3 billion annually.

ATL each day handles approximately 7.4 percent of the nation’s air travelers, leading many experts to consider ATL the most important transportation node in the U.S. and perhaps the world. The continued safe and efficient functioning of ATL is critically important to city, state and national interests. ATL operates to ensure maximum efficiency and the best possible experience for travelers. ATL's mission is to "provide the Atlanta region with a safe, secure and cost-competitive gateway to the world that drives economic development."

ATL operates 24 hours per day, 365 days per year. The Department employs 650 full-time employees, as well as 214 police and 247 firefighting personnel. This represents a small portion of the more than 63,000 airline employees, concessionaires, contractors and other professionals whose expertise and professionalism facilitate an average of just over 2,400 aircraft operations per day. For 13 consecutive years, ATL has been recognized for excellence in efficiency by the Air Transport Research Society. In 2016, ATL was again named the most efficient airport in the world.

Airline Service

An airport's originating and destination passenger volumes are determined by the population and economy of its service region. Connecting passenger numbers are determined primarily by airline decisions to provide connecting service at an airport. Approximately 33 percent of ATL's 51.8 million enplaned passengers are originating passengers leaving the remaining 67 percent of passengers connecting through ATL.

Scheduled air carriers operating at ATL are:

Mainline Passenger Airlines (associated regional airlines not shown)

Alaska Airlines	Frontier Airlines	United Airlines
American Airlines	Southwest Airlines	
Delta Air Lines	Spirit Airlines	

Regional Airlines

Air Wisconsin	PSA	Republic Airlines
Endeavor Air	GoJet Airlines	Shuttle America
ExpressJet Airlines	Mesa Airlines	SkyWest Airlines

Foreign Flag Airlines

Air Canada	KLM Royal Dutch Airlines	Qatar Airways
Air France	Korean Air	Turkish Airlines
British Airways	Lufthansa German Airlines	Virgin Atlantic Airways

All-Cargo Airlines

ABX Air	China Cargo Air (differs from *)	Mountain Air Cargo
Air Canada Cargo	China Airlines Cargo *	Polar Air Cargo
Air France/KLM Cargo	Emirates Sky Cargo	Qatar Airways
AirBridge Cargo	EVA Airways	Singapore Airlines Cargo
Asiana Cargo	FedEx	Turkish Airlines
Atlas Air	Kalitta Air	UPS Air Cargo
CargoJet	KLM Cargo	Turkish Airlines
Cargolux Airlines	Korean Air Cargo	
Cathay Pacific Cargo	Lufthansa Cargo	

Belly-Cargo Airlines

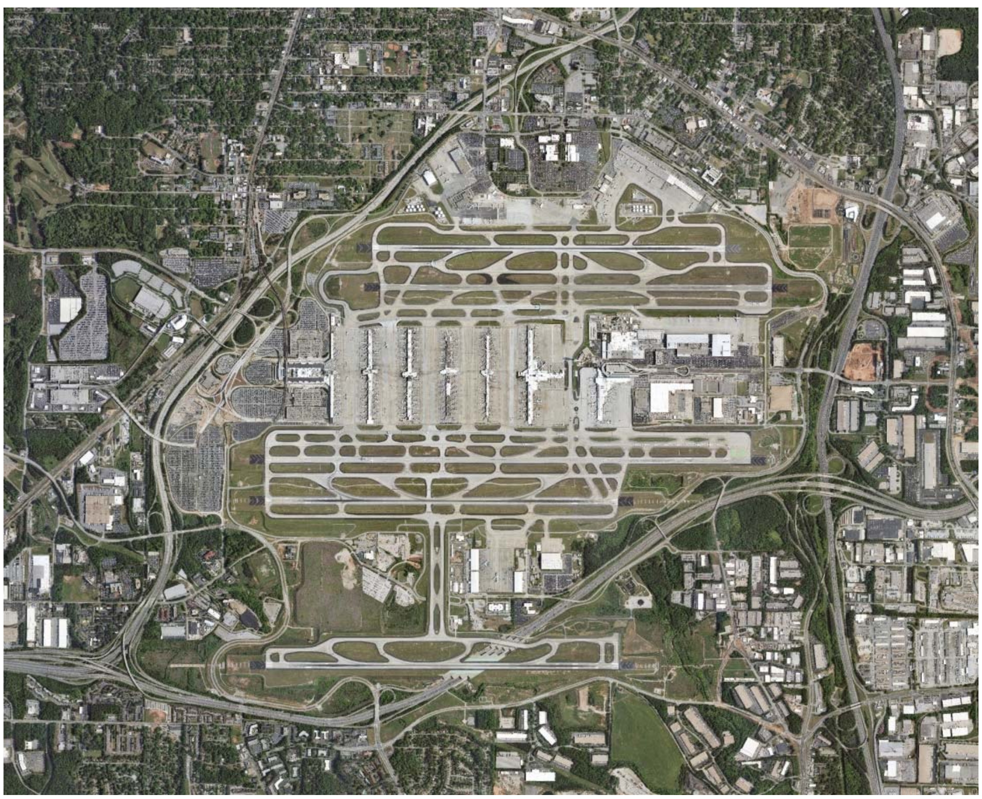
Air Canada Cargo	ExpressJet Airlines	Spirit Airlines
Air France	Frontier Airlines	United Airlines
Alaska Airlines	KLM Royal Dutch Airlines	US Airways
American Airlines	Korean Air	Virgin Atlantic Airways
British Airways	Lufthansa German Airlines	
Delta Airlines	Republic Airlines	
Endeavor Air	SkyWest Airlines	
Envoy Air	Southwest Airlines	

NOTE: Belly-cargo is freight that is stored under the main deck of an airplane carrying passengers.

Airport Facilities

The design and location of ATL makes it an ideal facility for large volumes of passengers and aircraft operations since the current complex was opened in 1980. Since that time, various airlines have used ATL as a major hub. Approximately 80 percent of the U.S. population resides within a two-hour flight from Atlanta, making it a great location for airline operations. Two major airlines use ATL as a major airport for their operations: Delta Air Lines and Southwest Airlines. While Delta Air Lines operates in a traditional hub-and-spoke model and Southwest Airlines operates using a point-to-point transit model, the design and location of ATL gives it the flexibility to enhance travel via either model.

ATL consists of five parallel runways, multiple associated taxiways, a domestic terminal with five concourses and an international terminal with two concourses. Additionally, ATL has extensive parking facilities, a state-of-the-art rental car center, a ground transportation center, three airfield complexes, a Metropolitan Atlanta Rapid Transit Authority (MARTA) station and other facilities to support and maintain an airport of its size.



Runways and Taxiways

The efficiency in ATL's design rests, in large part, in its five parallel east-west oriented runways. This runway design allows five different aircraft to land and/or take off nearly simultaneously. ATL's seven concourses are oriented north-south with ample ramp space in between them to allow for rapid aircraft movement between the runways and the gates. ATL also employs an end-around taxiway that greatly increases aircraft movement to and from the ramps.

Central Passenger Terminal Complex

The Central Passenger Terminal Complex (CPTC) measures approximately 7 million square feet, or 160 acres. It includes a Domestic Terminal and an International Terminal that houses airline check-in facilities, ground transportation facilities, administrative offices, access to parking facilities, concessions, an award-winning art program, wide selection of high-quality restaurants and retail offerings, in addition to security checkpoints. The Domestic Terminal includes five domestic concourses (T, A, B, C, and D) and a three-story atrium. The International Terminal includes two international concourses (E and F), with concourse F serving as the primary originating and destination terminal for international flights. Within these seven concourses, there are a total of 192 gates.

The entire complex is connected via an underground tunnel system which houses both moving sidewalks and a train system called the Plane Train. The Plane Train operates on a 3.5-mile loop track which runs underneath the terminals, concourses and the ramp. On average, the Plane Train transports more than 250,000 airline passengers and Airport employees per day. Both terminal buildings and the concourses are free of any architectural barriers to individuals with disabilities.

Metropolitan Atlanta Rapid Transit Authority

MARTA provides train and bus service to and from the metro Atlanta area. MARTA's Airport station connects to ATL at the west end of the Domestic Terminal atrium between the North and South baggage claim areas.

Cargo and Airfield Complexes

The airfield is broken into three main complexes: North, South and Midfield. The area encompasses 306 acres and 12.5 million leased square feet of cargo warehouse, office space, fuel tanks and pipelines, airline maintenance hangers, blast fences, flight support services (provisional, cleaning, GSE repair and storage), Delta Technical Operations Center, USDA propagated plant inspection station, equine facility, perishables complexes, and a fixed base operator to facilitate private and charter flights. There are 28 parking positions for cargo aircraft, 20 at the north complex and eight at the south complex.

South cargo includes three buildings each at 100,000 square feet and a fourth building to be completed in October 2016. Other developments include a new security gate already in operation (Gate 70) and a new truck staging lot capable of handling up to 60 trucks for docking service.

Air Service Development

ATL works to build air service development and route development with new cities. The Airport often markets itself to new airlines to connect ATL to new routes, and provides incentives through its Air Incentive Program which provides benefits to selected routes for both cargo and passenger service.

Concessions

There are 327 concession outlets throughout ATL, including kiosks. These consist of 170 food and beverage locations (including 6 food courts), 129 retail/news and convenience outlets, five duty free stores and 23 service locations. These service locations include a full-service bank, Georgia Lottery outlets, shoe shine booths, ATMs, currency exchange, sleep units, a common-use lounge and spas. Concessions space within ATL covers approximately 323,000 square feet.

Ground Transportation Center

The Airport Ground Transportation Center (GTC) is located at the west end of the Domestic Terminal building, outside of the North and South baggage claim areas. Located within the GTC are shared-ride shuttles that offer door-to-door reservation and on-demand service to hotels, convention centers, businesses and residences during flight operating hours. Local shared-ride shuttles run approximately 15 minutes and provide service to cities located within Clayton, Cobb, DeKalb, Fulton and Gwinnett counties. Regional shared shuttles provide scheduled service to areas outside of the five Atlanta metropolitan counties and to bordering states.

Rental Car Center

The Rental Car Center (RCC) is a convenient, state-of-the-art 67.5-acre facility that houses all rental car company operations and vehicles. The RCC includes two four-story parking decks, more than 8,700 parking spaces and a 137,000 square-foot customer service center. The RCC features 13 rental car brands: Advantage, Airlines/ACE Rent a Car, Alamo, Avis, Budget, Dollar, Enterprise, EZ, Hertz, National, Payless, SIXT and Thrifty. Connecting customers to the RCC is an elevated train, called the ATL SkyTrain. In five minutes, passengers are connected from the Airport station at the CPTC to the RCC, the Georgia International Convention Center (GICC), multiple hotels and office buildings. The train operates six dual-car trains which can transport 100 passengers and their baggage.

Parking Facilities

There are more than 33,000 public and employee parking spaces at ATL.

HARTSFIELD-JACKSON ATLANTA INTERNATIONAL AIRPORT PARKING SPACES				
	LOT NAME	SPACES	♿ SPACES	TOTAL SPACES
NORTH PARKING LOTS	NORTH ECONOMY TOTAL	2,748	31	2,779
	NORTH DAILY LEVEL 1	1,189	16	1,205
	NORTH DAILY LEVEL 2	1,401	18	1,419
	NORTH DAILY LEVEL 3	669	8	677
	NORTH DAILY LEVEL 4	1,301	15	1,316
	NORTH DAILY TOTAL	4,560	57	4,617
	NORTH HOURLY LEVEL 3	686	12	698
	NORTH HOURLY LEVEL 4	202	9	211
	NORTH HOURLY TOTAL	888	21	909
	TOTAL NORTH SPACES	8,196	109	8,305
SOUTH PARKING LOTS	WEST ECONOMY TOTAL	1,040	7	1,047
	SOUTH ECONOMY TOTAL	3,384	44	3,428
	SOUTH DAILY LEVEL 1	1,266	16	1,282
	SOUTH DAILY LEVEL 2	1,767	14	1,781
	SOUTH DAILY LEVEL 3	969	14	983
	SOUTH DAILY LEVEL 4	1,624	9	1,633
	SOUTH DAILY TOTAL	5,626	53	5,679
	SOUTH HOURLY LEVEL 3	753	15	768
	SOUTH HOURLY LEVEL 4	285	15	300
	SOUTH HOURLY TOTAL	1,038	30	1,068
	TOTAL SOUTH SPACES	11,088	134	11,222
PARK RIDE LOTS	PARK RIDE A	3,682	50	3,732
	PARK RIDE C	3,766	26	3,792
	PARK RIDE RESERVE	1,134	23	1,157
	TOTAL PARK RIDE SPACES	8,582	99	8,681
INTERNATIONAL TERMINAL LOTS	INTERNATIONAL HOURLY LEVEL 2	325	0	325
	INTERNATIONAL HOURLY LEVEL 3	258	1	259
	INTERNATIONAL HOURLY LEVEL 4	212	20	232
	INTERNATIONAL HOURLY LEVEL 5	195	0	195
	INTERNATIONAL HOURLY TOTAL	990	21	1,011
	INTERNATIONAL PARK RIDE LEVEL 1	440	0	440
	INTERNATIONAL PARK RIDE LEVEL 2	550	0	550
	INTERNATIONAL PARK RIDE LEVEL 3	552	0	552
	INTERNATIONAL PARK RIDE LEVEL 4	547	0	547
	INTERNATIONAL PARK RIDE LEVEL 5	478	18	496
	INTERNATIONAL PARK RIDE TOTAL	2,567	18	2,585
	TOTAL INTERNATIONAL SPACES	3,557	39	3,596
RESERVE PARKING	NORTH GOLD	270	3	273
	SOUTH GOLD	660	10	670
	INTERNATIONAL GOLD	204	7	211
	TOTAL RESERVED SPACES	1,134	20	1,154
TOTAL PUBLIC PARKING SPACES		32,557	401	32,958
EMPLOYEE LOTS	EMPLOYEE LOT A	160	2	162
	EMPLOYEE LOT B	97	3	100
	EMPLOYEE LOT C	118	0	118
	EMPLOYEE LOT D	44	1	45
	Park Ride Employee Lot	47	3	50
	INTERNATIONAL TERMINAL EMPLOYEE LOT	60	0	60
	TOTAL EMPLOYEE SPACES	526	9	535
	CELL PHONE LOT	158	6	164
TOTAL PUBLIC and EMPLOYEE PARKING SPACES		33,241	416	33,657

Vision, Mission and Strategic Priorities

ATL takes great pride in its strategic planning process, which enables management to collectively define, develop and update its strategy. Furthermore, it provides a framework that facilitates the organization's decision-making process. In order to determine the direction of the organization, it is necessary to understand its current position and the possible avenues through which it can pursue a particular course of action.

Vision

To be the global leader in airport efficiency and customer service excellence.

Mission

To provide the Atlanta region a safe, secure and cost-competitive gateway to the world that drives economic development, operates with the highest level of customer service and efficiency and exercises fiscal and environmental responsibility.

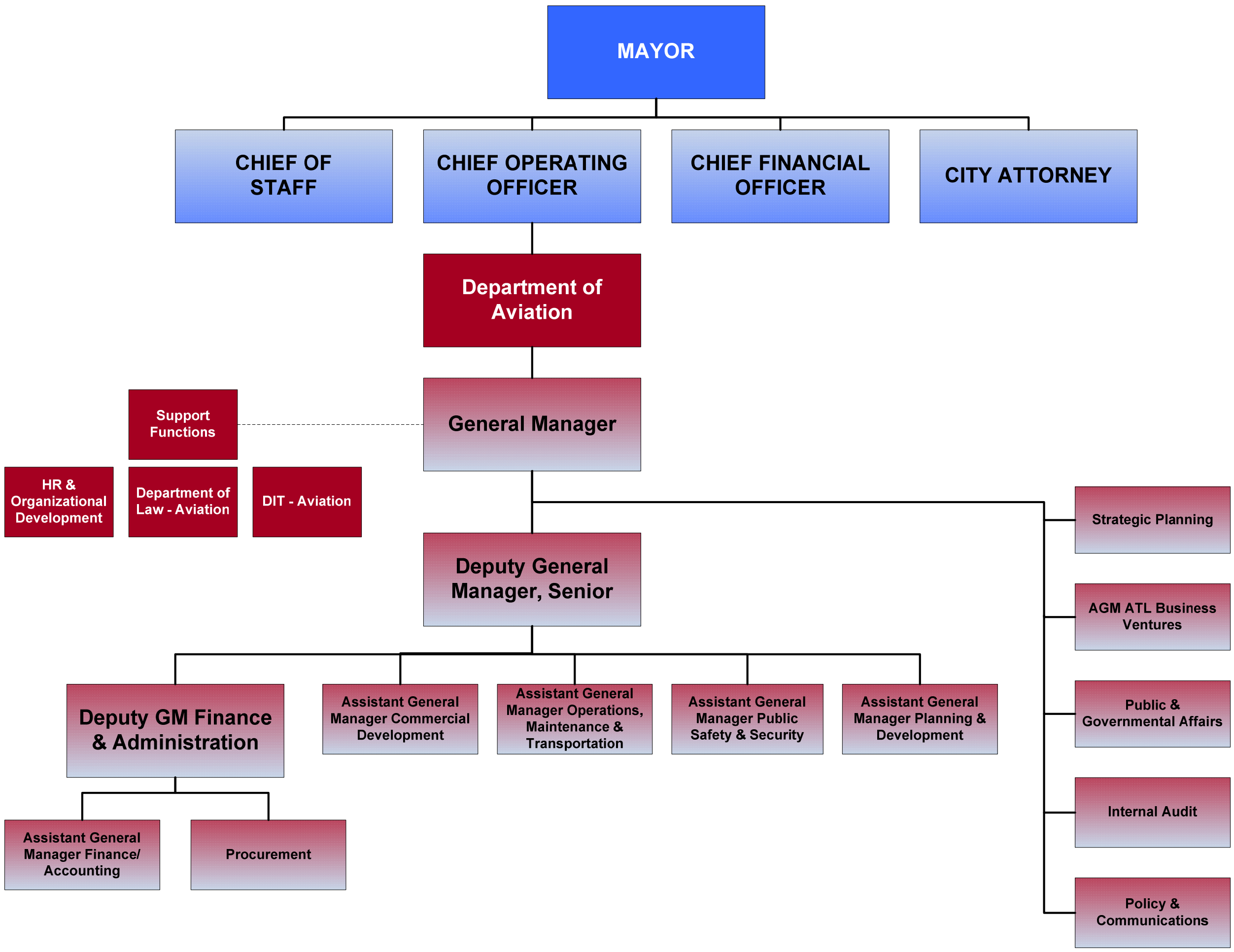
Strategic Priorities

To support the vision and mission, the strategic plan has six strategic priorities. These priorities directly affect ATL's ability to serve its customers (including the airlines and their passengers), be a critical regional economic generator and support the people working at ATL.

1. Employees – employee engagement and satisfaction
2. Customers – enhance and deliver best-in-class customer experience
3. Finance – preserve the Airport's financial health
4. Environment – promote environmental stewardship
5. Economic Generator – focus on our role as economic engine
6. Safety & Security – providing a safe and secure environment for passengers and employees

These six specific strategic priorities are the distinct building blocks of the strategic plan. Each of these strategic priorities is supported by objectives and initiatives that directly support the priority. Each strategic priority has simple, high-level metrics that help measure performance. By categorizing our objectives and initiatives by priority, it allows our employees to best see how their efforts support the vision and mission.

Organizational Structure



FY17 Budget Highlights

Listed below are some of the initiatives that directly support the six strategic priorities of ATL that are part of the FY17 budget.

Employee Engagement and Satisfaction

- Expand investment in learning and development opportunities across business units
- Enhance employee surveys and action planning to improve engagement
- Create employee working groups to generate ideas for improving engagement and satisfaction

Enhance and Deliver Best-in-Class Customer Service

- Commencement of terminal/concourse modernization projects
- Execute security enhancements – employee, contractors, concessionaires, perimeter fencing
- Replace passenger boarding bridges
- Replace Fire Station #40

Preserve the Airport's Financial Health

- Emphasize commercial development – cargo, air service and revenue generation
- Complete new airline use and lease agreement
- Initiate funding/financing of the ATL master plan
- Fully implement aeronautical recovery program

Promote Environmental Stewardship

- Implement eGSE Design converting diesel vehicles to electric
- Convert International Terminal water box to a rainwater harvesting system
- Purchase two all-electric buses with charging infrastructure
- Purchase carbon offset (greenhouse) to mitigate emissions

Focus on Our Role as Economic Engine

- Commence the development of the hotel/airport city support facility
- Construct a new cargo building
- Implement Improvements in the South Cargo truck staging area

Providing a Safe and Secure Environment for Passengers and Employees

- Administer Security office build-out (payment center and C & E office)
- Implement perimeter intrusion detection system
- Continued support of new employee screening checkpoint build-out

Industry Overview

The global airport services industry is comprised of airport operators and companies providing support such as landing and take-off services, operation of fueling, runway maintenance, hangar rental, duty-free shops, security, baggage handling services and cargo handling services. The global airport services industry, which reached $123.6 billion in 2012, is forecast to reach an estimated $157.2 billion in 2018 with a compound annual growth rate of 4.1 percent over the next five years (2013-2018). Lucintel, a leading global management consulting and market research firm, conducted a competitive analysis of the industry and presents its findings in "Global Airport Services Industry 2013-2018: Trend, Profit, and Forecast Analysis." Findings show that the North American region dominates the industry and represents the largest industry share. A combination of factors such as air traffic rates and the emergence of low-cost carriers affect market dynamics significantly. The airport services industry registered dynamic growth in the last couple of years due to growth in the passenger and cargo movement and ground handling services. Despite challenges to the industry, it has several growth drivers that are covered by the report as well. Increasing traffic of air transportation services of passengers and cargo, strong demand of low-cost carriers (especially in emerging nations) and implementation of open skies policies are some of the growth drivers of this industry. Development of infrastructure in emerging nations also provides an additional impetus to the growth of the global airport services industry.

Airports, like other enterprises and corporations, are increasingly driven by the bottom line. Airports that are designed to effectively accommodate passenger needs and habits are likely to succeed far beyond those that do not. Ultimately, all airport revenue is derived from the people who use airports: airline and concessionaire fees, passenger facility charges (PFC) and even federal funding itself derives from passenger ticket taxes. Airports that are designed to respond to human needs, capabilities, culture, desires and aspirations can find both happy users and prosperous tenants.

In order to provide services that satisfactorily accommodate both passengers and tenants, airports must recognize and deal with the following key factors in the industry:

- Economic and political conditions
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Airline consolidation and alliances
- Aviation fuel cost and availability
- Aviation safety and security concerns
- Capacity of the national air traffic control system
- Airport capacity

In today's environment, these factors also highlight challenges facing the industry. Some key challenges include the economy, establishing a safe and secure environment and providing a pleasing variety of retail and restaurant offerings for those traveling through the airport. Particularly in today's time, the chief challenge is the state of the economy which is intertwined with global economic and political conditions. The economy certainly is a chief component in the success of the airline industry's financial health. The volume of passenger travel, aircraft operations and cargo movement is largely dependent upon the state of the economy.

The U.S. airport sector is stable due to projected modest economic growth in the U.S. and global economies that should support enplanement and subsequent revenue increases. Most bond-rated U.S. airports are regaining financial resiliency, as demonstrated in Moody's Airport Medians report. Profitable airline partners that maintain rational route networks support stable financial performance given the residual rate-making structure of a large portion of U.S.-rated airports. While the baseline expectation is for slow, stable growth, the industry remains below levels seen pre-recession and sensitive to downside. Lingering downside risks for the economy are joined by potential federal funding cuts for aviation activities that could affect airport operations and long-term grant funding.

However, in stable-to-good economic times, some airports' passenger travel, aircraft operations and cargo experience growth. In fact, a few airports realize growth even in a slowed economy. Airports must be ready to successfully plan and achieve levels of capacity that accommodate the growth of passenger travel and cargo. This not only includes acreage/square footage, but also abundant airport support services. Some of these services include the following:

- Counter services
- Aircraft ramp handling
- Fuel systems
- Baggage systems
- Cargo aircraft handling
- Cargo warehousing
- Ramp tower control operations
- Flight supervision and coordination
- Security personnel

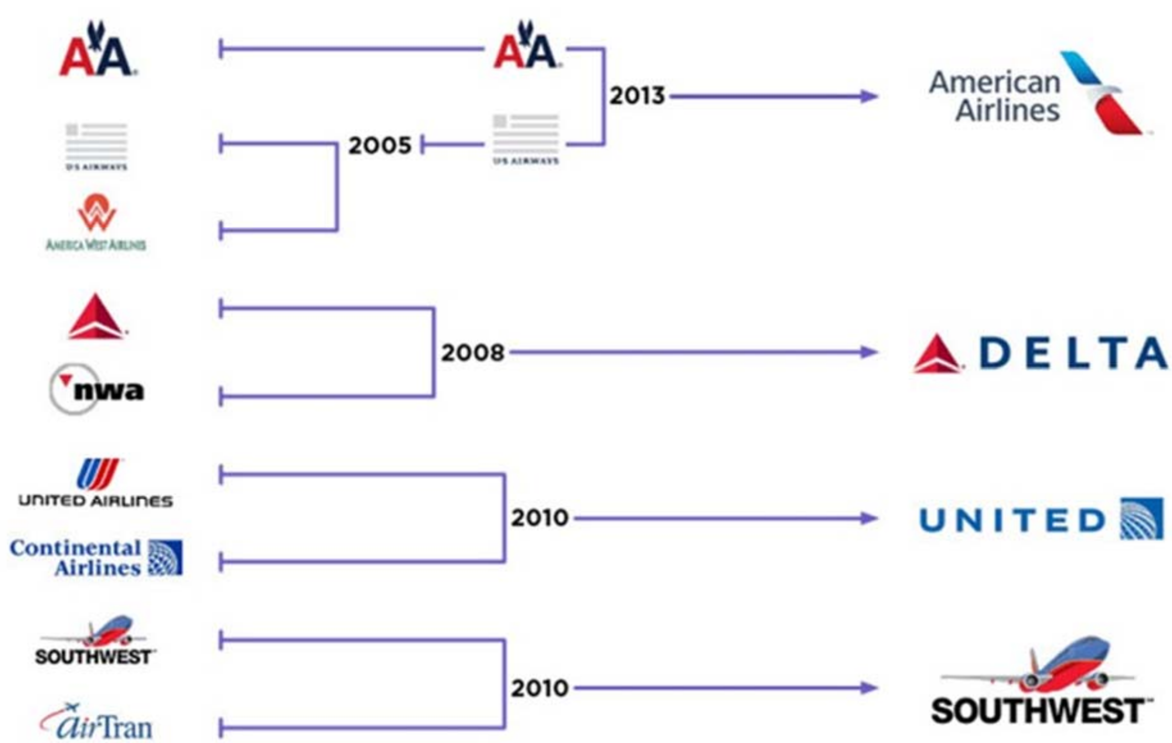
ATL successfully handles its service region, passenger and cargo growth. As a longtime industry leader in passenger and aircraft operations, ATL has demonstrated its ability to plan and execute strategies and projects that keep it at the forefront of the industry. ATL has included in its FY17 capital plan $21 million to begin enhancing the baggage systems of the central complex. Additionally, the Airport includes in the capital plan $100 million for modifications to its Plane Train operation by employing phase one of a turn-back system.

Airport capital outlays such as the aforementioned are key components in the success of a region's economy. The impacts are tremendous and far-reaching, as many jobs (direct and indirect) are generated as a result of airports operating in the region. ATL is a major player in the economic success of the southeast region of the United States. Businesses are stimulated, which in turn leads to an increase in jobs and productivity. But the growth in activity has also given rise to the need for enhanced security measures.

Recent Key Airport Industry Activity

The Airport industry's key activities coming out of Fiscal Year 2016 entering into 2017 center around airline profitability, security and passenger wait times. Airline profitability has continually increased over the past three years after a number of mergers and restructurings. Security is at a heightened level of concern as terrorist strikes have occurred around the world over the past year. Major attacks struck airports in Brussels, Egypt, Moscow, and Istanbul, as well as multiple security breaches impacted the U.S. over the past couple of years. Of course, airport security comes under more scrutiny following major attacks and breaches, which puts more pressure on and requires an enhanced performance level by the TSA in the U.S. These three issues combine for both an economic boon for the nation's economy as well as a threat to public safety and customer service.

Over the last 10 to 15 years, consolidation has been a major part of the airline industry. A brief summary is shown in the table below to highlight how the major carriers moved from 10 in number down to four: American, Delta, Southwest and United.



To a large degree, today's primary carriers (American, Delta, United and Southwest) stand today following a series of activity shown in the following table.

AWA restructured through bankruptcy June 1991 – August 1994
US Airways restructured through bankruptcy August 2002 – March 2003 and September 2004 – September 2005
United restructured through bankruptcy from December 2002 – February 2006
American restructured and employees provided concessions May 2003
Continental restructured and pilots provided concessions April 2005, flight attendants agreed to concessions in January 2006
Delta restructured through bankruptcy from September 2005 – May 2007
American restructure through bankruptcy from November 2011 – December 2013

The top four airlines – also now known as the "Big Four" – began experiencing sizeable profit margins dating back to 2013. Air Transport World reports that American Airlines yielded a net profit of $7.61 billion in 2015 while Delta and United netted $4.5 billion, and Southwest Airlines posted profits of $2.18 billion for the year. Such successes have had a positive impact on the nation's economy as the GDP (*Gross Domestic Product*) per World Bank and TradingEconomics.com, grew 2.2 percent in 2013, 2.5 percent in 2014, and 1.98 percent in 2015. The GDP is forecasted to grow another 1.47 percent by the end of 2016. Airline passenger traffic will also continue to grow in 2016. IATA reports that the United States will continue to be the largest single market for domestic passengers (710.2 million). In the same year, passengers on international routes connected to the United States will total 223 million, making it the largest single market for international travel as well. The outlook for the nation's GDP and passenger forecast support the probability of another strong and profitable year for the "Big Four." Additionally, history shows that the correlation between economic growth and air transport growth has resulted in affirmed predictions for passenger growth trends.

As the industry's passenger growth rate rises, so does the challenge of making airports safe and secure. Logically, the greater the passenger counts, the smaller the percentage chance of citing and preventing individuals from successfully engaging in a security breach. The recent bombings at airports in Brussels and Istanbul have raised the level of preparedness at U.S. airports.

The TSA assumes operational responsibility for passenger and baggage screening and regulatory responsibility for air cargo and airport security. It must balance its job of keeping dangerous items off aircraft with the need to move travelers through checkpoints quickly. A challenge for airports is to have enough armed police to regularly patrol public spaces and to keep checkpoint lines moving so that crowds don't build in vulnerable areas outside the security perimeter. Homeland Security reports that TSA has 42,525 full-time Transportation Security Officers in FY16 scheduled to ascend to 42,848 in FY17. The vast majority of these officers will serve as passenger and baggage screeners in the Aviation Security Program. These numbers are down from approximately 55,600 in 2013. The amount of Transportation Security Officers began to dwindle due to budget cuts initiated in FY12 and FY13.

The federal government underwent an across-the-board budget cut for all federal agencies, including a $3.2 billion cut for the Department of Homeland Security through the end of FY2013. This negatively impacted TSA, whose FY 2013 budget request was $200 million less than its FY2012 appropriation and resulted in a personnel reduction. Fewer officers reduce the strength of review and lessen the intensity of scrutiny while screening passengers and their luggage. As a result, passengers experienced extended wait times at security checkpoints across the nation.

U.S. Airports nationwide have seen security checkpoint lines double in size, extending passenger wait times such that some travelersmissed their flights. Passengers, airlines, and airports have had real concerns about what the lines at TSA checkpoints would look like through the summer of 2016. By April 2016, wait times in the spring climbed as high as 90 minutes, creating huge backups at airports across the nation including Atlanta and Chicago. TSA Chief Peter Neffenger noted that the lines might continue through the summer as a result of understaffed checkpoints, changes made to reduce the risk of terrorist attacks, and record travel. Neffenger projected that 97 million more passengers were expected to pass through TSA screening this year than did three years ago and that adding several hundred new screeners, paying overtime and giving part-time TSA workers full-time jobs won't be enough to eliminate the long lines.

Neffenger indicated to Congress that a part of the challenge was to secure more screeners and manage checkpoints effectively. Congress acquiesced to his request to retain 1,600 workers slated for layoffs. He then noted that an additional 768 workers would be ready for service by mid-June. Neffenger stated that he also has plans to reduce long lines by introducing more airport dog teams trained to sniff out bombs. Additionally, he hopes to find funding to move 20 percent of TSA's trained screeners from part-time to full-time.

In the first week of July 2016, the House and Senate lawmakers announced an agreement on a bill to boost airport security, reduce screening lines, and require airlines to refund fees to passengers whose bags are lost or delayed. In addressing long screening lines, the bill requires the TSA to hire a marketing firm to generate greater public participation in the agency's PreCheck expedited screening program for passengers who have been determined to be low security risks. Responding to recent airport attacks in Brussels and Istanbul, the bill authorizes a doubling of TSA teams that stop and search suspicious passengers in airport public areas that are outside the security perimeter, often using bomb-sniffing dogs; toughen the vetting of airport employees who have access to secure areas; and require reviews of perimeter security. Senator Bill Nelson, D-Fla. noted that in this age of terrorism, we have a responsibility to thoroughly scrutinize anyone who has access to airport secure areas.

The advent of increased full-time staffing levels of TSA officers and other measures to be put in place by the bill should make a significant improvement in addressing long passenger wait times and airport security overall.

Economic Impact

Periodically, the Department of Aviation conducts a study to measure the economic impact of the Airport on both the Atlanta Metropolitan Statistical Area (MSA) and the Piedmont Atlantic Megaregion (PAM) in order to better understand its role in the development of the region and to facilitate its strategic planning process. The 2013 study was done in partnership with Ricondo & Associates. Below is a table highlighting data that represents a high-level summary:

	Impacts	Airport-Generated	Visitor Spending	Air Cargo Related	Total Impact
Jobs	Direct	63,291	173,099	9,146	245,536
	Indirect	51,312	38,989	8,710	99,011
	Induced	43,747	50,969	9,433	104,149
Total Jobs		**158,350**	**263,057**	**27,289**	**448,696**
Business Revenue ($millions)	Direct	$16,459	$14,362	$4,000	$34,821
	Indirect	$7,928	$5,588	$1,519	$15,035
	Induced	$6,419	$6,774	$1,224	$14,417
Total Business Revenue *($millions)*		**$30,806**	**$26,724**	**$6,743**	**$64,273**
Personal Income *($millions)*	Direct	$4,169	$4,298	$592	$9,059
	Indirect	$2,398	$1,849	$497	$4,744
	Induced	$1,979	$2,267	$370	$4,616
Total Personal Income *($millions)*		**$8,546**	**$8,414**	**$1,459**	**$18,419**
Average Income per Employee *($/ year)*	Direct	$65,870	$24,830	$64,728	$36,895
	Indirect	$46,734	$47,424	$57,061	$47,914
	Induced	$45,237	$44,478	$39,224	$44,321
Weighted Avg. Income/ Employee		**$53,969**	**$31,985**	**$53,465**	**$41,050**

The total economic contribution of ATL to metropolitan Atlanta is the sum of the business activity directly associated with ATL's operations and the spending of its users, as well as the additional business activity associated with orders to suppliers and re-spending of worker income.

In 2013, there were 63,291 direct jobs at ATL. Off-site business activities that depend directly on local air service for employee travel, cargo deliveries or visitor spending by air passengers raised the direct Airport impact to nearly 246,000 jobs in metropolitan Atlanta and produced $34.8 billion in business sales.

Spin-off activities in the region (indirect and induced multiplier effects) are associated with goods and services purchased by the directly affected businesses and the re-spending of worker income in the region. As we include these indirect and induced effects, the total economic role of ATL increases to approximately $64.3 billion in business sales, including $18.4 million in personal income, supporting more than 448,000 jobs in the region.

Financial Summary

Operating Revenue

ATL anticipates total operating revenues for FY17 to be $503.7 million, which represents a $16.4 million increase, or 3.4 percent, over projected revenues of $487.3 million for FY16. ATL revenues are classified in two major categories: aeronautical and non-aeronautical. Below is a chart illustrating the breakdown of the two categories utilizing FY17 and FY16 data.

	FY2016 Unaudited	FY2017 Budget
Aeronautical Revenues:		
Landing Fees	$ 17,242,527	$ 19,879,198
CPTC Rentals	143,018,419	156,854,596
Concessions Credit	(58,919,887)	(59,164,111)
Airside Rentals	28,127,467	28,712,167
Cost Recoveries	37,147,235	38,523,650
Total Aeronautical Revenues	**166,615,761**	**184,805,500**
Non Aeronautical Revenues:		
Landside Rentals	11,883,834	11,232,096
Commercial Revenues		
Public Parking	132,419,039	136,553,059
Inside Concessions	110,786,685	109,563,169
Rental Car	38,811,959	37,278,909
Ground Transportation	2,458,034	2,306,037
WiFi Wireless	1,515,000	1,280,000
Non Airline Cost Recoveries	14,211,608	14,024,376
Other Revenues	8,574,758	6,672,227
Total Non Aeronautical Revenues	**320,660,917**	**318,909,873**
Total Operating Revenues	**$ 487,276,678**	**$ 503,715,373**

Aeronautical revenues are expected to reach $184.8 million, representing an $18.2 million increase, or 4.3 percent from the FY16 projected actual. This increase is due to the anticipated increase in operations, resulting in higher landing fees, an increase in cost recoveries for the operation of the Automated People Mover (APM) and several new tenant finish projects to be completed in FY17.

Non-aeronautical revenues are expected to decrease by $1.8 million, or less than one percent over FY16 projected growth of 3 percent in originating and departing passengers. This increase was offset by decreases in concessions revenues and rental car revenues of $1.2 million and $1.5

million respectively. We experienced significant increase in these two categories in FY16 and projected FY17 revenues conservatively. There is an anticipated decrease of $1.9 million in other revenues as a result of the collection of several refunds and revenue recoveries in FY16 that are not expected to recur in FY17.

Operating Expenses

Operating expenses for FY17 are budgeted at $279 million, which represents a $39.7 million, or 12.1 percent increase over FY16 unaudited expenses of $248.9 million. We capture our expenses in six basic categories: personnel, contract services, supply accounts, capital expenses, interfund charges and other operating costs. A more detailed discussion of each category can be found in the Financial Structure section of the book.

	FY2016 Unaudited	FY2017 Budget
EXPENSES:		
Salaries & Benefits	**$ 88,432,628**	**$ 98,663,874**
3rd Party Operating & Maintenance Contracts:		
Parking Operations	29,119,119	31,180,635
Security (Access Control/Gate Guard/Fingerprints)	11,031,813	17,840,000
AGTS System/ ATL Sky Train	24,611,819	26,373,351
Customer Service	2,781,686	3,120,000
Rental Car Center Operations (180601)	2,566,780	3,100,000
CPTC Maintenance	2,818,791	4,000,000
Total 3rd Party Op. & Maint. Contracts	**72,930,008**	**85,613,986**
Other Contract Services	39,085,788	65,059,189
Total Contract Services	**112,015,796**	**150,673,175**
Supply Accounts (excluding Utilities)	5,566,841	7,344,270
Utilities	8,864,945	8,905,409
Total Supply Accounts	**14,431,786**	**16,249,679**
Capital Expenses	**405,044**	**276,985**
Interfund Charges	**11,281,944**	**13,183,097**
Other Operating Costs	**3,573,108**	**5,190,027**
Total Operating Fund Expense Budget	**230,140,306**	**284,236,837**
(+) Operating Expense Projects (5502 Fund)	36,359,733	25,000,000
Total Operating Expenses	**$ 266,500,039**	**$ 309,236,837**

Salaries and benefits reflect an increase of $10.2 million in FY17 over the FY16 unaudited actual expenditures. The increase is attributable to overall vacancies estimated at $6.9 million in salaries and $3.4 million in related benefits.

Total contract services reflect an increase of $38.6 million in FY17 over the FY16 unaudited actual expenditures. The third-party operating and maintenance contracts include $12.7 million of that increase. Security will increase by $6.8 million due to increases in the Gate Guard Contract and additional screening and inspection services. Parking will increase by $2.1 million due to an extra payroll cycle based on the calendaring of days and an increase in the insurance premium. The AGTS Bombardier and the new Cofely MiJoy (SkyTrain) contracts will collectively increase roughly $1.7 million in the new year. The Rental Car Center's O&M contract is due to increase $550,000.

Other contract services reflect an increase of $26 million in FY17 over the FY16 unaudited actual expenditures. This category of expenses include many different accounts but most notably,

- ✓ Consulting contracts other than those listed as "3rd Party Operating"
- ✓ Advertising
- ✓ Insurance costs
- ✓ Business travel and training expenses

The FY17 budget of $65.1 million will increase $26 million over the category's year-end forecast of $39.1 million. The increase is primarily driven by the consulting contracts as they represent the majority (63 percent) of the "Other Contract Services" category.

There are a multitude of reasons why certain budgets are slated to increase while their current year expense performances were not realized; however, we narrow our focus to five categories of explanation: 1) Personnel and competitive pay, 2) Program changes,
3) Preparedness, 4) Price increase, and 5) Deferred efforts due to suspended plans.

Our Information Management team along with Police and Fire are affected by a number of vacancies caused by competitive pay shortfalls. Placement priorities impact Police and Fire, where needs are greater in locales away from the airport. We're forced to engage in on-call IT contracts and police retiree contracts combining for an approximate $3.4 million increase.
We will take on new activity (program changes) in the upcoming year. Our fuel farm will employ a deicing program, anticipate a greater fuel demand, and take on a set of special projects recommended in an efficiency and improvement study. Our Ground Transportation and New Business Ventures divisions will engage in new contracts, i.e. terminal-to-terminal shuttles and an on-call real estate contract. Aviation will invest more in training opportunities for staff to increase knowledge, enhance performance and boost morale.

The Law Department who supports Aviation in legal matters will stay prepared to represent the Airport with an additional funding allowance to engage outside counsel as required.

Insurance premiums are expected to rise and funding will be appropriated to manage the change.

There were several activities budgeted for in FY16 that did not materialize, however these items were deferred into FY17 and re-budgeted. Such efforts include maintenance for the CCTV project and un-acquired noise measurement equipment and monitoring services. GIS activity, aerial photos and document control services not procured in FY16 will defer its efforts to FY17. As well, Planning & Development's Asset Management & Sustainability Division will apply its programs to FY17. Airport Maintenance's airfield painting programs were not required as scheduled in FY16 and subsequently deferred until FY17. The audit schedule of City Hall's Internal Audit Division is not expected to be completed and funding will be applied to FY17. Lastly, we were unable to conduct two major customer service surveys where we obtain passenger opinions regarding our terminal and its amenities, as well our international prominence. We will engage both surveys in FY17.

The category of expenses classified as "supplies" includes an increase of $1.8 million when comparing FY17's budget to the unaudited actuals of FY16. The growth is principally attributable to consumable/non-consumable, uniforms and utilities. Utilities are expected to increase by more than $200,000. Expenditures for uniforms is expected to increase approximately $200,000 to adjust for delayed FY16 orders by the Fire Department. The remainder of the variance is primarily attributable to consumable/non-consumable supplies. Airport Security and Airport Maintenance lead the way with increases of $861,000 and $618,000 respectively in consumable and non-consumable supplies. Security requires more to adequately deal with its intensified efforts regarding employee reviews and screening. Airport Maintenance will increase its budget for supplies to stay prepared to meet airfield and inventory requirements.

Capital expenses anticipate a decrease of roughly $128,000 which is a reflection of a more appropriate classification of expenditures.

Interfund charges likely will increase its expenditure level approximately $1.9 million. This is a reflection on the City's chargeback/ allocation process and attributable to FY16's final analysis of indirect costs for the year.

Other operating costs are anticipated to grow $1.6 million due to two factors. Retirees' life and health expenses are forecasted to grow an estimated $350,000. The greater factor in this margin is a court decision wherein the City is ordered to pay an additional $1,250,000 in property tax.

Financial Structure

Overview

ATL's financial activities can be classified into two categories: operating and non-operating. Operating activities include revenues and expenses that are directly related to operating and maintaining ATL and its related facilities. Non-operating activities include the collection of certain fees and charges used to fund the development of ATL's capital assets, costs incurred in the planning and construction of such capital assets as well as the interest income collected from ATL's invested cash. In most cases, the non-operating revenues are restricted by law to certain applications that enhance safety, security or capacity; reduce noise; increase air carrier competition; or in the case of customer facility charges (CFC), continue the upkeep of specifically designated facilities such as the RCC.

As required by City ordinance, the financial activities of the Department are accounted for in separate funds established for various purposes. However, for financial reporting purposes, the activities in each of these funds are combined into consolidated financial statements. These financial statements represent the Department as a single enterprise so that its financial performance may be evaluated as a single entity.

Sources of Revenue

Operating Revenues	Non-Operating Revenues
Aeronautical Revenues	Passenger Facility Charges (PFCs)
Landing Fees	Customer Facility Charges (CFCs)
CPTC Rentals	Grants (or Capital Contributions)
Airside Rentals	Investment Income
CPTC Cost Recoveries	Other
Non-Aeronautical Revenues	
Landside Rentals	
Parking Revenues	
Inside Concessions Revenues	
Ground Transportation & Other	

Operating Revenues

Operating revenues are categorized as either being aeronautical or non-aeronautical in nature. Aeronautical revenues are directly attributable to airline or airline-related activities, such as fees paid for the landing of aircraft or rents paid for the airlines' occupation of ATL facilities. Non-aeronautical revenues are not directly attributable to airline activities such as parking revenues, concessions revenues or car rental revenues. Passenger traffic from origination and destination and connecting passengers are key drivers of these revenue sources. These revenues represent additional income to ATL that is not paid directly by the airlines. The significance in this distinction is that non-aeronautical revenues represent additional income to ATL that does not impose additional cost burdens to the airlines.

Aeronautical Revenues

Landing Fees - ATL collects two different types of landing fees: basic landing fees and Airfield Improvement Program (AIP) landing fees. Basic landing fees are charged to the airlines at $0.16 per 1,000 pounds of maximum certificated gross aircraft landed weight. The intent of this basic fee is to recover the cost of operating and maintaining ATL's runways, taxiways and other areas of the airfield. AIP landing fees are charged to the airlines at a fixed rate proportional to their respective airfield usages, and are intended to recover the cost of capital improvements made to the airfield. The rates established for these AIP landing fees include a 20 percent coverage factor and are for a fixed duration.

CPTC Rentals – These are charges imposed on airlines for occupying space within ATL's CPTC. These charges are apportioned to the airlines based on the actual square footage occupied within the facilities. The rates established for these charges are based on full cost recovery for both the construction of these facilities and any periodic capital upgrades made to them. Under the terms of the CPTC leases, the contracting airlines pay terminal facilities rentals, on a modified commercial compensatory basis, to allow ATL to recover the amortized capital costs, plus 20 percent coverage, of facilities financed with unrestricted airport revenues, including general airport revenue bonds (GARBs). Generally, 100 percent of the capital costs of terminal facilities are recoverable. Although shown separately, the inside concessions credit provided to the airlines is reflected as a reduction of overall CPTC charges.

Airside Rentals – Airside ground and building rentals consist of rentals for the fixed base operator's facilities and for cargo buildings in the North complex, South complex, and the Central Terminal Support Area (CTSA).

CPTC Cost Recoveries - Under the terms of the CPTC leases, the contracting airlines pay operations charges to reimburse ATL for certain expenses related to:

1. Plane Train operations and maintenance
2. Fire protection services
3. Police protection services
4. Security checkpoint services
5. A predetermined percentage of ATL's liability insurance premiums
6. The management fee associated with a third-party maintenance agreement for certain common use areas within the CPTC
7. Certain operating and maintenance expenses associated with the International Terminal

Non-Aeronautical Revenues

Landside Rentals – ATL receives rental revenue from leasing over 100 acres of land. Such leased properties include land occupied by Delta's corporate headquarters, Delta's Technical Operations Center, certain cargo storage facilities and various other facilities in the Central Terminal Support Area. It also includes rental revenue received from certain non-aeronautical tenants such as rental car companies.

Parking Revenues – These include all revenues generated from ATL's parking facilities that provide more than 33,000 available spaces for passenger parking, including covered and uncovered parking options. ATL's parking facilities are operated by a third party whose expenses are paid from ATL's operating expenses. All parking revenues are reported on a gross basis with the appropriate third-party expenses being reflected in the operating expense budget.

Inside Concessions Revenues – ATL maintains 327 concessions and service outlets from which it collects fees and charges based on each concessionaire's gross revenues. These concessionaires pay ATL a percentage of their gross sales, based on their individual contracts, in return for occupying space within the CPTC. In order to ensure adequate revenue performance, each concessionaire contract includes a minimum annual guarantee (MAG). Rent paid by most concessionaires is the greater of the MAG or percentage rent of gross receipts per category. The percentage rent calculation is trued up monthly and at the end of the lease year.

Rental Car Revenues – The RCC houses 13 rental car brands and 8,700 parking spaces. Each rental car company pays ATL 10 percent of annual gross sales in return for occupying RCC space. Like ATL's concessionaires, the rental car companies are subject to a MAG which is reconciled on a monthly basis to ensure a minimum level of revenue performance. The reconciliation is also done at the end of the lease year.

Ground Transportation Revenues – These include fees and charges received from taxicab, limousine, hotel shuttles, off-airport parking shuttles and other commercial ground transportation services.

Non-Airline Cost Recoveries – ATL incurs annual expenses for the operation and maintenance of the RCC, both from maintaining the facility itself as well as operating the SkyTrain that connects the RCC to the CPTC. Through its agreements with the rental car companies, ATL recovers 100 percent of these operating expenses on a monthly basis. Because all of the RCC operating expenses are passed through to the rental car companies, ATL maintains this facility at essentially zero cost.

Other Revenues – This category is relatively small and contains various revenue streams including fees collected for the issuance of security badges, the sale of timber from ATL-owned properties and other sources which may or may not be recurring from year to year.

Non-Operating Revenues

ATL generates non-operating revenue from four main sources: interest earned from invested cash, PFCs, CFCs and capital contributions in the form of grants. These revenues are not classified as operating because they either are not generated from operating activity or are restricted in their use such that they cannot be used to pay for operating expenses. A description of each non-operating revenue source is contained below:

Investment Income – ATL continues to maximize investment income within the constraints imposed by State of Georgia statutes and City ordinances. Wherever legal requirements permit, cash is pooled in order to achieve maximum cash yields on short-term investments of otherwise idle cash. These investments are highly liquid, usually with maturities of three months or less.

Passenger Facility Charges – In 1990, the U.S. Congress established PFCs as part of the Aviation Safety and Capacity Expansion Act of 1990 (Act). The Act states that an airport may collect PFCs from passengers in order to pay for the cost of designing and constructing eligible airport capital projects or to repay debt service issued to build such projects. PFCs are collected by the air carriers when passengers purchase their tickets and are remitted to ATL on a monthly basis. PFCs are a major source of funding for ATL's capital improvement program. ATL currently collects a $4.50 PFC per enplaned passenger, which amounts to approximately $195 million a year. ATL currently has FAA approval to use PFCs on projects totaling more than $4.4 billion. Through March 2016, ATL collected $2.9 billion, of which $2.4 billion has been expended. Pay-as-you-go projects absorbed $1.5 billion and $900,000 was spent on principal, interest and other financing expenses.

Customer Facility Charges – ATL collects CFCs as a means to fund the debt service and certain operations associated with the RCC. These CFCs are collected by rental car tenants and remitted to ATL on a monthly basis. ATL collects $5 for each transaction day.

Capital Contributions (Grants) – ATL receives AIP and other grants through the FAA, Transportation Security Administration (TSA) and other federal and state agencies in order to support its capital program and operations.

Expense Structure

In accordance with generally accepted accounting principles (GAAP), ATL classifies its expenses as either operating, non-operating or capital in nature. Generally, all expenses which are operating in nature are budgeted in the revenue fund (5501). There are a few exceptions which include projects that were previously budgeted and funded in a capital fund (5502-5532), but are later either written off or deemed to be operating in nature. Any activities related to these projects are expensed at the time of project close-out or at the time the project is discontinued. ATL includes a placeholder for these types of projects when it does its annual financial planning.

Operating Expenses

In accordance with City code, ATL budgets its operating expenses in one of six general categories:

Account Code	Expense Type
51xxxxx	Personnel and employee benefits
52xxxxx	Purchased and contracted services
53xxxxx	Supplies
54xxxxx	Capital planning
55xxxxx	Interfund charges
57xxxxx	Other costs

Within each of these categories, however, there are subcategories which provide greater detail on ATL's budgeted operating expenses. It is useful to provide further description for these subcategories in order to gain a clearer understanding of how the Airport operates. A description of each expense category is contained below.

Salaries and Benefits – Included in this category are all costs associated with ATL's full-time employees. These include salaries, overtime, insurance benefits, payroll taxes, pension and retirement plan contributions and other miscellaneous personnel-related expenses. It does not include any of the personnel expenses related to contracted employees.

Third-Party Operating and Maintenance Contracts – This category contains budgeted costs associated with the major contracts ATL has procured to operate various portions of the airport. These contracted services include parking operations, control of access to the airfield, various security-related operations, operation of the Plane Train, operation of the SkyTrain, customer service operations, operation and maintenance of ATL's common-use facilities and the operation and maintenance of the RCC.

Consulting and Other Contracted Services – Expenses in this category include those services offered by consultants and other entities that provide assistance to ATL in its planning, operations and other supporting activities. Examples of such services include but are not limited to lobbyist support, employee support programs, training support, internal audit support, software and network support, external legal support and other activities that support the technical aspects of ATL's operations and maintenance.

Expense Type Projects – Earlier it was mentioned that a portion of ATL's operating expenses are sourced from funds other than the revenue fund (5501). The majority of these expenses are classified as expense type projects. These expenses represent costs associated with large-scale projects that involve major repair and maintenance to ATL's infrastructure, and are most often funded through ATL's renewal and extension fund (5502). These projects require resources that are beyond those organic to ATL's Maintenance Division and thus are managed through the Planning and Development Bureau. Because many of these projects are not planned or routine, their costs are expensed as they are incurred in order to ensure that they are captured as operating expenses and not capital outlays.

Indirect Costs from the City – ATL is a government enterprise wholly owned by the City. Although the City maintains ownership, it is restricted by law from diverting any of the revenues earned at ATL to pay for other City expenses. It is recognized, though, that the City commits a sizeable amount of resources in support of ATL for which it deserves compensation. The City conducts a formal analysis to determine the annual amount of resources that it contributes to support ATL and charges this amount to ATL as indirect costs. Examples of these costs are:

a. The cost of the City's consolidated annual financial audit
b. The allocation of certain City maintained software and network resources that are shared between the City and ATL
c. City executives' time and resources devoted to ATL affairs
d. Time and resources expended by City Council in deliberating over Airport-related issues
e. Time and resources expended by the Law Department in litigation, preparation/approval of contracts and memorandums of understanding, preparation of legislation, and investigation of claims

Utilities – This category represents the amount budgeted for ATL's use of water, sewer, electricity and natural gas.

Other Expenses – This category contains all other expenses budgeted to operate ATL on an annual basis. Included are such costs as insurance premiums, supplies, fuel, vehicle maintenance, property taxes, pensioners' benefits expense, employee training and other miscellaneous costs.

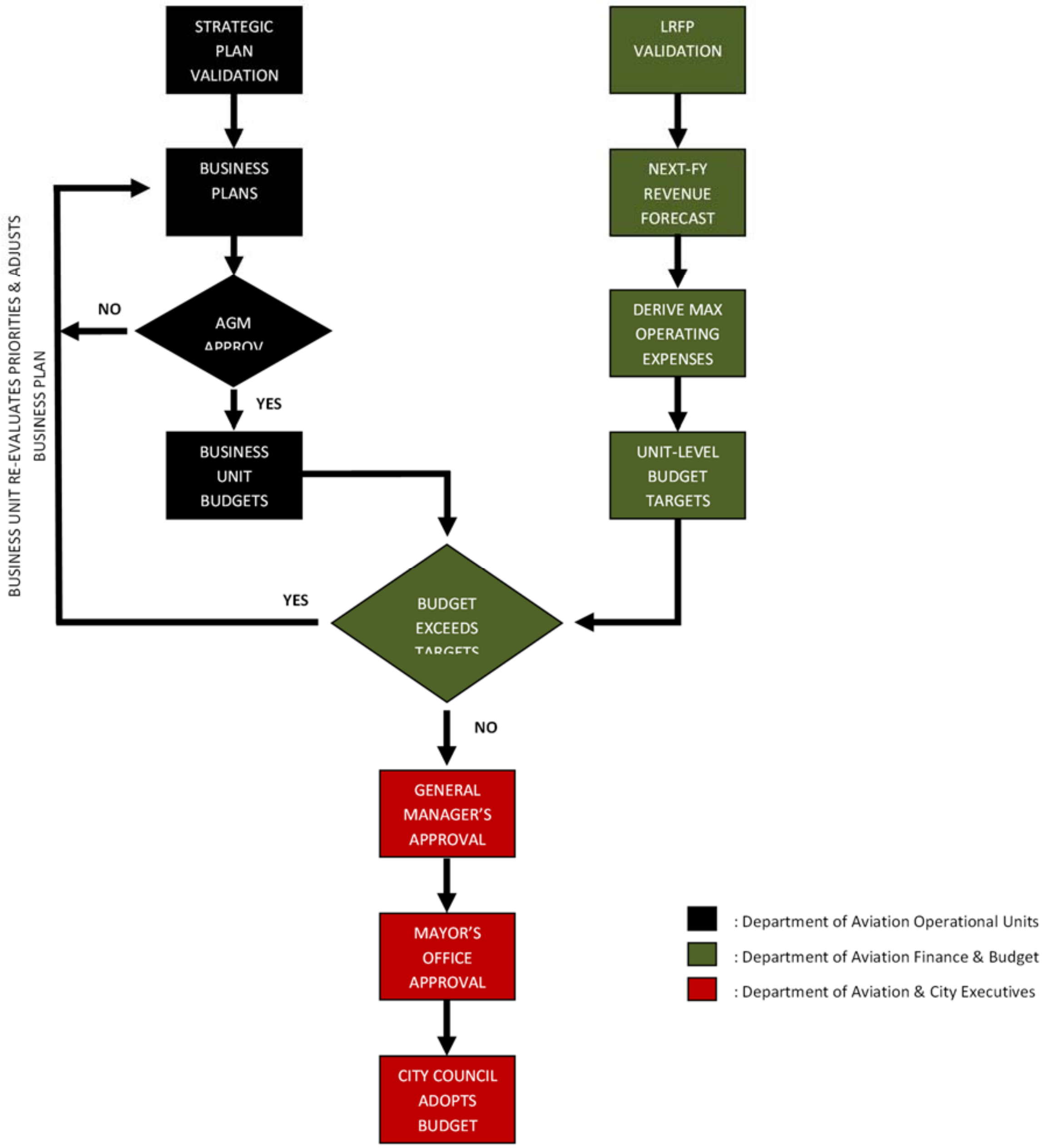
Airline Use and Lease Agreements

The City currently contracts with airlines via a Central Passenger Terminal Complex (CPTC) lease agreement. This agreement governs the lease and occupancy of the CPTC. The contracting airlines agree to pay rentals and other charges calculated to recover certain CPTC costs. These costs include CPTC operating and maintenance expenses as well as amounts that recover amortized capital costs (including a 20 percent coverage) of approved terminal improvements financed with GARBs or ATL funds.

The CPTC lease agreement is in effect through Oct. 1, 2017. Recently, the City and the signatory carriers negotiated a new lease agreement referred to as the Airport Use Lease Agreement (AULA) which will follow the expiration of the CPTC lease agreement. In general, the new AULA, airlines pay full O&M cost recovery for the Airfield and Terminal Cost Centers plus a higher percentage of debt service coverage on new debt. This generates higher airline payments to the City, which creates greater net cash flows. In the first few years, these higher net cash flows are credited back to the airlines to help mitigate the financial impact of the new methodology. In the last 10 years of the agreement, some of these higher net cash flows may be credited back to the airlines after the City has covered costs for its O&M and capital requirements.

Budget Process Overview

For operating expenses, ATL has developed a budget process that seeks to maximize small unit managers' ingenuity and resourcefulness, while also ensuring that ATL administrations strategic goals are met with the utmost fiscal responsibility. A diagram of this process is included below.



As demonstrated in the preceding diagram, the budgeting process occurs on two separate but concurrent tracks during the early phases of planning. The track on the left side involves the strategic and business planning for ATL and its various business units. This process produces a collection of business plans that seek to actualize ATL's long-term strategic vision. The track on the right involves tracking ATL's current financial performance, forecasting future performance and creating a long-range financial plan that ensures that ATL's strategic plan can be achieved while maintaining sound financial performance.

1. *Strategic Plan Validation* – Each year prior to the budgeting process, ATL's executive staff reviews the strategic plan in order to ensure that it still adequately addresses both the vision and the current challenges and opportunities that face ATL. At the conclusion of this process, ATL's strategic plan is presented to business unit managers so that they can begin their business planning for the next fiscal year.
2. *Long Range Financial Plan (LRFP) Validation* – The LRFP is a financial model that integrates ATL's revenue forecasts, expense forecasts, capital improvement plan and capital financing structure into one cohesive long-range plan.
3. *Business Plans* – Using the strategic plan as a guide, the individual business units create annual business plans which provide a roadmap on how each unit will execute its assigned mission. The business plans tie each proposed initiative or activity to one or more of ATL's strategic priorities contained within the strategic plan. Each business plan contains the business unit's proposed budget.
4. *Next-FY Revenue Forecast* – Contained within the LRFP is the revenue forecast for the next fiscal year. This revenue forecast is referred to by the City as an anticipations budget and is eventually voted on and officially adopted by the City Council.
5. *AGM Approval* – Each individual business unit budget is approved by the appropriate assistant general manager (AGM) prior to being submitted to ATL's budget group.
6. *Business Unit Budgets* – After each business plan is approved by the appropriate AGM, the proposed budgets are submitted to ATL's budget group for inclusion in the consolidated budget.
7. *Budget Exceeds Targets* – ATL's budget group will validate the business units' proposed budgets to ensure they align with the business plan of each unit, and with the overall strategic objectives of ATL. Once validated, the budgets are included in the consolidated budget. Additionally, an analysis is done to ensure all budgeted revenues and expenses result in the financial performance as set by executive management. Adjustments are made, if necessary, to ensure the performance is met or exceeded.
8. *General Manager's Approval* – The general manager (GM) of ATL is presented with ATL's budget and is able to review the individual units' business plans with the appropriate managers and AGMs.
9. *Mayor's Office Approval* – Once approved by the GM, ATL's budget is submitted to the Mayor's office for review and approval.
10. *City Council Adopts Budget* – Before the beginning of the fiscal year, City Council formally approves ATL's operating budget. The City formally refers to expenses as appropriations.

In an effort to maintain the utmost financial health, ATL strives to maintain a high level of debt service coverage (DSC), meaning the number of times its operating income (operating revenues – operating expenses) will cover its annual debt service. By law, ATL must adhere to its master bond ordinance (MBO) and bond covenant. An excerpt from the ordinance/covenant states:

The City has covenanted and agreed that at all times while bonds are outstanding and unpaid to prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities of the Airport to: (a) provide for 100% of the Operating Expenses of the airport (except for certain specific facilities) and for the accumulation in the Revenue Fund of a reasonable reserve therefore, and (b) produce Net General Revenues in each fiscal year which will: (i) equal at least 120%".

Thus, in order to comply with the MBO and the bond covenant, ATL must have a DSC of at least 120 percent of its operating income, or 1.2 times. The formula for DSC is:

$$\frac{Operating\ Revenue - Operating\ Expenses + Investment\ Revenue}{Annual\ Debt\ Service} = DSC$$

In order to balance the budget, the City requires that each department place into its annual budget a reserve which is equal to the total operating revenues minus all operating expenses and debt service. The term "reserve" is somewhat misleading, as this amount is best interpreted as an expected end-of-year net income (less principle payment on the debt service). It represents all of the expected cash which, at the end of the fiscal year, will be transferred to the renewal and extension fund for use on capital improvements, upgrades or renovations. ATL's budget formula can be displayed as follows:

Operating Revenues – Operating Expenses – Annual GARB Debt Service = Reserves

Operating Budget

Operating Revenue Budget

	FY2015	FY2016		FY2017
	Actual	Budget	Unaudited	Budget
Aeronautical Revenues				
Landing Fees				
Signatory Landing Fees	$ 10,874,510	$ 11,780,144	$ 10,272,701	$ 11,895,901
AIP Landing Fees	21,018,183	35,209,121	6,761,356	7,773,209
Non-Signatory, Itinerant, & Charter Landing Fees	273,310	261,841	208,470	210,088
Total Landing Fees	**32,166,003**	**47,251,106**	**17,242,527**	**19,879,198**
CPTC Rentals				
CPTC Building & Rental	64,227,180	64,414,832	64,171,583	66,529,645
CPTC Tenant Finishes	79,402,902	93,811,401	78,846,836	90,324,951
Total CPTC Rentals	**143,630,082**	**158,226,233**	**143,018,419**	**156,854,596**
Concessions Credits	(54,060,487)	(57,195,195)	(58,919,887)	(59,164,111)
Airside Rentals				
Ground Rentals	19,301,992	20,558,711	17,510,537	18,747,297
Other Building Rentals - Airlines	9,480,769	9,453,056	10,616,929	9,964,870
Total Airside Rentals	**28,782,761**	**30,011,767**	**28,127,467**	**28,712,167**
Cost Recoveries				
Operations Charges	17,572,718	18,380,035	18,300,995	20,184,036
AGTS Charges	14,639,359	15,166,317	15,238,856	15,280,423
Insurance Charges	747,512	748,208	748,318	765,000
MHJIT O&M	890,960	475,756	1,390,496	794,191
3rd Party Common-Use Agreement	1,395,381	1,500,000	1,468,571	1,500,000
Total Cost Recoveries	**35,245,930**	**36,270,316**	**37,147,235**	**38,523,650**
Total Aeronautical Revenues	**185,764,288**	**214,564,227**	**166,615,760**	**184,805,500**
Non-Aeronautical Revenues				
Landside Rentals				
Land Rentals	7,591,386	7,319,724	8,187,539	7,989,780
Other Building Rentals	4,439,003	4,001,664	3,696,295	3,242,316
Total Landside Rentals	**12,030,389**	**11,321,388**	**11,883,835**	**11,232,096**
Commercial Revenues				
Public Parking	124,046,859	124,499,358	132,419,039	136,553,059
Inside Concessions	101,753,285	107,915,459	110,786,685	109,563,169
Rental Car	36,347,302	35,021,140	38,811,959	37,278,909
Ground Transportation	2,286,316	2,395,954	2,458,034	2,306,037
Public Telephone	414	-	-	-
WIFI Wireless	2,039,889	1,280,000	1,515,000	1,280,000
Total Commercial Revenues	**266,474,065**	**271,111,911**	**285,990,717**	**286,981,174**
Non-Airline Cost Recoveries				
RCC APM	5,468,217	5,071,224	7,091,166	6,786,996
RCC O&M	6,916,237	7,065,588	7,120,442	7,237,380
Total Non-Airline Cost Recoveries	**12,384,455**	**12,136,812**	**14,211,608**	**14,024,376**
Other Revenues	6,368,805	5,845,963	8,574,758	6,672,227
Total Non-Aeronautical Revenues	**297,257,713**	**300,416,074**	**320,660,917**	**318,909,873**
Total Operating Revenues	**$ 483,022,001**	**$ 514,980,301**	**$ 487,276,677**	**$ 503,715,373**

Breakdown of Landing Fee Revenue

The following table depicts a more detailed view of ATL landing fees.

	FY2015	FY2016		FY2017
	Actual	Budget	Unaudited	Budget
Signatory Landing Fees	**$ 10,874,510**	**$ 11,780,144**	**$ 10,272,701**	**$ 11,895,901**
AIP Landing Fees				
AIP 3	1,185,541	1,181,650	1,174,856	1,256,957
AIP 5	1,659,679	1,654,232	1,644,628	1,759,656
AIP 6	275,124	277,930	276,317	295,643
AIP 7	309,877	305,151	303,379	325,508
AIP 8	299,893	298,909	297,174	317,959
AIP 9	150,546	150,052	149,181	159,615
AIP 10	49,024	48,864	48,580	51,978
AIP 11	14,295,123	28,472,164	-	-
AIP 12	786,235	783,655	779,105	833,598
AIP 13	180,573	179,980	178,936	191,450
AIP 14	189,925	189,302	188,202	402,732
AIP 15	144,625	143,222	142,380	152,370
AIP 16	-	-	-	-
AIP 17	521,492	519,780	516,763	552,906
AIP 18	970,527	1,004,230	1,061,856	1,051,442
AIP 19	-	-	-	421,395
Total AIP Landing Fees	**21,018,183**	**35,209,121**	**6,761,357**	**7,773,209**
Non-Signatory Landing Fees	**273,310**	**261,841**	**208,470**	**210,088**
Total Landing Fees	**$ 32,166,003**	**$ 47,251,106**	**$ 17,242,528**	**$ 19,879,198**

Parking Rates

The following table depicts the most current parking rates at ATL.

	Hourly Rate	Max. Daily Rate
Parking Rates		
Hourly Parking (Domestic/ International)	$2.00/$3.00	$32.00/$36.00
Daily Parking (Domestic)	$3.00	$16.00
Economy Parking - West (Domestic)	$3.00	$12.00
Economy Parking - North & South (Domestic)	$3.00	$12.00
Park-Ride Lots - Domestic	$3.00	$9.00/$12.00
Park-Ride Lots - International	$3.00	$12.00

Ground Transportation Rates

The following table depicts the most current ground transportation fees at ATL.

Ground Transportation Fees	
Taxi	1.50 per trip
Off-Airport Parking	$360 annually per vehicle + $10 per space
Hotel	$360 annually per vehicle + $10 per room
Limousine	$100 annually per vehicle + parking fees
Shared Ride	5 - 7% of gross sales
Charter	$0.10 per seat per trip

Operating Expense Budget

The following two tables depict the operating expense budget in two separate views: by account group and by department.

Operating Expense Budget by Account Group

	FY2015 Actual	FY2016 Budget	FY2016 Unaudited	FY2017 Budget
Salaries & Benefits:				
Salaries	$ 52,304,753	$ 61,801,615	$ 54,074,454	$ 62,164,465
Overtime & Extra Help	6,207,760	6,334,443	7,350,813	6,989,247
Benefits	23,015,539	23,052,548	22,069,703	25,126,187
Other	4,916,153	5,096,245	4,937,658	4,383,975
Total Salaries & Benefits	**86,444,205**	**96,284,851**	**88,432,628**	**98,663,874**
3rd Party Operating & Maintenance Contracts:				
Parking Operations	30,104,976	30,296,209	29,119,119	31,180,635
Security (Access Control & Gate Guard)	6,120,246	11,000,000	10,331,813	16,750,000
Security Operations (Fingerprints & STA)	430,000	663,000	700,000	1,090,000
AGTS System	18,123,318	18,730,000	18,054,651	18,939,864
ATL SkyTrain (180602)	5,617,385	6,879,203	6,557,168	7,433,487
Customer Service	2,733,814	3,000,000	2,781,686	3,120,000
Rental Car Center Operations (180601)	2,877,950	3,100,000	2,566,780	3,100,000
CPTC Maintenance	2,738,015	2,900,000	2,818,791	4,000,000
Total 3rd Party Op. & Maint. Contracts	**68,745,704**	**76,568,412**	**72,930,008**	**85,613,986**
Other Contract Services:				
Consulting Professional Services	20,697,760	33,293,315	22,370,515	41,121,300
Repair & Maintenance (Bldg. & Equip.)	3,287,326	3,996,074	1,995,837	4,077,901
Training Travel per Diem & Registration	1,046,539	1,380,209	1,108,903	1,582,527
Insurance	3,478,037	3,739,000	3,286,592	4,084,000
Other Purchased Contracted Services	11,930,991	15,898,250	10,323,941	14,193,461
Total Purchased Contract Services	**109,186,357**	**134,875,260**	**112,015,796**	**150,673,175**
Supplies Consumable & Non Consumable	3,469,082	3,616,919	3,063,118	4,781,127
Utilities	8,969,440	8,754,943	8,864,945	8,905,409
Other Supply accounts	2,494,742	2,796,527	2,503,723	2,563,143
Total Supply Accounts	**14,933,264**	**15,168,389**	**14,431,786**	**16,249,679**
Capital Expenses	**1,076,180**	**303,000**	**405,044**	**276,985**
Interfund Charges:				
Indirect Costs	7,945,331	9,718,345	7,147,356	9,702,893
Motor Fuel/ Repair & Data Processing	3,542,345	3,600,971	4,134,588	3,480,204
Total Interfund Charges	**11,487,676**	**13,319,316**	**11,281,944**	**13,183,097**
Other Costs:				
Property Taxes	3,325,361	3,040,000	3,064,978	4,290,000
Other & Contingency	631,159	672,667	508,130	900,027
Total Other Operating Costs	**3,956,520**	**3,712,667**	**3,573,108**	**5,190,027**
Subtotal	**227,084,202**	**263,663,483**	**230,140,306**	**284,236,837**
Major Maintenance Expenditures - Planning & Dev.	36,462,763	25,000,000	36,359,733	25,000,000
Total Operating Fund Expense Budget (5501)	**$ 263,546,965**	**$ 288,663,483**	**$ 266,500,039**	**$ 309,236,837**

Operating Expense Budget by Department

	FY2015 Actual	FY2016 Budget	FY2016 Unaudited	FY2017 Budget
DOA Executive				
Office of the GM	$ 1,343,237	$ 1,730,601	$ 1,672,416	$ 1,874,800
Office of Deputy GM	284,119	256,859	(7,118)	509
Policy & Communication	-	365,920	52,751	545,384
Business Ventures	-	1,793,201	688,878	4,257,007
Internal Audit	482,911	849,057	438,040	597,371
Total DOA Executive	**2,110,267**	**4,995,638**	**2,844,967**	**7,275,071**
Human Resources/TSOD				
Human Resources	461,465	396,535	513,724	458,827
Training & Safety	1,004,611	1,457,140	897,199	1,680,443
Total Human Resources/TSOD	**1,466,075**	**1,853,675**	**1,410,923**	**2,139,270**
Public Affairs	**1,032,903**	**2,242,747**	**2,776,092**	**2,794,134**
AIM - Aviation	**9,352,744**	**13,425,205**	**9,890,820**	**14,514,227**
CFO				
CFO Executive	373,510	455,356	346,424	623,069
Accounting	727,592	1,792,426	759,549	1,940,122
Budgeting, Financial Analysis & Risk Mgmt	4,864,216	5,054,124	4,790,550	5,361,695
Procurement	462,886	664,119	324,551	118,952
Unallocated Expenses	(2,270)	-	-	-
Treasury	450,802	277,707	500,268	474,755
Total CFO	**6,876,737**	**8,243,732**	**6,721,342**	**8,518,593**
Planning & Development				
Executive	777,527	1,022,103	704,736	1,079,314
Asset Management & Sustainability	3,721,444	2,723,443	2,964,426	3,559,162
Project Development	1,042,314	2,943,475	1,310,362	3,278,818
Facilities Management	7,946,649	10,512,715	6,501,319	8,500,000
Environmental & Planning	1,674,474	3,616,873	1,247,562	3,254,564
Total Planning & Development	**15,162,408**	**20,818,609**	**12,728,405**	**19,671,858**
Operations, Maintenance & Security				
AGM Ops. Maint. & Trans.	279,682	285,520	311,736	5,788,759
AGM Public Safety	488,058	518,182	416,953	546,259
Maintenance	29,310,872	31,280,904	30,439,601	32,355,657
Operations	12,836,068	12,919,450	13,032,998	9,689,923
Security	11,320,605	16,997,989	15,536,755	25,202,370
APM Systems	26,352,817	28,416,949	26,997,836	29,037,295
Ground Transportation	6,484,210	7,254,128	6,690,610	8,219,348
Customer Service	741,237	1,415,358	1,016,592	1,946,503
C4	1,785,170	2,012,494	1,843,097	2,073,359
DOA Fire Training	-	315,885	135,393	344,818
Airport Fire	24,429,007	23,411,568	23,368,309	24,637,252
Airport Police	16,518,316	19,036,556	14,607,454	19,570,358
Total Operations, Maintenance & Security	**130,546,042**	**143,864,983**	**134,397,334**	**159,411,901**
Commercial Development				
Commercial Development Executive	-	169,268	118,871	225,955
Parking	31,548,202	31,964,448	30,514,098	32,726,241
Concessions	1,926,067	1,807,954	966,315	1,907,292
Properties	3,165,105	3,647,441	3,022,488	3,107,568
Dawson County	476,439	467,500	370,116	510,000
Paulding County	320,149	360,000	306,143	360,000
New Business Development	-	3,429,860	1,733,793	3,225,763
Total Commercial Development	**37,435,960**	**41,846,471**	**37,031,823**	**42,062,819**
City of Atlanta Cost Centers				
Mayors Office	807,423	864,665	895,083	1,111,950
Department of Information Technology	493,776	755,830	568,863	839,708
Law	3,845,780	5,599,900	4,808,528	5,708,982
Department of Finance	253,140	518,063	427,494	547,672
Procurement	828,243	898,612	999,168	1,654,528
Human Resources Administration	1,409,138	1,949,297	1,815,951	2,127,504
Audit	780,180	1,082,767	730,720	1,095,245
Ethics	502	91,744	79,132	127,408
Pensioners & Dependent Exp	4,237,814	4,271,523	4,263,104	4,383,975
Other City Departments	10,445,069	10,340,022	7,750,561	10,252,009
Total City of Atlanta Cost Centers	**23,101,065**	**26,372,423**	**22,338,604**	**27,848,981**
Total DOA Operating Expense	**$ 227,084,202**	**$ 263,663,483**	**$ 230,140,306**	**$ 284,236,854**

Personnel

The following table depicts the headcount by department for personnel included in the operating budget presented in the previous tables:

	FY 2016	FY 2017
DOA Executive, Audit, Bus. Ventures, Contracts, Communication	40	35
Human Resources/Training, Safety, & Organizational Development	1	3
Public Affairs	11	13
ISD	46	51
CFO	41	40
Planning & Development	59	56
Commercial Development	44	40
Operations, Maintenance, & Transportation:		
Maintenance	186	183
Operations	57	58
APM Systems	3	3
Ground Transportation	15	15
Customer Service	9	8
Total Operations, Maintenance & Transportation	**270**	**267**
Public Safety:		
Centralized Command & Control Center	26	26
Security	63	66
DOA Airport Fire Training	1	1
Airport Firefighting & EMS	246	247
Airport Police	215	214
Total Public Safety	**551**	**554**
City of Atlanta Cost Centers	**71**	**79**
Total DOA Anticipated Staffing Levels	**1134**	**1138**
Total DOA Internal Operating Positions	**602**	**598**
Total DOA Capital Positions (R&E Fund)	**52**	**49**
Total Police & Fire Positions	**461**	**461**
Total DOA-Funded City Positions	**71**	**79**
Total DOA-Revenue Funded Positions	**1186**	**1187**

Cost Per Enplaned Passenger

Airline rates and charges will continue to be charged per the standing airfield use agreements and CPTC lease agreements. Rates and charges associated with these agreements will continue to keep airline cost per enplaned passenger (CPE) at competitively low rates. The estimated airline CPE for FY16 and FY17 is displayed below.

	FY2015	FY2016		FY2017
	Actual	Budget	Unaudited	Budget
Aeronautical Revenues				
Landing Fees	$ 124,046,859	$ 124,499,358	$ 132,419,039	$ 136,553,059
CPTC Rentals	2,039,889	1,280,000	1,515,000	1,280,000
(-) Concessions Credits	-	-	-	-
Cost Recoveries	-	-	-	-
Total Aeronautical Revenues	**126,086,748**	**125,779,358**	**133,934,039**	**137,833,059**
Non-Airline Adjustments				
Non-Airline Tenant Building Rents	(1,357,832)	(1,361,042)	(1,302,533)	(1,335,549)
Non-Airline Tenant Apron Rents	(804,049)	(795,734)	(923,051)	(942,868)
Cargo Landing Fees	(978,718)	(1,306,394)	(993,695)	(1,059,407)
Non-Signatory Landing Fees	-	(268,841)	-	-
Total Non-Airline Adjustments	**(3,140,598)**	**(3,732,011)**	**(3,219,279)**	**(3,337,824)**
Total Airline Payments to City of Atlanta	**122,946,150**	**122,047,347**	**130,714,760**	**134,495,235**
Airline Payments to non-City of Atlanta Entities				
Terminal Operator	23,886,000	25,411,000	25,411,000	27,033,000
Common-Use Operator	71,087,000	73,220,000	73,220,000	75,417,000
Total Airline Payments to non-City of Atlanta Entities	**94,973,000**	**98,631,000**	**98,631,000**	**102,450,000**
Total All-In Airline Payments at ATL	**$ 217,919,150**	**$ 220,678,347**	**$ 229,345,760**	**$ 236,945,235**
Total Enplaned Passengers	**47,318,755**	**49,150,000**	**51,807,746**	**52,429,439**
CPE, City of Atlanta	**$ 2.60**	**$ 2.48**	**$ 2.52**	**$ 2.57**
CPE, All-In	**$ 4.61**	**$ 4.49**	**$ 4.43**	**$ 4.52**

Long-Term Debt

Overview

The City has issued various types of bonds on behalf of ATL that have been used to finance portions of ATL's capital improvement plan (CIP). The various types of bonds outstanding include GARBs, PFC subordinate revenue bonds and CFC bonds. In August 2015, the City adopted the 2015 Airport Commercial Paper Program to bridge funds for the Terminal Modernization Project and help finance portions of ATL's new Master Plan capital improvement plan (CIP). In addition, in March 2016, the City adopted the 2016 Airport Short-term Note Program to bridge funds for multiple parking improvements at the Airport and help finance portions of ATL's new Master Plan capital improvement plan (CIP). Both short-term notes will be refunded with future Airport bonds. ATL's debt program is guided by the City's Master Bond Ordinance which authorizes the issuance of bonds and stipulates the conditions and requirements for these funds' administration and use.

In addition, governing language is included in each bond issue's official statement that establishes the use of all funds generated by each issue. Specifically for GARBs, these official statements contain provisions that state how much of the funds raised are apportioned to: (1) payment of project costs (deposits to the construction funds, reimbursements to the renewal and extension fund, and refunding of any outstanding notes), (2) deposits to the capitalized interest accounts to pay interest during construction; (3) payment of any bond insurance premiums; (4) deposits to the debt service reserve account (or payment of the costs of sureties) to meet debt service requirements; and (5) payment of underwriters' discount, financing, legal and other issuance costs.

Capital Finance

At the start of FY17, ATL's debt consists of the following:

Government Airport Revenue Bonds	$ 1,695,760,000
Passenger Facility Charge Hybrid Bonds	$ 828,450,000
Customer Facility Charge Bonds	$ 177,915,000
Commercial Paper	$ 20,016,000
Bond Anticipation Notes	$ 299,500,000
Total Debt Outstanding	$ 3,021,641,000

ATL's PFC bonds are secured by a senior lien on PFC revenues. In general, the purpose of the PFC is to develop additional capital funding sources to provide for the expansion and improvements of the national airport system. The proceeds from PFCs must be used to finance eligible Airport-related projects as prescribed by the FAA.

ATL engages in the use of hybrid bonds as a source of capital funding. Hybrid bonds are those that are not subordinate lien bonds and either (a) have no senior lien on any revenues, (b) have no lien on any revenues, or (c) have a senior on some revenues in addition to a subordinate lien on some revenues. The latter is the case for ATL. All of ATL's PFC bonds were issued as hybrid bonds secured by a senior lien on PFC revenues and a subordinate lien on general revenues. The PFC revenue hybrid bonds were issued in 2010 and 2014 for: (1) payment of project costs – deposits to the construction funds and reimbursements to the renewal and extension fund, (2) payment of bond insurance premiums, (3) payment of the cost of sureties to meet debt service reserve requirements, (4) payment of bond discount, financing, legal and other issuance expenses.

Another capital financing vehicle is that of the CFC bonds. ATL issued such bonds in 2006, utilizing the proceeds to fund the construction of the RCC and SkyTrain maintenance facility. The debt service period on the bonds is 25 years ending in 2031. Prior to the issuance of these bonds, the City of Atlanta adopted an ordinance (12/6/04) that required all rental car companies that rent passenger vehicles to customers at ATL to collect and remit a CFC. In September 2005, the Atlanta City Council adopted an ordinance that established the CFC at $4 per rental car transaction day, increasing to $5 beginning in FY11. The rental car companies are required to add the CFC to each rental contract and hold the CFC collections in trust and remit them to ATL.

As a part of the CFC bond offering, the City entered into a purchase agreement. The purchase agreement constituted a released revenue bond. Released revenue bonds are bonds secured by a senior lien on released revenues which are excluded from ATL's general revenues. The City has pledged (11th Supplemental Bond Ordinance) all CFC revenues for the payment of its installment obligations pursuant to the purchase agreement. The City's Supplemental Bond Ordinance contains a provision known as the "Rate Covenant," which states that as long as any released CFC bonds remain outstanding, the City is required to set the CFC – and adjust it annually if necessary – to generate CFC coverage revenues in each fiscal year equal to at least 125 percent of the annual debt service requirement on all released CFC bonds. Any CFC revenues remaining after the completion of all the deposits required under the provisions of the City's Supplemental Bond Ordinance are to be deposited into the CFC surplus fund (5512). All moneys retained in the CFC surplus fund shall be used to prevent payment defaults on ATL's Series 2006A and 2006B bonds.

Other sources of capital financing for ATL are commercial paper and bond anticipation notes (BANs). Commercial paper is a money market security issued and sold by large banks and corporations to obtain money to meet short-term debt obligations. Commercial paper is only backed by an issuing bank or corporation's promise to pay the face amount on the maturity date specified on the note. Bond Anticipation Notes are interest-bearing security issued advance of a larger, future bond issues. Corporations and governments, such as local municipalities use bond anticipation notes as short-term financing with the expectation that the proceeds of the larger, future bond issues will cover the anticipation notes. In FY 2016, the City adopted $450 million in Commercial Paper and $300 million in BANS with expectation that these short-term notes will be taken out with future bond issues. Both short-term Notes were issued to bridge funding for the Airport's new Master Plan capital improvement plan (CIP).

Debt Service Coverage

	FY2015 Actual	FY2016 Budget	FY2016 Projected	FY2017 Budget
Operating Revenues				
Aeronautical Revenues	$ 185,764,288	$ 214,564,229	$ 165,479,287	$ 184,805,499
Non-Aeronautical Revenues	297,257,712	300,416,072	317,729,213	318,909,873
Total Operating Revenues	**483,022,000**	**514,980,301**	**483,208,500**	**503,715,372**
Operating Expenses				
Salaries & Benefits	86,444,204	96,284,851	88,432,628	98,663,874
3rd Party Operating & Maintenance Contracts	68,745,709	76,568,412	72,930,008	85,613,986
Consulting & Other Contracted Services	40,440,647	58,306,848	39,085,788	65,059,189
Utilities	8,969,440	8,754,943	8,864,945	8,905,409
Indirect Costs to the City of Atlanta	7,945,331	9,718,345	7,147,356	9,702,893
Other Operating Expenses	14,538,871	14,030,084	13,679,581	16,291,486
Major Maintenance Expenditures - Planning & Dev.	36,462,763	25,000,000	36,359,733	25,000,000
Total Operating Expenses	**263,546,965**	**288,663,483**	**266,500,039**	**309,236,837**
Operating Income (Funds Available For Debt Service)	**219,475,035**	**226,316,818**	**216,708,461**	**194,478,535**
GARB Debt Service				
Principal Payments	71,385,000	**80,600,000**	**80,600,000**	**83,945,000**
Interest	91,293,339	**87,951,975**	**87,951,975**	**84,005,713**
Funded via Passenger Facility Charges (PFCs)	-	-	**(46,674,930)**	**(30,288,606)**
Capitalized Interest	(9,380,555)			-
Commercial Paper Fees		-	-	2,128,699
Bond Anticipation Notes		-	-	2,525,000
Total GARB Debt Service	**153,297,784**	**168,551,975**	**121,877,045**	**142,315,806**
Operating Income less GARB Debt Service	**66,177,251**	**57,764,843**	**94,831,416**	**52,162,729**
Operating-Type Projects	**36,462,763**	**25,000,000**	**36,359,733**	**25,000,000**
Net Amount Available for Future R&E	**$ 102,640,014**	**$ 82,764,843**	**$ 131,191,149**	**$ 77,162,729**

The exhibit above gives us a snapshot view of revenues, expenses and debt service. Operating income (operating revenue less operating expenses) makes available $194.4 million to handle the year's debt service requirement of $142.3 million. Funds available exceed the debt service requirement by $52.1 million which will be made available for capital projects in the future. Effective January 2015, the City authorized PFC pay-as-you-go funds to pay the remaining GARB debt service applicable to the 5th Runway project which is approximately $30.2 million annually. This amount reduces the total debt service costs in the debt service coverage calculation.

Debt Service Requirements and Debt Service Coverage

ATL's FY17 debt service requirement is expected to total $142.3 million, which includes $4.7 million in anticipated commercial paper and bond anticipation note fees, with coverage forecasted to be 1.6 times, representing a slight change from coverage factors in FY16 and FY15 Budget. An anticipated $20.6 million growth in operating expenses, $11.2 million decrease in operating revenues and a $26.3 million decrease in debt services for FY17 are the key components of the change in debt service coverage.

	FY15 Actuals	FY16 Budget	FY16 Projection	FY17 Budget
Operating Revenue	498.58	514.98	483.21	503.72
(+) Investment Income	14.37	8.00	17.01	8.00
(-) Operating Expenses	263.54	288.66	266.50	309.23
(+) Major Maintenance	36.46	25.00	36.35	25.00
(=) Operating Income	285.87	259.32	270.07	227.49
(/) GARB Debt Service	153.29	168.55	121.88	142.31
GARB Debt Service Coverage	1.86	1.54	2.22	1.60

Note: In March 2014, ATL refunded several outstanding bond issuances. The FY15 debt service calculation includes the decrease in revenue and debt service payments associated with the 2014 refunding. The FY 2016 GARB debt service calculations include AIP #11 - 5th runway as being paid using PFC pay-as-you-go funds. The annual debt service amount is approximately $30.2 million dollars.
The FY 2017 debt Service includes the Commerical Paper and Bond Anticipation Note Fees.

Debt Service Requirements FY 2017

General Airport Revenue Bonds (GARBs)

	Principal	Interest	Fees	Total Debt Service	Less Capitalized Interest from GARB Proceeds	Less Capitalized Interest from PFCs	Debt Service for Coverage Calculation
2004 Series Bonds							
Series 2004F (AMT)	$ 4,755,000	$ 124,819	$ -	$ 4,879,819	$ -	$ -	$ 4,879,819
Total 2004 Series Bonds	**$ 4,755,000**	**$ 124,819**	**$ -**	**$ 4,879,819**	**$ -**	**$ -**	**$ 4,879,819**
2010 Series Bonds							
Series 2010A	$ 3,780,000	$ 8,179,919	$ -	$ 11,959,919	$ -	$ -	$ 11,959,919
Series 2010C (NON-AMT)	$ 21,290,000	$ 22,814,525	$ -	$ 44,104,525	$ -	$ -	$ 44,104,525
Total 2010 Series Bonds	**$ 25,070,000**	**$ 30,994,444**	**$ -**	**$ 56,064,444**	**$ -**	**$ -**	**$ 56,064,444**
2011 Series Bonds							
Series 2011A (NON-AMT)	$ 24,470,000	$ 7,783,900	$ -	$ 32,253,900	$ -	$ -	$ 32,253,900
Series 2011B (AMT)	$ 2,130,000	$ 8,695,350	$ -	$ 10,825,350	$ -	$ -	$ 10,825,350
Total 2011 Series Bonds	**$ 26,600,000**	**$ 16,479,250**	**$ -**	**$ 43,079,250**	**$ -**	**$ -**	**$ 43,079,250**
2012 Series Bonds							
Series 2012A (Non-AMT)	$ 1,295,000	$ 2,891,750	$ -	$ 4,186,750	$ -	$ -	$ 4,186,750
Series 2012B (Non-AMT)	$ 3,445,000	$ 8,882,625	$ -	$ 12,327,625	$ -	$ -	$ 12,327,625
Series 2012C (AMT)	$ 4,240,000	$ 10,785,950	$ -	$ 15,025,950	$ -	$ -	$ 15,025,950
Total 2012 Series Bonds	**$ 8,980,000**	**$ 22,560,325**	**$ -**	**$ 31,540,325**	**$ -**	**$ -**	**$ 31,540,325**
2014 Series Bonds							
Series 2014B (NON-AMT)	$ 175,000	$ 7,044,125	$ -	$ 7,219,125	$ -	$ -	$ 7,219,125
Series 2014C (AMT)	$ 18,365,000	$ 6,802,750	$ -	$ 25,167,750	$ -	$ -	$ 25,167,750
Total 2014 Series Bonds	**$ 18,540,000**	**$ 13,846,875**	**$ -**	**$ 32,386,875**	**$ -**	**$ -**	**$ 32,386,875**
GARB Commerical Paper Notes	**$ -**	**$ -**	**$ 2,128,699**	**$ 2,128,699**	**$ -**	**$ -**	**$ 2,128,699**
GARB Bond Anticipation Notes	**$ -**	**$ -**	**$ 2,525,000**	**$ 2,525,000**			**$ 2,525,000**
GARB Debt Service covered by PFCs[1]							
Total General Airport Revenue Bon	**$ 83,945,000**	**$ 84,005,713**	**$ 4,653,699**	**$ 172,604,412**	**$ -**	**$ -**	**$ 172,604,412**

Outstanding Debt as of July 1, 2016

General Airport Revenue Bonds (GARBs)

	Authorized	Retired	Refunding	2010 Refunding	2012 Refunding	2014 Redunding	Balance Outstanding
2003RF Series Bonds							
Series 2003RF-A (NON-AMT)	$ 86,055,000	$ 86,055,000	$ -	$ -	$ -		$ -
Series 2003RF-B/C (NON-AMT)	$ 490,170,000	$ 17,666,000	$ -	$ 472,504,000	$ -		$ -
Series 2003RF-D (AMT)	$ 118,270,000	$ 68,315,000	$ -	$ -	$ -	$ 49,955,000	$ -
Total 2003RF Series Bonds	**$ 694,495,000**	**$ 172,036,000**	**$ -**	**$ 472,504,000**	**$ -**	**$ 49,955,000**	**$ -**
2004 Series Bonds							
Series 2004A (AMT)	$ 164,165,000	$ 20,850,000	$ -	$ -	$ -	$ 143,315,000	$ -
Series 2004B (NON-AMT)	$ 58,655,000	$ -	$ -	$ -	$ -	$ 58,655,000	$ -
Series 2004F (AMT)	$ 32,290,000	$ 27,535,000	$ -	$ -	$ -	$ -	$ 4,755,000
Series 2004G (NON-AMT)	$ 96,175,000	$ -	$ -	$ -	$ -	$ 96,175,000	$ -
Total 2004 Series Bonds	**$ 351,285,000**	**$ 48,385,000**	**$ -**	**$ -**	**$ -**	**$ 298,145,000**	**$ 4,755,000**
2010 Series Bonds							
Series 2010A	$ 177,990,000	$ 10,400,000	$ -	$ -	$ -	$ -	$ 167,590,000
Series 2010C (NON-AMT)	$ 524,045,000	$ 93,285,000	$ -	$ -	$ -	$ -	$ 430,760,000
Total 2010 Series Bonds	**$ 702,035,000**	**$ 103,685,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 598,350,000**
2011 Series Bonds							
Series 2011A (NON-AMT)	$ 224,195,000	$ 55,290,000	$ -	$ -	$ -	$ -	$ 168,905,000
Series 2011B (AMT)	$ 216,195,000	$ 40,510,000	$ -	$ -	$ -	$ -	$ 175,685,000
Total 2011 Series Bonds	**$ 440,390,000**	**$ 95,800,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 344,590,000**
2012 Series Bonds							
Series 2012A (Non-AMT)	$ 63,695,000	$ 2,095,000	$ -	$ -	$ -	$ -	$ 61,600,000
Series 2012B (Non-AMT)	$ 184,660,000	$ 5,285,000	$ -	$ -	$ -	$ -	$ 179,375,000
Series 2012C (AMT)	$ 225,740,000	$ 6,870,000	$ -	$ -	$ -	$ -	$ 218,870,000
Total 2012 Series Bonds	**$ 474,095,000**	**$ 14,250,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 459,845,000**
2014 Series Bonds							
Series 2014B (NON-AMT)	$ 141,005,000	$ -	$ -	$ -	$ -	$ -	$ 141,005,000
Series 2014C (AMT)	$ 181,875,000	$ 34,660,000	$ -	$ -	$ -	$ -	$ 147,215,000
Total 2014 Series Bonds	**$ 322,880,000**	**$ 34,660,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 288,220,000**
Total General Airport Revenue Bonds	**$ 2,985,180,000**	**$ 468,816,000**	**$ -**	**$ 472,504,000**	**$ -**	**$ 348,100,000**	**$ 1,695,760,000**

Passenger Facility Charge (PFC) Hybrid Bonds

	Authorized	Retired	Refunding	2010 Refunding	2012 Refunding	2014 Redunding	Balance Outstanding
2004 Series Bonds							
Series 2004C (NON-AMT)	$ 293,070,000	$ -	$ -	$ -	$ -	$ 293,070,000	$ -
Series 2004E (NON-AMT)	$ 146,550,000	$ 146,550,000	$ -	$ -	$ -	$ -	$ -
Series 2004J (NON-AMT)	$ 235,860,000	$ -	$ -	$ -	$ -	$ 235,860,000	$ -
Total 2004 Series Bonds	**$ 675,480,000**	**$ 146,550,000**	**$ -**	**$ -**	**$ -**	**$ 528,930,000**	**$ -**
2010 Series Bonds							
Series 2010B (NON-AMT)	$ 409,810,000	$ 104,965,000	$ -	$ -	$ -	$ -	$ 304,845,000
Total 2010 Series Bonds	**$ 409,810,000**	**$ 104,965,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 304,845,000**
2014 Series Bonds							
Series 2010A (NON-AMT)	$ 523,605,000	$ -	$ -	$ -	$ -	$ -	$ 523,605,000
Total 2014 Series Bonds	**$ 523,605,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 523,605,000**
Total PFC Hybrid Bonds	**$ 1,608,895,000**	**$ 251,515,000**	**$ -**	**$ -**	**$ -**	**$ 528,930,000**	**$ 828,450,000**

Customer Facility Charge (CFC) Bonds

	Authorized	Retired	Refunding	2010 Refunding	2012 Refunding	2014 Refunding	Balance Outstanding
2006 Series Bonds							
Series 2006A (TAXABLE)	$ 211,880,000	$ 49,880,000	$ -	$ -	$ -	$ -	$ 162,000,000
Series 2006B (NON-AMT)	$ 21,980,000	$ 6,065,000	$ -	$ -	$ -	$ -	$ 15,915,000
Total 2006 Series Bonds	**$ 233,860,000**	**$ 55,945,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 177,915,000**
Total CFC Bonds	**$ 233,860,000**	**$ 55,945,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 177,915,000**
Total For All Bond Types	**$ 4,827,935,000**	**$ 776,276,000**	**$ -**	**$ 472,504,000**	**$ -**	**$ 877,030,000**	**$ 2,702,125,000**

Interim Financing

Commercial Paper[1]

	Authorized	Remaining Capacity	Balance Outstanding
Airport General Revenue Commercial Paper Notes			
Series D	$ 225,000,000	$ 214,992,000	$ 10,008,000
Series E	$ 225,000,000	$ 214,992,000	$ 10,008,000
Total Commercial Paper Program	**$ 450,000,000**	**$ 429,984,000**	**$ 20,016,000**

Bond Anticipation Notes[2]

	Authorized	Remaining Capacity	Balance Outstanding
Airport General Revenue Bond Anticipation Notes			
Series A (NON-AMT)	$ 150,000,000	$ 250,000	$ 149,750,000
Series B (AMT)	$ 150,000,000	$ 250,000	$ 149,750,000
Total Bond Anticipation Notes	**$ 300,000,000**	**$ 500,000**	**$ 299,500,000**

[1] *Although commercial paper is not normally considered long-term debt, the DOA is currently financing projects on an interim basis with the CP. Since 100% of this CP will be taken out with future bond issues, it has been included here as long-term debt.*

[2] *Although bond anticipation notes are not normally considered long-term debt, the DOA is currently financing projects on an interim basis with the BANs. Since 100% of the BANs will be taken out with future bond issues, it has been included here as long-term debt.*

Capital Budget

Overview

ATL is currently executing its capital improvement plan (CIP), which was originally created in 1999 and is nearing completion. ATL is in the final approval stages for the new Master Plan, which is intended to identify capital needs through 2030. The current plan is being funded through a combination of proceeds including GARBs, PFC hybrid revenue bonds, federal grants-in-aid, PFC pay-as-you-go revenues, CFC revenues and other airport renewal and extension funds.

The CIP includes several major projects which have already been completed, including Runway 10/28 (fifth runway), the RCC and the completion and opening of the Maynard H. Jackson Jr. International Terminal. Other projects, completed or ongoing, include runway/taxiway extensions, Concourse C and D midpoint expansions, Concourse A electrical equipment renovations, life safety upgrades in the terminal and concourses, and airfield pavement repairs.

Capital Budget

ATL's CIP budget for FY17 totals $177.4 million. While not all of this amount will be spent in FY17, City of Atlanta code requires the Airport to encumber this full amount in the current fiscal year. A breakdown of the FY17 capital projects, and their anticipated funding sources, is provided in the following table.

FY17 Capital Improvement Funding

Project Description	PFCs	R&E	Commercial Paper	CFCs	GARBs	Total
Ramps 5 & 6 & Cargo Trench Drain Replacement/Recon						-
Airfield Safety Improvements Phase 1A						-
Reconstruction of City North Ramp						-
Airfield Shoulder Replacement						-
Ramp 3 & 1N Pavement Replacement (2,3,4)						-
Interstate Signage Mods for International Terminal		255,000				255,000
Quarry Stabilization and Wildlife Deterrent						-
Airfield Repairs 2017		5,000,000				5,000,000
TW & RW 9L Pavement Replacement	20,708,333					20,708,333
West Curbside						-
Ramp 6 North and South Glycol Collection Relocation						-
Perimeter Intrusion Detection Ph						-
CPTC Systems Renewal & Replacement		2,500,000				2,500,000
Cargo Building A, B and D Damage Expansion Joint		400,000				400,000
Non CPTC Renewal and Replacement		2,083,756				2,083,756
ASA (Express Jet) - Hangar Door Operating System Repl		150,000				150,000
Environmental/Sustainable projects		1,140,000				1,140,000
EV Charging Station		250,000				250,000
Recycling Center Kiosks		140,000				140,000
Solar Compacting Recycling Bins		180,000				180,000
MHJIT Waterbox		90,000				90,000
GSE Electrification						-
Terminal to Terminal Electric Bus Infrastructure		1,000,000				1,000,000
Noise Insulation Program						-
Fixed Bridges at hold rooms (w/Passenger Boarding Br)						-
Concourse T Enabling						-
Fire & Life Safety Improvements (Phase 1)						-
Transportation Mall Escalator Displays			13,000,000			13,000,000
CPTC Sewer Renewal and Replacement		1,000,000				1,000,000
Perm Emp Isp Scr-AAL Bag Claim Ph 1(Shell Buildout)		13,000,000				13,000,000
Perm Emp Isp Scr-AAL Bag Claim Ph 2(Eqmt/Fitout)						-
Celebrity/VIP Screening						-
Brock maintenance agreement		300,000				300,000
Service Animal Relief Areas		1,000,000				1,000,000
Entry / Exit Lane Loop Wire Replacement		1,400,000				1,400,000
USDA Perishables Facility Phase 2		3,700,000				3,700,000
Conc E Siding Phase 2		3,000,000				3,000,000
Static Signage Airside-Landside-RCC			5,000,000	1,000,000		6,000,000
Food and Beverage -Conc E - grease traps		1,700,000				1,700,000
North Cargo R&R		3,000,000				3,000,000
Interfaith Chapel Renovation		500,000				500,000
Park – Ride Lot C Resurfacing & Fence Replacement						-
AGTS (Plane Train) Turnback, Phase 1						-
Parking Renewal and Replacement		1,500,000				1,500,000
Consultants (AMPT & Planning)		7,500,000			1,511,000	9,011,000
Construction & Program Management		34,125,000				34,125,000
On Call Consultants		22,637,000				22,637,000
Special Services		625,000				625,000
Sustainability & Erosion Repair		7,056,000				7,056,000
Quality Assurance & OCIP		4,500,000				4,500,000
Other: (P&D Capital O&M)/Art, and Delta SkyClub		4,420,000	12,000,000			16,420,000
Total Projects	**$ 20,708,333**	**$124,151,756**	**$ 30,000,000**	**$ 1,000,000**	**$ 1,511,000**	**$177,371,089**