



ST. LOUIS LAMBERT
INTERNATIONAL AIRPORT.

FY2019 Annual Report

Strategic Plan 2015 – 2020

Message from the Director



In the past year, our team is proud to showcase a number of trends at St. Louis Lambert International Airport. Those trends are about positive and sustained growth. More passengers. More destinations. More seats. More economic development. And more financial flexibility as we hold costs, reduce debt, and reinvest into maintaining a safe and efficient airport.

In just three years, we've grown total passengers served by 2.5 million (15.8 million in FY2019 vs. 13.3 million in FY2016). That's nearly 19 percent growth over that span. Growth in seats into our market has matched the travel demand in our region and the demand to facilitate more connecting passenger traffic through St. Louis. The increase in seats meant our partner airlines added new destinations (like Hartford, CT, on Southwest), increased flights each day to existing markets, or switched to bigger aircraft on some routes.

The passenger growth supports our financial sustainability. The City of St. Louis and the Airport saved millions in a bond refunding this year because our ratings are the best in a decade. The Airport also maximized its position on new bonds in FY2019 to invest millions back into infrastructure improvements and major equipment purchases. Even with that debt, our Costs per Enplaned Passenger (CPE) increased by a dime, at a level that still makes us cost competitive for more airline growth opportunities.

In the last year, we've invested to improve the passenger experience directly, or with our partners including new restaurants, new charging lounges, new jet bridges, and newly enhanced Terminal 1 entrances (that keep the cold temperatures out). Beyond the view of most passengers, there were also

investments in our airfield, lighting systems, mechanical systems, and our roadways—all which keep our operations running smooth and efficient as possible.

One of the biggest areas of focus in the coming year (FY2020) is improving our roadway system at Terminal 2 with expanded drop-off parking, more curbside zones for passenger pickup, and new entrances into the parking garage. As we welcome more and more passengers, we must do more to make sure the arrival experience is the best it can be for all visitors.

Sincerely,

A handwritten signature in black ink, reading "Rhonda Hamm-Niebruegge".

Rhonda Hamm-Niebruegge

Director – St. Louis Lambert International Airport





FY2019 Highlights

STL Passenger & Operation Statistics



Key Statistics FY2019

74 Non-Stop Destinations* 74 in FY2018



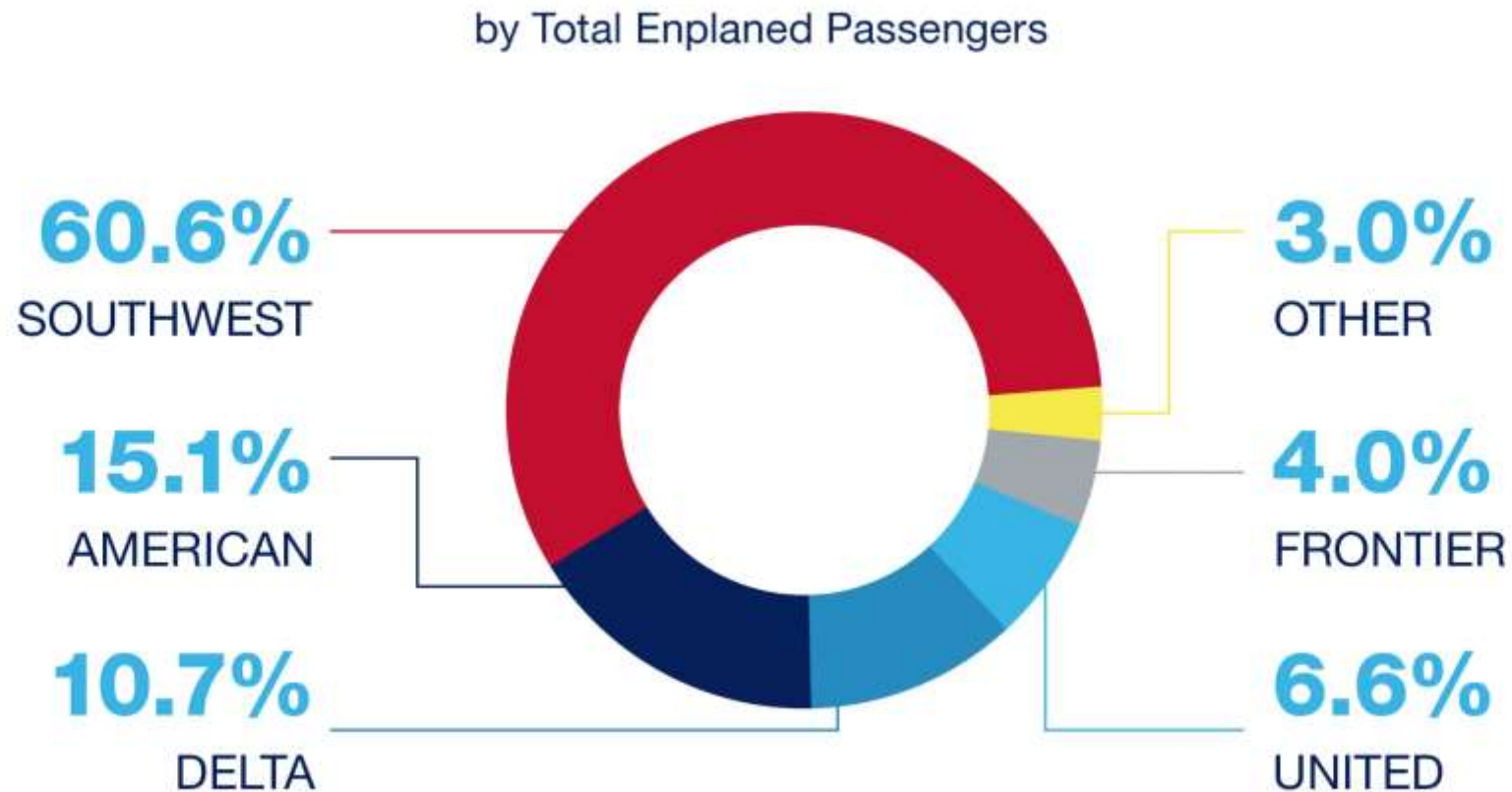
Key Statistics FY2019 – Passengers



Key Statistics FY2019 – Passengers



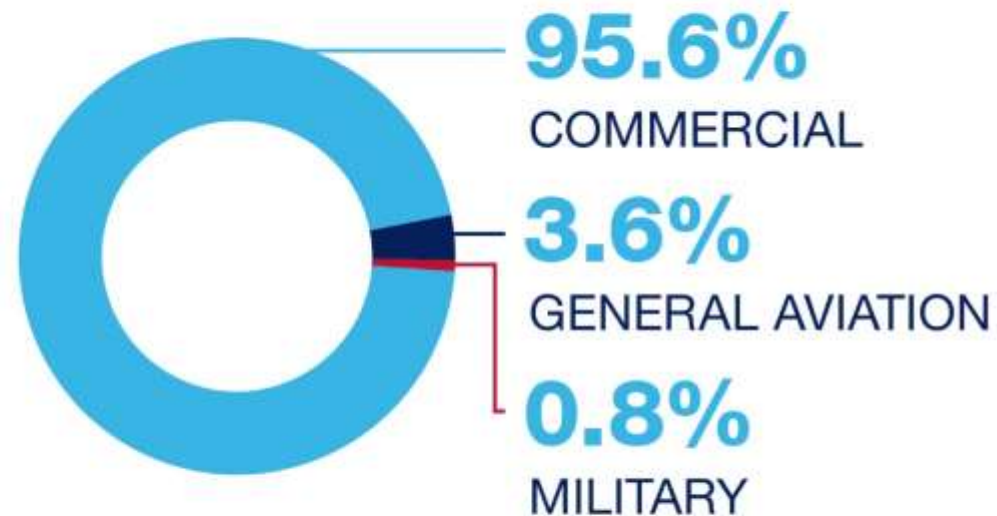
Key Statistics FY2019 — Airline Market Share



Key Statistics FY2019 — Aircraft Departures



Key Statistics FY2019 — Aircraft Operations*



*Aircraft Operations = takeoffs and landings



Cost Per Enplanement



COST/PASSENGER
\$8.97
\$8.87 FY2018



Airport Strategic Plan





Strengthen Financial Stability



Strengthen Financial Stability

St. Louis Lambert International Airport in FY2019 continued to stress and press its key objective of strengthening its financial stability.



Cost per Enplaned Passenger (CPE) dropped 20.1 percent in FY2018.

During the year, Moody's and S&P announced a new round of favorable upgrades to the Airport's credit ratings. Credit ratings were already the highest in a decade. The rating agencies cited STL has demonstrated a trend of rising traffic levels, sustained robust financial metrics, a conservative debt structure, a favorable airline use and lease agreement, and a very strong management team that has sufficiently managed risks to ensure the airport's steady financial and operational performance. Just prior to the fiscal year, the Airport issued \$58 million in new revenue bonds for capital improvement projects and equipment to sustain efficient and safe operations at the

Airport. The Airport also continued its focus on containing costs which were achieved in several areas: vehicle fleet program, facility and contractual services, legal services, insurance, and communications. The financial impact of new debt was minimized by those cost-savings which resulted in just a 10 cent increase in the Airport's Costs Per Enplaned Passenger (CPE) versus the year prior. The Airport's CPE for CY2019 came in at \$8.97, which is nearly four dollars below the final CPE goal in the strategic plan.

Further savings were realized after the 2019 Refunding transaction of Series 2009A bonds produced over \$29.2 million in NPV Savings to STL.





Sustain and Grow Passenger Air Service



Sustain and Grow Passenger Air Service

There were many successes and a significant challenge in air service for FY2019.

Passenger growth at STL extended to 46 straight months. Total passengers for the year topped out at more than 15.8 million passengers, a four percent increase over FY2018. A key segment in that growth is robust connecting travel through STL, which now accounts for 23 percent of total enplanements.

The key challenge for STL and the industry was the grounding of the Boeing 737 Max aircraft in March 2019. This led to the first of many months of flight cancellations and reduced operating schedules for Southwest Airlines, which operated the 737 Max several times a week at STL. Even with those cancellations, our market continued to see total seat flights growth of 2.8 percent, with 19,255,340 seats for FY2019.

On the route side, the Airport reached 74 non-stop markets. The new markets added in the last year included Hartford, CT (BDL), Jacksonville, FL (JAX), and Quincy, IL (UIN). In the last year, STL welcomed two new airlines. Sun Country launched service in the fall of 2018 with flights to Tampa and Fort Meyers, Florida and has since shifted destinations based on a seasonal rotation. Contour Airlines also made its debut to serve the Essential Air Service market of Fort Leonard Wood in central Missouri.





Create a Positive and Lasting Impression



Create a Positive and Lasting Impression

STL is BuSTLing.



That was our national message in the past year as part of special features on the St. Louis region in the airline magazines for Southwest Airlines and Delta Air Lines. The Airport was just one of many highlights in the special advertorial sections of Southwest: the Magazine in October 2018 and Delta's Sky Magazine in May 2019. The Airport joined dozens of other civic organizations and companies to profile the best of St. Louis with two of our biggest airlines. The result was a unified pitch to millions of travelers over those two editions that was the perfect fit for our strategic goal of creating a positive and lasting impression.

Our customer service scores with the international Airport Service Quality (ASQ) survey by Airports Council International, continues to guide the Airport on key metrics and benchmarks. For FY2019, STL's total satisfaction score was 4.14, up from 4.13 the previous year. The Airport saw significant peaks of improvement in its ASQ scores, which included receiving its highest quarterly score yet with a score of 4.19 in the third quarter of 2018. However, sustained scores continue to fall below target goals. STL achieved an average rank of 19 out of 27 medium hub or larger airports (peer benchmark group) participating in the same survey.

The newest restaurant venue at STL, the Three Kings Public House in Terminal 2, was chosen as the 2nd Best Airport Bar in the USA Today 10Best Reader's Choice awards for 2019.

Revenue per enplaned passenger hit \$6.54, under the FY2019 goal of \$6.98. Concession revenues (4.5%) overall out-clipped passenger growth (4.0 percent), but not enough to close the gap on the target. While connecting enplanements have grown over the last few years, it's usually for short layovers that may limit concession sales. Rideshare service produced the greatest revenue increase in concessions over the past year with growth of 64.3 percent.





Generate Economic Development



Generate Economic Development

Cargo activity is a key component of economic development for the airport.

Cargo revenue as a percentage of total aeronautical revenue fell short at 3.2 percent (\$2.5M), with a target of 4.9 percent. Cargo tonnage actually increased 3.5 percent over the prior year indicating a boost in economic activity for the region. However, the Airport only receives revenue (landed weight) based on the aircraft frame, not the actual tonnage of the cargo being delivered with each flight.

The Airport has been exceeding its target goals for generating revenue from underutilized land and space, recording more than \$2.7 million in new activity, well beyond the FY2019 target of \$868,000. The biggest new revenue generator was the St. Louis Air Cargo facility, which the Airport assumed control of (management and leasing) after the end of a long-term lease.

New concessions in formerly vacant spaces brought in significant revenue, as well (Three Kings—\$312,702; Wingtips—\$298,099; T2 Starbucks—\$152,789).

Job development activity was more than double the FY2019 targets with 138 construction jobs and 204 permanent jobs. New restaurants by HMSHost created 90 full time jobs alone. Southwest Airlines added 58 new jobs related to various operations and construction projects.

Key benchmarks for the Airport's Business Diversity Development programs continued to exceed goals when it comes to economic development that impacts our region. More than \$9.1 million in payments were made to Minority Business Enterprise (MBE) and

Women Business Enterprise (WBE) firms for general service contracts, accounting for 41 percent of payment activity. MBE's accounted for 34 percent of general service contract work with a goal that was 25 percent. WBE firms achieved seven percent of payment activity with a five percent goal. For construction and professional service activity, local MBE and WBE firms earned nearly \$4.6 million or 36 percent of project payments, both above their stated goals. Using a new streamlined and user-friendly certification process, the Airport approved more than 100 companies in the last fiscal year, which gives these firms new business opportunities.





Operational Excellence

Our Overall Surrounding Mission



Operational Excellence

Operational excellence encompasses all strategic initiatives at the Airport.



Improving safety, creating efficiencies, or reducing operational costs are all components of operational excellence. In the last fiscal year, the Airport invested in seven new jet bridges which were installed on the A Concourse (6) and the C Concourse (1). The investment will reduce maintenance costs while improving operations for the Airport and the airlines. Passengers benefit immediately using the new, clean and better performing jet bridges.

The installation of new airlock doors for all the Terminal 1 entrances on the ticketing level also provides benefit to all airport users, helping to better regulate temperatures during the extreme winter and summer seasons. Keeping out the heat and cold also reduces the Airport's energy consumption. Additional energy efficiency upgrades were made this year with installation of more LED lighting systems and the replacement of a major chiller. Those projects alone qualified the Airport for more than \$173,000 in Ameren Missouri rebates in the last fiscal year.





Strategic Plan Progress Report

Tracking Success





Strengthen Financial Stability

Strategic Objective	FY 2015 Key Initiatives	Baseline FY 2013	Target FY2019	Actuals FY2019	Target FY2018	Actuals FY2018	At Risk	On Target	Met or Exceed Target	Key Observations	5-Year Target 2015-2020
STRENGTHEN FINANCIAL SUSTAINABILITY	Lowering Cost Per Enplaned Passenger	\$13.77	\$12.77	\$8.97	\$12.96	\$8.87			●	<p>The St. Louis Lambert International Airport (STL) recorded 46 straight months of passenger growth by the end of FY2019 which included a growth in enplaned passengers by 4.0% over the prior fiscal year from 7.6M enplanements to 7.9M enplanements. Airlines continued to add more seats to the market with larger aircraft during FY2019 and additional flights to existing markets and new markets as well. STL continues to control expenses with various cost reduction plans and effective contract negotiations. Also, more than 70% of STL's vehicle fleet and equipment are powered by alternative fuel contributing to a (33.6%) reduction in fleet supplies and fleet contractual services (34.3%). Also, significant savings were realized by controlling facility and ground supplies and contractual services (44.5%) decrease and reduced expenses in environmental contractual services (46.4%) decrease, legal services (52.3%), insurance (22.0%) and communication expenses (41.0%).</p> <p>The Airport established the rate structure to charge signatory airlines for the next five years under the master Airport Use and Lease Agreement effective July 1, 2016. The cost per enplaned (CPE) passenger under the new agreement was anticipated to decrease to approximately \$10.65 over the five year term of the agreement. We have exceeded expectations by 15.8% as of FY19.</p>	12.58 or 1.5% Annual Reduction
	Growing Non-Aero Rev as a Percentage of Total Op Rev	32.8%	36.2%	43.1%	35.5%	43.1%			●	<p>A few significant non-aeronautical increases during FY19 included:</p> <ul style="list-style-type: none"> • Transportation Network Companies and Parking revenue 66.5% increase FY19 • Food and Beverage revenue 15.47% increase FY19 • Luggage Cart revenue 3.41% increase FY19 • Car Rental revenue 1.89% increase FY19 	36.9% or 2% Annual Increase
	Reducing Debt Service	Continued focus on optimizing							●	<p>STL received bond rating upgrades from Fitch to 'A' from 'A-' outlook revised to 'stable' and S&P Global ratings upgraded to 'A' from 'A-' with a stable outlook and assigned 'A' rating to the city's 2019 refunding bonds. Moody's affirmed its rating at A2 with a stable outlook. The rating agencies cited STL has demonstrated a trend of rising traffic levels, sustained robust financial metrics, a conservative debt structure, a favorable airline use and lease agreement, and a very strong management team that has sufficiently managed risks to ensure the airport's steady financial and operational performance.</p> <p>The 2019 Refunding transaction of Series 2009A bonds produced over \$29.2 million in NPV Savings to STL.</p>	Continued focus on optimizing



Sustain and Grow Passenger Air Service

Strategic Objective	FY 2015 Key Initiatives	Baseline FY 2013	Target FY2019	Actuals FY2019	Target FY2018	Actuals FY2018	At Risk	On Target	Met or Exceed Target	Key Observations	5-Year Target 2015-2020
2											
SUSTAIN AND GROW AIR PASSENGER SERVICE	Sustained and Increasing Number of Non-Stop Markets	65	70	74	69	74				Markets with new service in FY19 and not served in FY18: 1. BDL 2. JAX 3. CGI 4. SNA 5. UIN	70 Non-stop Markets
	Increasing Number of Non-Stop Flights to Top 40 Markets	177	202	183	197	183				Even with a reduction in frequency, more seats are being provided in the top 40 markets. This reduction in frequency and increase in seats is a trend being felt across the industry due to a number of factors. The number of seats per day is a better measurement for performance. Seats increased for FY2019 from 23,327/Day to 27,073/Day for a 16.1% increase.	202
	Increasing Demand from the Extended Catchment Area	Total is unknown because Southwest airlines, our largest air carrier, does not participate in the traditional reservation system used by all airlines. (68,000 of total catchment area for other airlines)								This metric continues to be difficult to measure since Southwest Airlines, STL's largest air carrier, is not participating in a particular data base (Airlines Reporting Corporation or commonly referred to as ARC) that reports on air carrier transactional data. That transactional data provides the location (zip code) of the ticket purchase. An alternative source of traveler zip code information is the ASQ Survey's being done at STL. Upon investigation it was determined that source of data was insufficient (zip codes responses are too few). As part of Increasing Demand from the Extended Catchment Area, STL continues to pursue multiple paths. STL partners with various groups (regional/national airports, airlines, vacation packagers, Chambers of Commerce, Convention and Visitors Bureaus, etc.), both within STL's catchment area and outside of that catchment area, on marketing strategies, promotional campaigns, events and other awareness efforts. Generally, there is one or more such campaigns, events or efforts going on at any time. STL also continues to pursue partnerships with regional ground transportation providers to increase interest in and use of STL over competing options.	2000+ Annual Growth



Create a Positive and Lasting Impression

Strategic Objective	FY 2015 Key Initiatives	Baseline FY 2013	Target FY2019	Actuals FY2019	Target FY2018	Actuals FY2018	At Risk	On Target	Met or Exceed Target	Key Observations	5-Year Target 2015-2020
3											
CREATE A POSITIVE AND LASTING IMAGE / FIRST IMPRESSION	Improving Overall Airport Service Quality (ASQ) Survey Satisfaction	3.96 on 5.0 scale	4.25 on 5.0 scale	4.19 avg for FY19	4.19 on 5.0 scale	4.13 avg for FY18	●			The Airport saw significant peaks of improvement in its ASQ scores which included receiving its highest quarterly score of 4.19 in 2018-Q3. However, scores continue to fall below target goals. The Airport needs to see sustained customer service score growth. STL achieved an average rank of 19 out of 27 medium hub or larger airports (peer benchmark group) participating in the same survey.	4.30 on 5.0 scale or 1.4% Annual Increase
	Industry Recognition	Nominations/Awards		See details in the key observations column to the left.		See details in the key observations column to the left.		●		1) Three Kings restaurant named 2nd best Airport Bar by USA Today 10Best Reader's Choice Travel Awards 2) Missouri Water Environments Association- Water Pretreatment Award	Nominations/Awards
	Increasing Revenue Per Enplaned Passenger (Revenue based on concessions only)	\$6.02	6.98	6.54	\$6.77	\$6.45		●		Enplanements increased 4.0% and concession revenue grew at 4.5% over the prior fiscal year. Connecting passengers are 23.2% of the total number of enplaned passengers for FY19. Connecting passengers have a limited timeframe to catch their connecting flight when they arrive in the Airport, often a 35 minute window. The opportunity to purchase concessions during the 35 minute timeframe is limited. The majority of our passenger growth occurred in Terminal 2 where we are responding with additional concession choices and amenities for our passengers. Rideshare service revenue from our transportation network companies (Uber and Lyft) continue to show growth potential with an increase of 64.3% over the prior year. Also, the Wingtips common-use lounge and Three Kings Public House restaurant opened their operations during 2018 in Terminal 2 and we realized a full year of revenue from their operations during FY19. A new St. Louis Blues (defending NHL Stanley Cup Champions) themed restaurant, the Blue Note Bar and Grill, will replace the existing Chili's restaurant in Terminal 2 during March 2020. The Airport is responding to the passenger growth and believe we are on target with this key initiative.	\$7.18 or 3% Annual Increase



Generate Economic Development

Strategic Objective	FY 2015 Key Initiatives	Baseline FY 2013	Target FY2019	Actuals FY2019	Target FY2018	Actuals FY2018	At Risk	On Target	Met or Exceed Target	Key Observations	5-Year Target 2015-2020
4											
GENERATE ECONOMIC DEVELOPMENT	Increasing Cargo Rev as a Percentage of Total Aero Rev	3.7%	4.9%	3.2%	4.5%	3.3%	<div></div>			Cargo revenue for FY2019 totaled \$2.5M, which was 3.2% of total FY19 aeronautical revenue. While the Airport has not seen any major increases in cargo revenue, the amount of cargo tonnage transported in the passenger planes and cargo carriers increased 3.5% over the prior fiscal year which indicates the entire region is experiencing an increase in economic development with the amount of cargo moving throughout the area. The Airport receives revenue based on the weight of the plane, not the amount of cargo tons. Also, Air Cargo activity has seen a substantial boost in activity during FY20 due to a new daily flight for Amazon operated by various cargo carriers and we anticipate we will exceed expectations in the next strategic plan report.	5.4% of total aeronautical rev
	Generating Annual Revenue from Underutilized Land or Space	\$262K (FY2014)	\$868K	2.76 acres of underutilized land sold: \$308,442 Concourse B events: \$10,231 Vino Volo: \$385,297 Spire: \$19,676 JetLink: \$121,919 MHS: \$222,525 Idemia: \$44,322 MO Army Guard: \$21,318 Springdale Lot: \$120,000 E29 Starbucks: \$153,789 Wingtips: \$298,099 3 Kings: \$312,702 Ameren solar farm: \$3,000 WN provisioning center: \$302,283 St. Louis Air Cargo facility: \$415,320 Total: \$2,738,923	\$728K	.67 acres of underutilized land sold: \$22,220 Concourse B events: \$4,896 Vino Volo: \$227,594 Spire: \$21,888 JetLink: \$121,919 MHS: \$196,020 MorphoTrust: \$42,860 MO Army Guard: \$21,318 Springdale Lot: \$120,000 Bi-National Gateway: \$277,325 E29 Starbucks: \$84,540 Wingtips: \$25,000 3 Kings: \$18,711 Ameren solar farm: \$3,000 WN provisioning center: \$175,156 Total: \$1,362,447		<div></div>	Strategic goals for this initiative are established per year as determined by the following schedule: FY15 - \$368K FY16 - \$478K FY17 - \$593K FY18 - \$728K FY19 - \$868K FY20 - \$1MM	\$1MM	
	Increasing Number of Jobs from New Development	Construction Jobs=88; Permanent Jobs=22 (FY 2014)	62 Construction Jobs and 87 Permanent Jobs	Construction jobs - 138 Permanent jobs - 204	62 Construction Jobs and 74 Permanent Jobs	Construction jobs - 269 Permanent jobs - 178			<div></div>	HMS/Host concessions continues to be the primary contributor for permanent jobs 90 and 30 construction jobs with new restaurant locations and added staff during the year. Southwest Airlines added 58 new jobs with ramp space development and installation of a fuel pit to support jet bridges and installation of ADA compliant podiums. Additional permanent and construction jobs were provided by various tenants throughout the Airport (OHM, Hudson-STLMarket, US Corps Engineering, Trans States Airlines, FAA, etc...)	460 new construction jobs by FY2020 and 100 new Permanent Jobs in FY 2020.



Summary of Revenues, Expenses and Changes in Fund Net Position

The Airport's revenues, expenses, and changes in fund net position for the fiscal years ended June 30, 2019 and 2018 are summarized as follows:

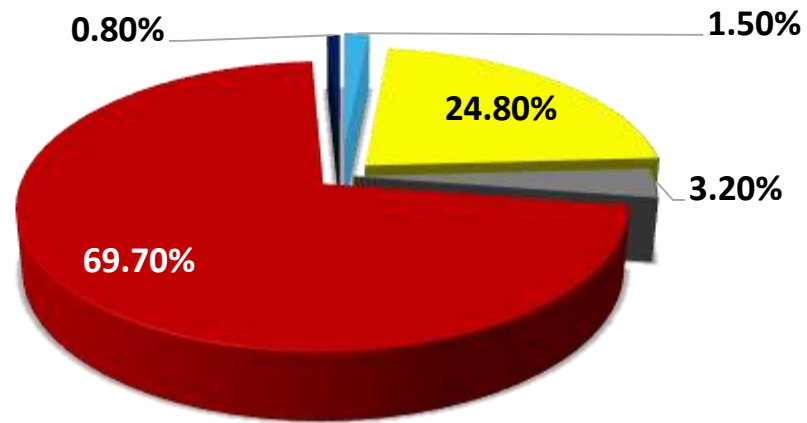
(Dollars in thousands, unless otherwise indicated)

	2019	2018	Dollar change	Percentage change
Operating revenues	\$ 140,434	134,264	6,170	4.6 %
Operating expenses	144,083	141,921	2,162	1.5
Operating (loss)	<u>\$ (3,649)</u>	<u>(7,657)</u>	<u>4,008</u>	<u>(52.3)%</u>
Nonoperating revenues/(expenses), net	\$ 18,224	8,962	9,262	103.3 %
Income (loss) before capital contributions and transfers, net	\$ 14,575	1,305	13,270	1,016.9 %
Capital contributions	23,964	20,508	3,456	16.9
Transfers out	<u>(6,795)</u>	<u>(6,688)</u>	<u>(107)</u>	<u>1.6</u>
Increase in net position	<u>\$ 31,744</u>	<u>15,125</u>	<u>16,619</u>	<u>109.9 %</u>
Net position, end of year	<u>\$ 1,146,855</u>	<u>1,115,111</u>	<u>31,744</u>	<u>2.8 %</u>



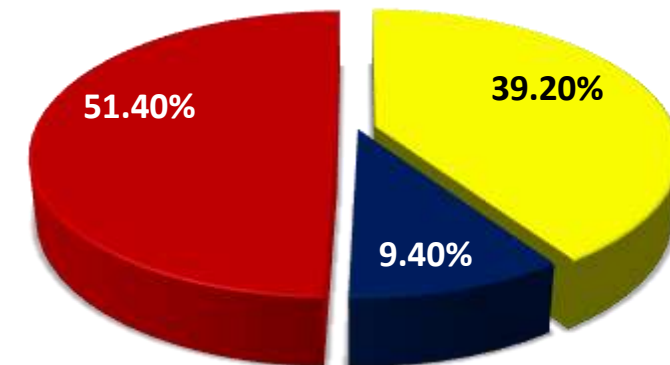
Operating Revenues

Aeronautical Revenue



- Hangars and Other Buildings
- Terminal and Concourses
- Airfield Cargo
- Airfield

Non-Aeronautical Revenue



- Parking, Net
- Lease Revenue
- Concessions



Airport Operating and Non-Operating Revenues

The following table summarizes *Airport operating and non-operating revenues*, and their percentage share of *total Airport operating and non-operating revenue*, for the year ended June 30, 2018:

(Dollars in thousands, unless otherwise indicated)

	2019	Percentage of total	change from 2018
Operating revenues:			
Aviation revenue:			
Airfield	55,679	69.7 %	814
Airfield Cargo	2,547	3.2 %	42
Terminal and concourses	19,886	24.8 %	2,698
Hangars and other buildings	1,192	1.5 %	(44)
Cargo buildings	619	0.8 %	37
Total Aviation Revenue	79,923	100.0 %	3,547
Concessions	31,112	51.4	2,292
Parking, net	23,737	39.2	358
Lease revenue	5,662	9.4	(27)
Total Non-Aviation Revenue	60,511	100.0 %	2,623
Total operating revenue	140,434	78.2 %	6,170
Non-operating revenues:			
Intergovernmental revenue	697	0.4 %	(129)
Investment revenue	8,817	4.9	7,328
Passenger facility charges	29,539	16.5	1,029
Other nonoperating revenue, net	60	—	(731)
Gain (loss) on sale of land	—	—	103
Total nonoperating revenue	39,113	21.8 %	7,600
Total revenues	179,547	100.0 %	13,770

Note:

Fiscal year 2019 operating revenues increased 4.6%, or \$6,170 primarily due to the increase in enplanements resulting in higher concession revenues. In addition, nonoperating revenues increased 24.1%, or \$7,600, primarily due to an increase in investment income due to market valuation. Also, enplaned passenger growth contributed to an increase in passenger facility charges collections.



St. Louis Airport Commission

Rhonda Hamm-Niebruegge

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Director of Airports
St. Louis Lambert International Airport

John Bales

Director of Aviation
Spirit of St. Louis Airport

Kevin Cantwell

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Big River Communications

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Marilyn Teitelbaum

Partner
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St. Louis Airport Commission as of March 2019





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