



LAMBERT-ST. LOUIS  
INTERNATIONAL AIRPORT®

# FY2015 ANNUAL REPORT



STRATEGIC PLAN  
2015 - 2020





*Lambert completed the Lambert Experience program in FY2015*



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Message from the Director  
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The seeds of great change have been taking root at Lambert-St. Louis International Airport. FY2015 marked the passing of the baton from two momentous campaigns, one coming to a close, and another launching the Airport to greater heights over the next five years.

This past year we celebrated the final piece of a top-to-bottom makeover of our historic Terminal 1. The installation of a new copper roof capped off the 6-year, \$70 million Airport Experience program that revitalized the terminal and its concourses, and greatly improved the passenger experience.

With that closure, we wrapped up a year-long effort to develop a new strategic plan with the support of the Regional Business Council and Civic Progress. A year later, this first annual report highlights our progress against goals for our major strategic objectives, along with our every-day mission to improve overall operational excellence.

FY2015 marks another year of cost containment to improve the Airport's financial strength. This yielded lower landing fees and terminal rents for our airlines which has led to a positive trend in lowering our costs per enplaned passenger. Our financial and budgeting discipline has also helped sustain improved bond ratings and helped to create a healthy environment to perform successful bond refundings, including one in FY2015. That will save the Airport millions in years to come. FY2015 marked the peak in our current portfolio of bond debt payments. Debt payments will now stair-step down in the years ahead.

Our air service focus has been on building back our network of non-stop markets. We celebrated new service to Austin, TX and Fort Dodge, IA in the final days of the fiscal year with quite a few more new markets coming in FY16.

On the economic development front, years of behind the scenes work has paid off in our efforts to grow air cargo and non-aviation revenues. The St. Louis Airport Commission approved a major cargo development project that will bring new life to the original McDonnell-Douglas complex and deliver future lease revenues to the Airport. The Airport also continued negotiations to host a dual customs clearance facility for cargo to and from Mexico.

These recent successes come with the support of Mayor Francis G. Slay, other regional leaders and our business community. Mayor Slay has championed these changes and helped us grow our local coalition of stakeholders who understand the Airport is vital to our region's economic health, connects St. Louis to the rest of the world and contributes to our quality of life.

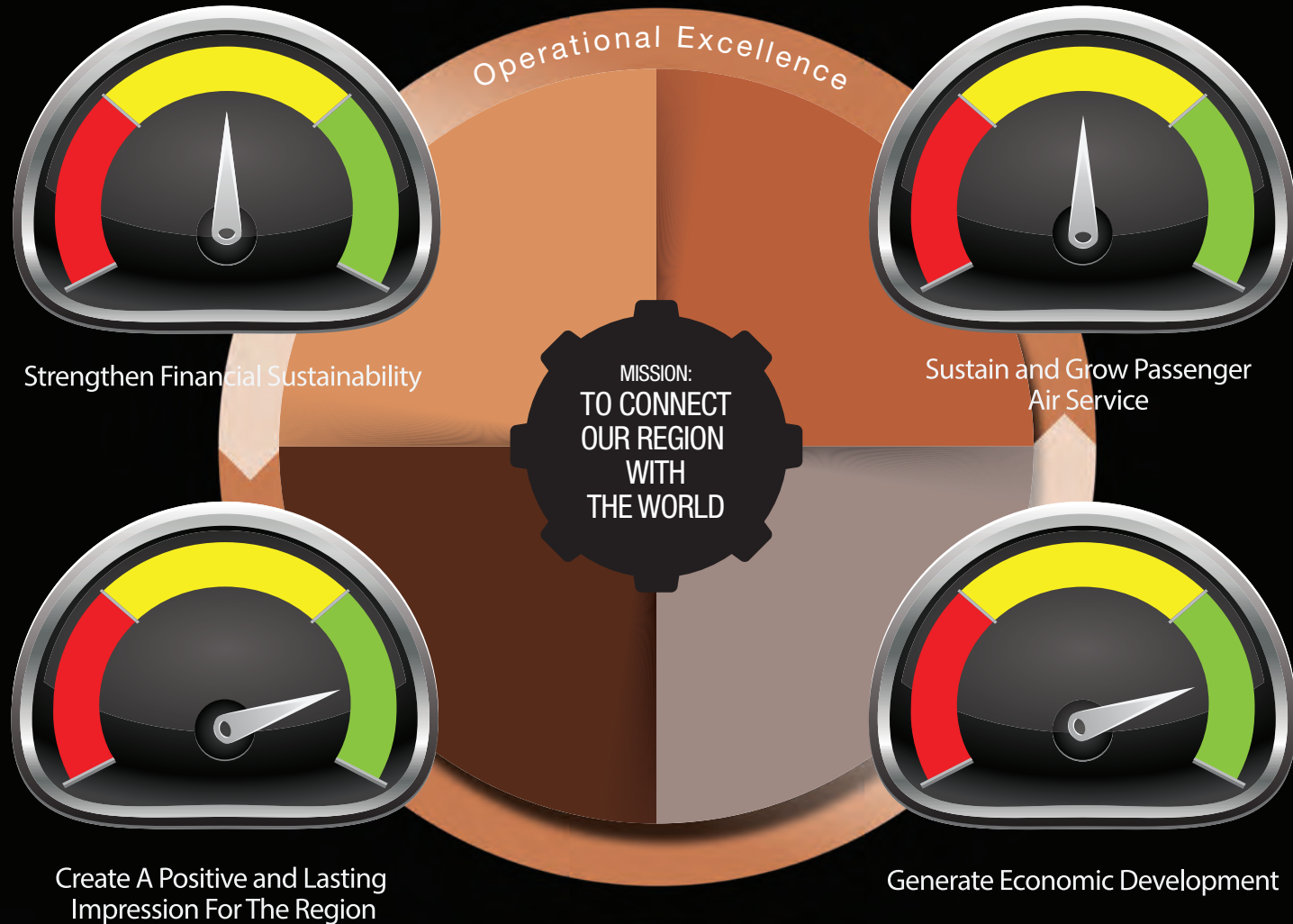
Sincerely, 

Rhonda Hamm-Niebruegge / Director – Lambert-St. Louis International Airport



# PROGRESS DASHBOARD

FY2015



# SUMMARY HIGHLIGHTS

	FY2015	FY2014	Change
Enplaned Passengers	6,247,994	6,177,145	1.1%
Aircraft Operations (Landings & Departures)	185,474	184,211	0.7%

## FINANCIAL

- Operating Revenues decreased 0.9 percent from \$141,429,000 in FY14 to \$140,248,000 in FY15 as a result of efficient control of Airport operating expenses lowering the landing fees and terminal rental rates assessed to air carriers.
- Landing fees dropped 70 cents/1,000 lbs.
- Terminal rental rates dropped by more than \$5/sq. ft.
- Expenses decreased 9.2 percent from \$136,793,000 in FY14 to \$124,207,000 in FY15.
- Operating income increased 238 percent to \$16,041,000 from \$4,736,000 in FY14.
- City of St. Louis partially defeased 2005 Airport Revenue Bonds and issued \$17,310,000 in Series 2015 Airport Revenue Bonds to yield an economic gain of \$2.1 million in savings.
- Lambert Received \$41,000 rebate from Ameren for energy saving projects during FY2015.

## PASSENGER SERVICE

- Lambert added a new non-stop market with addition of Southwest Airlines service to Austin, TX (AUS).
- Lambert added a new non-stop market with addition of Air Choice One service to Fort Dodge, IA (FOD).

## PASSENGER EXPERIENCE

- The 6-year, \$70 million Airport Experience renovation program of Terminal 1 (and concourses) concluded with the installation of a new copper roof. Other renovations in the program (2006-2014) included new flooring, new ceilings, new lighting, renovated restrooms, new wayfinding signs, new digital directories and new art installations.
- The Lambert Art and Culture Program expanded its visual impact in the Airport with the installation of three sculptures in Terminal 1 with loans from the Gateway Foundation and Laumeier Sculpture Park.
- Mike Shannon's Grill opened on the A Concourse.
- Lambert opened Super Park Lot E providing for 250 additional surface parking spots in close proximity to Terminal 2.

## ECONOMIC DEVELOPMENT

- St. Louis Airport Commission approved a multi-year phased cargo development project for 49 acres on the north side of the airfield that includes repurposing part of the original McDonnell-Douglas complex. Developer estimates investing more than \$70 million in new infrastructure. Lease revenue will begin in FY17.
- Lambert expanded its event and meeting spaces with the addition of the B Concourse for large scale parties, workshops and even weddings.
- Lambert held its first Business Diversity Forum to help local businesses get connected with new job and career opportunities with the Airport and the City of St. Louis.

# FY2015 STRATEGIC PLAN OBJECTIVES

STRATEGIC OBJECTIVES	FY2015 KEY INITIATIVES	BASELINE FY2013	TARGET FY2015	5-YEAR TARGET 2015-2020				KEY OBSERVATIONS	ACTUALS FY2015
STRENGTHEN FINANCIAL SUSTAINABILITY	Lowering Cost Per Enplaned Passenger	\$13.77	\$13.56	12.58 or 1.5% Annual Reduction		●		The austerity of Lambert St. Louis management continues to effectively control operations and maintenance expenses.	\$13.65
	Growing Non-Aero Rev as a Percentage of Total Op Rev	32.8%	33.5%	36.9% or 2% Annual Increase			●	<b>Non-aeronautical revenue growth:</b> Concession revenue increased \$124K or .5% over FY14 Parking revenue increased \$51K or .3% over FY14 Lease revenue decreased (\$18K) or (.4%) from FY14 Total non-aeronautical revenue growth was \$157K or .3% over FY14	35.2%
	Reducing Debt Service	Continued focus on optimizing		Continued focus on optimizing		●		On June 30, 2015, the Airport issued \$17,310 in Series 2015 Revenue Refunding Bonds payable in varying amounts from 2020 through 2023 with interest rates of 5%. At June 30, 2015, \$17,890 of 2005 Series Revenue Refunding bonds are considered defeased.  The Airport completed the advance refunding to reduce its total debt services payments over the next eight years by \$3,064 and to obtain an economic gain (difference between the present value of the old and new debt services payments) of \$2,102.  Series 2007A & B bonds and Series 2009A bonds are callable in 2017 and 2019, respectively. Lambert was able to maintain credit ratings of A3 from Moody's and A- from Standard & Poor's rating services, as well as, maintain a BBB+ rating from the Fitch ratings agency during fiscal year 2015.	\$2.1M PV Savings
SUSTAIN AND GROW AIR PASSENGER SERVICE	Sustained and Increasing Number of Non-Stop Markets	65	66	70 Non-stop Markets			●	Markets with new service in FY15 and not served in FY14;  1. AUS 2. FOD  FY2015 Target shows net increase of one non-stop market; another non-stop market discontinued.	66
	Increasing Number of Non-Stop Flights to Top 40 Markets	177	182	202		●			178
	Increasing Demand from the Extended Catchment Area	68,000 of total catchment area		2000+ Annual Growth		●		Several community awareness events were held in neighboring markets to attract new customers from the catchment area. These markets included Cape Girardeau, Kirksville, Decatur, Fort Dodge and Jonesboro. Events were well attended and very positive feedback received as to the awareness of the Lambert market opportunities. Measurement of this metric may be difficult due to the exclusion of Southwest Airlines data from the ARC reporting data.	See details in the key observations column.

# FY2015 STRATEGIC PLAN OBJECTIVES

STRATEGIC OBJECTIVES	FY2015 KEY INITIATIVES	BASELINE FY2013	TARGET FY2015	5-YEAR TARGET 2015-2020				KEY OBSERVATIONS	ACTUALS FY2015
CREATE A POSITIVE AND LASTING IMAGE / FIRST IMPRESSION	Improving Overall Airport Service Quality (ASQ) Survey Satisfaction	3.96 on 5.0 scale	4.07 on 5.0 scale	4.30 on 5.0 scale or 1.4% Annual Increase			●		4.11 AVG for FY15
	Industry Recognition	Nominations/ Awards		Nominations/ Awards			●	1. Keystone Award - AGC St. Louis: Project of the Year - Specialty Contractor/ Sub-contractor/Industrial/Infrastructure for Lambert's Checked Baggage Inspection System. 2. 2015 Silver Award - Missouri Water Environment Association - Industrial Wastewater Committee Pretreatment Award 3. 2015 Most Enhanced - Landmarks Association of St. Louis - Renovation and restoration of copper roof on Terminal 1. <a href="http://www.landmarks-stl.org/enhanced_and_endangered/2015_most_enhanced">http://www.landmarks-stl.org/enhanced_and_endangered/2015_most_enhanced</a> 4. 2015 Architizer A+ Awards - Terminal 1 Renovation - Transport+Infrastructure+Airport Category - expUSA Design Architect <a href="http://architizer.com/projects/lambert-st-louis-international-airport-main-terminal-renovation/">http://architizer.com/projects/lambert-st-louis-international-airport-main-terminal-renovation/</a> 5. Elizabeth Smart, Lambert Safety Management System Coordinator, "Top 40 under 40" Airport Business – November 2014 <a href="http://airportbusiness.epubxp.com/i/422565-nov-2014/41">http://airportbusiness.epubxp.com/i/422565-nov-2014/41</a>	See details in the key observations column.
	Increasing Revenue Per Enplaned Passenger (Revenue based on concessions only)	\$6.02	\$6.20	\$7.18 or 3% Annual Increase			●	Food and beverage concession sales have increased 13.4% from the prior year and we continue to see an increase in Parking revenues due to the opening of Parking Lot E near Terminal 2.	\$6.73
GENERATE ECONOMIC DEVELOPMENT	Increasing Cargo Revenue as a Percentage of Total Aero Revenue	3.7%	3.8%	5.4% or escalating annual increase			●	Strategic goals for this initiative are established to escalate per year as determined by the following schedule: FY15 - 2% increase FY16 - 4% increase FY17 - 5.5% increase FY18 - 7.5% increase FY19 - 8% increase FY20 - 10% increase	3.8%
	Generating Annual Revenue from Underutilized Land Assets	\$262K (FY2014)	\$368K	\$1MM			●	Strategic goals for this initiative are established to escalate per year as determined by the following schedule: FY15 - \$105.7K increase FY16 - \$110K increase FY17 - \$115K increase FY18 - \$135K increase FY19 - \$140K increase FY20 - \$132K increase	Spire: \$69,674 JetLinx: \$90,000 MHS: \$196,020 MorphoTrust: \$55,535 MO Army Guard: \$22,026 <b>Total: \$433,255</b>
	Increasing Number of Jobs from New Development	Construction Jobs=88; Permanent Jobs=22 (FY2014)	62 Construction Jobs and 35 Permanent Jobs	460 new construction jobs by FY2020 and 100 new permanent jobs by FY2020.			●	We have attained a 66% increase in construction jobs compared to the prior year, however, we are still striving to meet or exceed our targeted number of permanent jobs for new developments.	Construction - 146 Permanent - 7



# 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, 2015, and 2014, are summarized as follows:

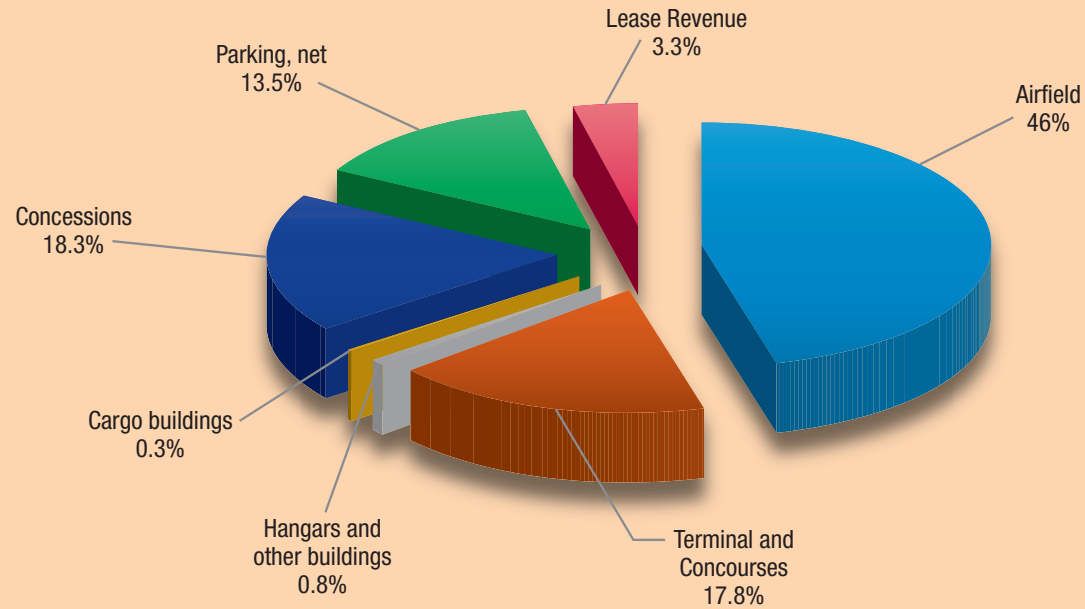
	<b>FY2015</b>	<b>FY2014</b>	<b>\$ Change</b>	<b>% Change</b>
Operating revenues	\$ 140,248	141,529	(1,281)	(0.9%)
Operating expenses	124,207	136,793	(12,586)	(9.2%)
Operating income	16,041	4,736	11,305	238.7%
Non-operating expenses, net	(7,711)	(11,592)	3,881	(33.5%)
(Loss)/Gain before capital contributions, transfers and extraordinary items, net	8,330	(6,856)	15,186	(221.5%)
Capital contributions	23,284	16,318	6,966	42.7%
Transfers out	(6,407)	(6,328)	(79)	1.2%
Extraordinary item – Natural disaster	1,737	2,730	(993)	(36.4%)
Extraordinary item – Settlement proceeds	-	4,872	(4,872)	(100.0%)
Increase in net position	26,944	10,736	16,208	151.0%
Cumulative effect of change in accounting principle	(13,372)	-	(13,372)	(100.0%)
<b>Net position, end of year</b>	<b>\$ 1,095,460</b>	<b>1,081,888</b>	<b>13,572</b>	<b>1.3%</b>

*(Dollars in thousands, unless otherwise indicated)*



# OPERATING REVENUES

The following chart shows the major sources of operating revenues, and their percentage share of total operating revenues, for the year ended June 30, 2015:



# 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, 2015:

	FY2015	% of Total	\$ Change from 2014	% Change from 2014
Operating revenues:				
Aviation revenue				
Airfield	\$ 64,495	38.3%	(4,692)	(6.8%)
Terminal and concourses	24,965	14.8	3,361	15.6%
Hangars and other buildings	1,111	.7	18	1.7%
Cargo buildings	357	.2	(125)	(25.9%)
Concessions	25,662	15.2	124	.5%
Parking, net	18,936	11.2	51	.3%
Lease revenue	4,722	2.8	(18)	(.4%)
<b>Total operating revenue</b>	<b>140,248</b>	<b>83.2</b>	<b>(1,281)</b>	<b>(.9%)</b>
Non-operating revenues:				
Intergovernmental revenue	1,277	.8	571	80.9%
Investment revenue	2,541	1.5	972	62.0%
Passenger facility charges	24,188	14.3	77	.3%
Other non-operating revenue, net	145	.1	(142)	(49.5%)
Gain on sale of capital asset	164	.1	164	100.0%
<b>Total non-operating revenue</b>	<b>28,315</b>	<b>16.8</b>	<b>1,478</b>	<b>5.5%</b>
<b>Total revenues</b>	<b>168,563</b>	<b>100%</b>	<b>361</b>	<b>.2%</b>

Fiscal year 2015 operating revenues decreased 0.9%, or \$1,281. This results primarily from lower landing fee rates assessed to air carriers resulting in lower Airfield revenue of \$4,692, offset by an increase in Terminal and Concourse revenues of \$3,361, and a decrease in Cargo building revenues of \$125. In addition, non-operating revenues increased 5.5%, or \$1,478, due primarily to an increase in investment revenue.

*(Dollars in thousands, unless otherwise indicated)*

# St. Louis Airport Commission\*

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\*ST. LOUIS AIRPORT COMMISSIONERS AS OF FEBRUARY 2016





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