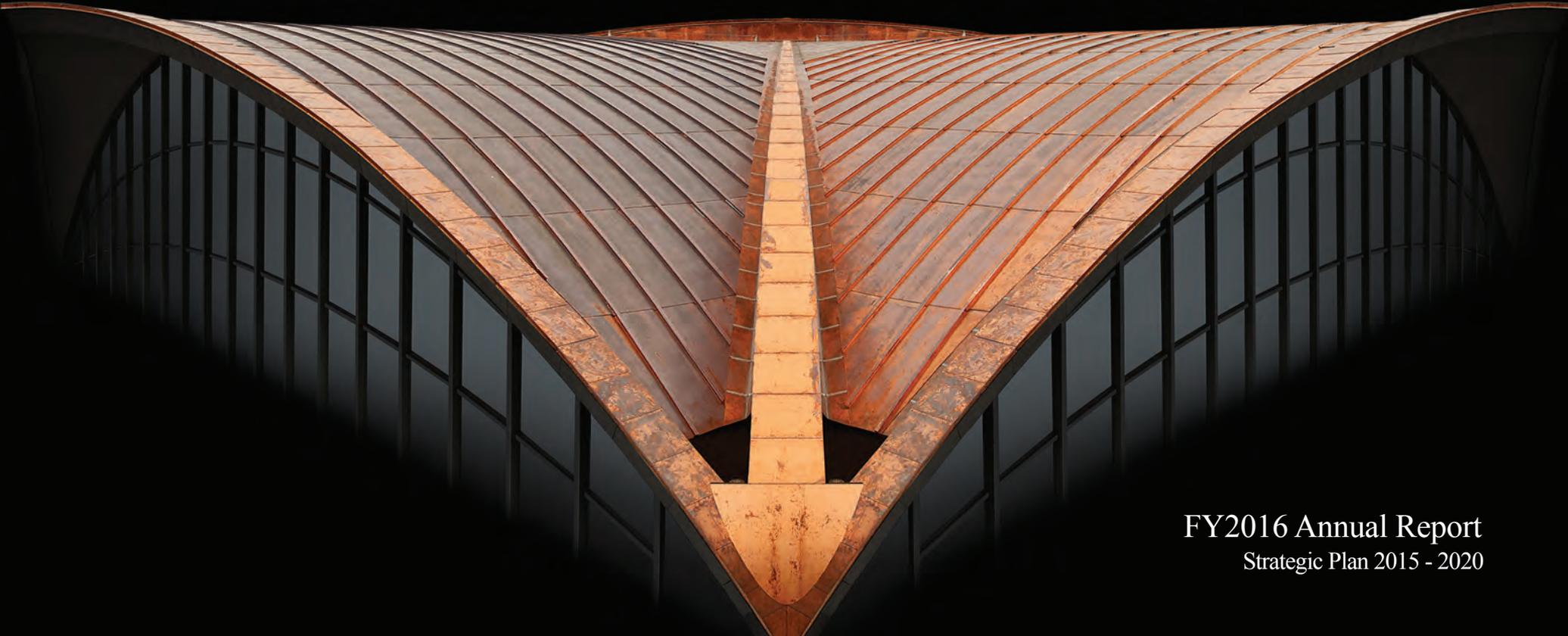




ST. LOUIS LAMBERT  
INTERNATIONAL AIRPORT™



FY2016 Annual Report  
Strategic Plan 2015 - 2020



## Message from the Director



St. Louis Lambert International Airport's strategic plan through 2020 offers tremendous guidance on measured, tactical changes to create the biggest impact for our passengers, our customers and the St. Louis region. FY16 marks the second year in the plan, which touches all four core areas and the overarching mission of operational excellence.

The new 5-year Use and Lease Agreement with our airline partners was finalized in FY16 and will serve the core strategy of strengthening our financial stability through the remainder of the strategic plan. It sets the framework for leases, revenues and more financial flexibility for this airport. It allows for new investment in safety and operations, while also making the Airport more attractive for new or expanded service by airlines. Even under the terms of the previous use and lease agreement, the Airport has made great strides in reducing costs per enplaned passenger, and improving our revenue position for concessions, parking and other operations.

FY16 marked a great year of expansion for airline service with eight new destinations, and a focus on connecting many Midwest markets, which is boosting our connecting traffic. It brought modest passenger growth this fiscal year, but it will show tremendous gains in FY18, when there's a full year of activity with these new markets.

The growth in markets, topping 70 nonstop destinations in the summer of FY16/17, facilitated leasing of two previously closed gates in Terminal 2. Those are now being operated by Southwest Airlines. In connection with that expansion, the Airport made additional restroom, signage and flooring improvements through all of Terminal 2. These upgrades are critical to provide passengers with updated amenities and wayfinding.

Lastly, our commitment to efficient and safe operations is never ending. The Airport was recognized this year for its energy savings projects that has netted \$490,000 through three years as part of a rebate program with Ameren Missouri. The campaign is directly tied to the Airport's environmental and sustainability efforts that aligns with the City of St. Louis goals for better environmental stewardship. The incentives are reward enough, but so are the energy savings we earn to make St. Louis Lambert International Airport even more competitive.

Sincerely,

A handwritten signature in black ink, reading 'Rhonda Hamm-Niebruegge' with a decorative flourish at the end.

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

# FY 2016 Strategic Plan Update Key Figures

## FLIGHTS ▼



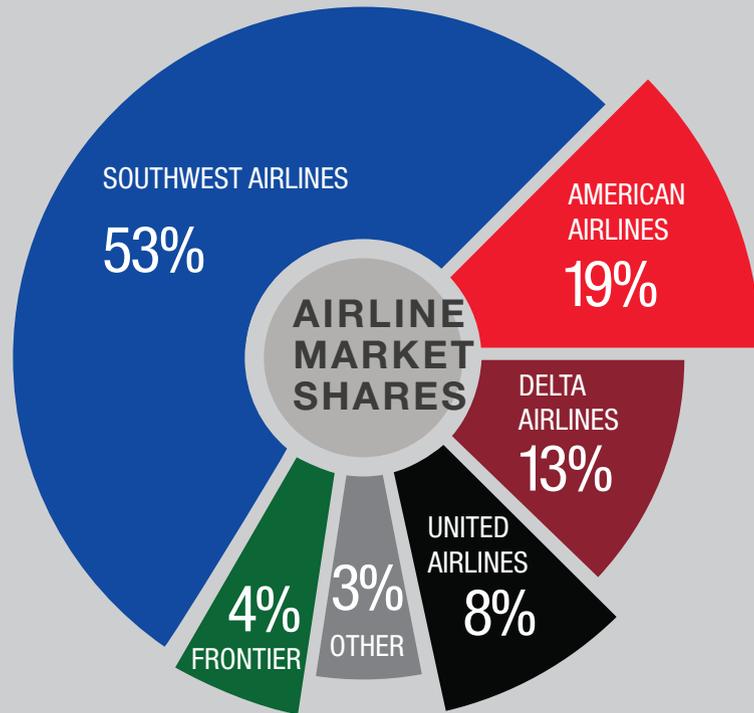
ENPLANEMENTS	CONNECTING ENPLANEMENTS	MAINLINE AIRCRAFT ENPLANEMENTS	DEPLANED PASSENGERS
▲ 6.5% INCREASE	▲ 11.7% INCREASE	▲ 8.9% INCREASE	▲ 6.4% INCREASE
6,672,558 VERSUS 6,267,734	976,121 VERSUS 874,258	5,401,273 VERSUS 4,962,008	6,658,172 VERSUS 6,259,659



TOTAL PASSENGERS: 13,330,730 ▲ 6.4% INCREASE

# FY 2016 Strategic Plan Update Key Figures

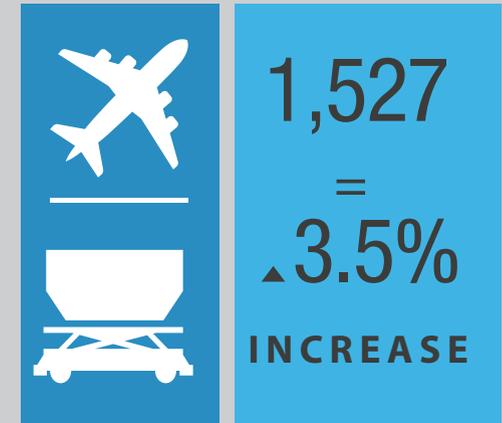
## OPERATIONS ▼



### Passenger Departures



### Cargo Departures



# FY 2016 Strategic Plan Update Key Figures

## AIRCRAFT OPERATIONS (Landings and Takeoffs) ▼

✈️ **COMMERCIAL PASSENGER**  
178,591 = ▲1.7% INCREASE

✈️ **TOTAL CARGO (Mail and Freight)**  
65 MILLION TONS = ▲4.3% INCREASE

✈️ **TOTAL AIRCRAFT OPERATIONS**  
188,466 = ▲1.6% INCREASE

✈️ Average **Enplanements** per Departure  
80.3% = ▲4.8% INCREASE

# FY16 Highlights

## 5-Year Use and Lease Agreement

In the final months of FY2016, STL finalized a new 5-year Use and Lease Agreement with its airlines. This is one of the major agreements for the Airport which not only defines terms of operations for airlines, but sets the financial framework for the Airport through FY2021. Negotiations took 12 months. The result was an agreement that will make the Airport more competitive by reducing landing fees, terminal rental rates and cost per enplaned passenger. It also reduces the hurdles to entry for airline operators, increases flexibility in the administration of capital projects and increases annual deposits into Airport Development Fund. The agreement also paved the way for a pre-approved, five-year, \$170 million capital improvement program. STL builds on its financial stability because the agreement allows the Airport to continue investing in safety, operations and infrastructure while also modifying its rates and fees to become more competitive to attract more business and air service.

Key Terms in the Airline Use and Lease Agreement 2016-2021:

- Grants signatory airlines rights and privileges to operate at the Airport
- Allocates Airport operating costs to the airlines
- Establishes terms for using space in the terminal buildings
- Defines leased premises for airlines that lease space in terminals
- Pre-approves \$170.3 million, five-year Capital Improvement Projects program
- Outlines requirements for tenant improvements
- Provides insurance and indemnification requirements
- Allocates maintenance requirements

## Air Service Developments

St. Louis Lambert International Airport made great strides in 2016 to sustain and grow nonstop destinations and give the St. Louis region more flight options. In the course of 12 months, Alaska Airlines and Southwest Airlines accounted for eight new destinations for STL. St. Louis topped 70 nonstop destinations for the peak summer travel season with the addition of new west coast and midwest markets.

Portland (PDX), Orange County (SNA) and Oakland (OAK) were all underserved markets on the Airport's top targets list going into FY2016. STL was also working to help facilitate growth through new service closer to home. Southwest embarked on a strategy to increase connecting traffic through STL with the additions of Little Rock (LIT),

Pittsburgh (PIT), Des Moines (DSM) and Wichita (ICT). Service to Cleveland (CLE) also came online in 2016 after a brief hiatus from another airline.

New nonstops are high visibility milestones. However, almost all of St. Louis' airlines saw strong growth in passenger demand that fueled additional flights to existing markets and the use of larger aircraft on their most in-demand routes. Mainline aircraft departures from the Airport increased more than six percent to meet demand. STL enplanements were up six percent in 2016. In the last year, STL achieved a top 10 ranking in seat capacity growth with 733,000 more seats than in 2015.



# FY16 Highlights

## New Destinations/Routes

1. Portland, OR (PDX) – Alaska- July 1, 2015
2. Orange County, CA (SNA) – Southwest – November 28, 2015
3. Little Rock, AR (LIT) – Southwest – January 6, 2016
4. Pittsburgh, PA (PIT) – Southwest – March 10, 2016
5. Des Moines, IA (DSM) – Southwest – April 12, 2016
6. Wichita, KS (ICT) – Southwest –April 12, 2016
7. Oakland, CA (OAK) – Southwest – June 5, 2016
8. Cleveland, OH (CLE) – Southwest – June 5, 2016

## Revenue Performance

The Airport's revenue performance and improved airfield activity paved the way for a substantial decrease in Cost per Enplaned Passenger to \$11.89, or a drop of \$1.76 per passenger. There are two ways to look at airport revenues. On the airfield side, revenues can fall when there is increased aircraft activity or increased activity and landed weight. That's what happened this past year and it's a healthy trend. The Airport has increased activity and landed weight, thus reducing our operating airfield costs. The other side of airport revenues are those that give the airport spending power and financial stability beyond a single year. Revenues from parking, concessions and facility leases fit that category. A portion of those revenues go back into the Airport's development fund for future projects. Parking revenues were 16 percent higher this year, netting three million dollars more in revenue vs. FY15. Food/Beverage increased 1.5 percent and specialty retail increased nearly 14 percent.



# FY16 Highlights

## Improvements and Amenities

St. Louis Lambert International Airport began FY2016 focused on addressing needed facility improvements in Terminal 2. There, the much newer facility needed more modest improvements. Much like in Terminal 1, the focus was on the most critical areas which included renovating all restrooms for a more welcoming experience. With the high volume of passenger traffic in Terminal 2, the main corridor carpet needed an overhaul. The Airport chose to replace it with ceramic tile which instantly brightened the terminal's gate-side appearance. The new flooring will also be easier to clean and maintain in the years to come. The third terminal-wide improvement was the upgrade to blue wayfinding signs – refurbished from their original brown color. The signs were updated for more concise wayfinding directions. An updated font also makes the signs easier to read for all travelers.

The transformation continued in the spring of 2016 with expansion in Terminal 2. The airport re-opened Gates E31 and E33, which had been closed for several years. Improvements also included new corridor tile and restroom improvements to the expanded area serving gates E29, E31, E33. Southwest Airlines began full time operations in the expanded gate areas with additional renovations including new carpeting, customer service counters and signage.

The airport also worked with HMSHost and Hudson to open a new Stella Artois bar and a Hudson News & Gift wall kiosk to serve the growing passenger traffic to that end of the terminal.

We also gave a toast to the first Vino Volo Wine Bar in Terminal 2. The cozy wine lounge concept, located near Gate E18, was an instant hit for Southwest passengers who can select wine from around the world with a food menu to match.

Access to expedited screening options expanded in 2016 with the addition of a Global Entry Enrollment Center at STL. The program operated by the U.S. Customs and Border Protection (CBP) processes applications for its trusted traveler programs, which allows members to use automated kiosks instead of traditional CBP inspection lines. TSA's Pre-Check program, a trusted traveler program for domestic travel, opened an enrollment center at STL in 2014.

Finally, the passenger experience in 2016 was greatly enhanced by the expansion of the Lambert Art & Culture Program. It's a program with a mission to bring a local cultural identity to the Airport through permanent artworks and temporary art exhibitions. The Airport's temporary exhibition program expanded to Terminal 2 and other locations in Terminal 1 in partnership with some very prominent art institutions in St. Louis, including the Missouri History Museum, St. Louis Contemporary Art Museum and the Saint Louis Art Museum.



# FY16 Highlights

## Environmental

St. Louis Lambert International Airport's drive to improve energy efficiency across all networks, buildings and power systems is paying off. In late 2015, Ameren Missouri presented a ceremonial check to Lambert for \$490,642 at the December meeting of the St. Louis Airport Commission. The check represents nearly 30 projects that earned cash incentives over the last three years through Ameren Missouri's BizSavers® Program.

The cash incentives are just one payback. The ongoing energy savings for the Airport are another. Ameren Missouri estimates the most recent projects have saved 8.1 million kilowatt-hours of electricity, equal to powering 575 homes for a year. STL is now saving more than \$40,000 per month in avoided energy costs. Energy efficiency and conservation efforts at the Airport are guided by key strategies and goals in the City of St. Louis Sustainability Plan (2013) that targets lower greenhouse emissions for the region.

## Airfield Improvements

Every year, the Airport focuses on operational excellence and safety. That means a driving commitment to maintain and improve the Airport's four-runway airfield. In FY16, STL invested more than \$11.5 million in pavement rehabilitation projects that corresponded to our Airfield Pavement Management Plan, which is required by the FAA. The priority projects this year were the reconstruction of Taxiway (TW) Echo between TW S and TW P. The Airport also reconstructed the North Apron, also known as Lima Pad.



# FY2016 Strategic Plan Objectives

STRATEGIC OBJECTIVES	FY2015 KEY INITIATIVES	BASELINE FY2013	TARGET FY2016	5-YEAR TARGET 2015-2020	AT RISK	ON TARGET	MEASURABLE OR TARGETED	KEY OBSERVATIONS	ACTUALS FY2016
STRENGTHEN FINANCIAL SUSTAINABILITY	Lowering Cost Per Enplaned Passenger	\$13.77	\$13.36	12.58 or 1.5% Annual Reduction			●	Mild weather conditions during FY16 contributed to lower expenses for weather treatment supplies and contractual expenses. The Airport continues to control expenses with various cost reduction plans and effective contract negotiations to reduce expenses by 30% in telecommunications, environmental and insurance expenses. Also, the Airport's aggressive energy savings programs contributed to a 8% decline in utility expenses during FY16.  The Airport recently negotiated a new master Aiport Use and Lease Agreement effective July 1, 2016 which establishes the rate structure to charge signatory airlines for the next five years. The cost per enplaned (CPE) passengers under the new agreement is anticipated to decrease to approximately \$10.65.	\$11.89
	Growing Non-Aero Rev as a Percentage of Total Op Rev	32.8%	34.1%	36.9% or 2% Annual Increase			●	Non-aeronautical revenue for the Airport includes various items, a few of the significant increases during FY16 included: - Parking and Taxi revenue 30.6% increase FY16 - Specialty Retail revenue 13.7% increase FY16 - Luggage Carts revenue 20.4% increase FY16 - Food and Beverage revenue 1.5% increase FY16	38.1%
	Reducing Debt Service	Continued focus on optimizing		Continued focus on optimizing			●	During fiscal year 2015, the Airport completed the advance refunding of 2005 Series Revenue Refunding Bonds 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 FY2017 and FY2019, respectively. Lambert was able to maintain credit ratings of A3 from Moody's and A- from Standard & Poor's rating services, as well as, achieve a BBB+ rating and revised Positive outlook from the Fitch ratings agency during fiscal year 2016.	See details in the key observations column.
SUSTAIN AND GROW AIR PASSENGER SERVICE	Sustained and Increasing Number of Non-Stop Markets	65	67	70 Non-stop Markets			●	Markets with new service in FY16 and not served in FY15: 1. PDX                      4. DSM 2. SNA                      5. ICT 3. LIT                        6. OAK	70
	Increasing Number of Non-Stop Flights to Top 40 Markets	177	187	202			●	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. Seats actually increased from 20,583/Day to 20,831/Day.	172
	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)		2000+ Annual Growth				Measurement of the metric "Increasing Demand from the Extended Catchment Area" continues to be difficult due to the exclusion of Southwest Airlines data from the reporting service. With Southwest Airlines, our largest air carrier, anticipated to change over to a more traditional reservation system in 2016, that should change and STL will be able to start measuring regional demand.  Air service awareness events/campaigns continue to be held in markets located within and beyond STL's catchment area. STL partners with various groups (regional airports, airlines, vacation packagers, local chambers, regional convention and visitor bureaus, etc.) on these events/campaigns. Generally, there is one or more on-going event/campaign at any given time. In addition, STL is developing a program to work with regional ground transportation providers to encourage the traveling public to use STL over competing airports or modes of transportation.	See details in the key observations column.

# FY2016 Strategic Plan Objectives

STRATEGIC OBJECTIVES	FY2015 KEY INITIATIVES	BASELINE FY2013	TARGET FY2016	5-YEAR TARGET 2015-2020	AT RISK	ON TARGET	MEET OR EXCEED TARGET	KEY OBSERVATIONS	ACTUALS FY2016
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	●			The results for FY16 appear to be on target, however, the Airport has not improved at the pace of the other airports participating in the Airport Service Quality Survey. We will continue to work on improving our service quality for the traveling public.	4.08 AVG for FY16
	Industry Recognition	Nominations/ Awards		Nominations/ Awards		●		1) AIA Chicago Interiors Award: Terminal 1 Renovation 2) ENR Midwest: Best Project of the Year Award: Airports/Transit, Kwame Building Group, St. Louis Lambert International Airport, Airport Experience Renovation Program 3) ACI-NA Marketing Communications Awards: Winner- Customer Service Technology Innovation, Digital Directories 4) Airport Revenue News' Director of the Year/ Medium Airports Division: Rhonda Hamm-Niebruegge 5) FAA Airport Certification Program Medal of Excellence: Discrepancy Free Annual Certification Inspection	See details in the key observations column to the left.
	Increasing Revenue Per Enplaned Passenger (Revenue based on concessions only)	\$6.02	\$6.38	\$7.18 or 3% Annual Increase			●		\$6.66
GENERATE ECONOMIC DEVELOPMENT	Increasing Cargo Revenue as a Percentage of Total Aero Revenue	3.7%	4.0%	5.4% or escalating annual increase	●			Strategic goals for this initiative are established to escalate per year as determined by the following schedule: FY15 - 3.8%      FY18 - 4.5% FY16 - 4.0%      FY19 - 4.9% FY17 - 4.2%      FY20 - 5.4%	3.7%
	Generating Annual Revenue from Underutilized Land Assets	\$262K (FY2014)	\$478K	\$1MM			●	Strategic goals for this initiative are established per year as determined by the following schedule: FY15 - \$368K      FY18 - \$728K FY16 - \$478K      FY19 - \$868K FY17 - \$593K      FY20 - \$1MM	2.6 acres of underutilized land sold: \$152,000 Concourse B events: \$20,401 Vino Volo: \$48,190 Spire: \$26,890 Jet Line: \$60,000 MHS: \$196,020 MorphoTrust: \$49,051 MO Army Guard: \$22,026 Total: \$604,648
	Increasing Number of Jobs from New Development	Construction Jobs=88; Permanent Jobs=22 (FY2014)	62 Construction Jobs and 48 Permanent Jobs	460 new construction jobs by FY2020 and 100 new permanent jobs by FY2020.			●	Southwest Airlines opened Gates E31 and E33 during the fiscal year creating 59 permanent jobs and 15 construction jobs. Trans States Airlines added 129 permanent jobs to their operations with the expansion of their training facilities and additional air fleet. Boeing ramp reconstruction projects generated a total of 154 construction jobs during the fiscal year. Various tenant construction jobs throughout the entire Airport generated 97 construction jobs.	Construction - 266 Permanent - 188

# 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, 2016 are summarized as follows:

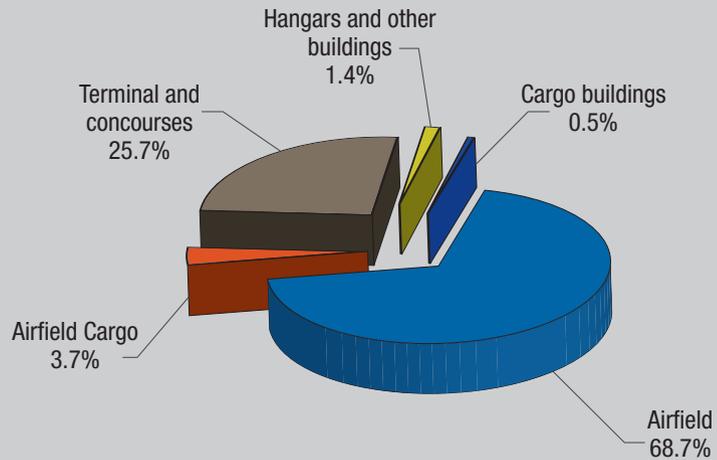
	<b>FY2016</b>	<b>FY2015</b>	<b>\$ Change</b>	<b>% Change</b>
Operating revenues	\$136,694	140,248	(3,554)	(2.5%)
Operating expenses	131,237	124,207	7,030	5.7%
Operating income	5,457	16,041	(10,584)	(66.0%)
Nonoperating expenses, net	(4,788)	(7,711)	2,923	(37.9%)
Income (loss) before capital contributions, transfers, and extraordinary items, net	669	8,330	(7,661)	(92.0%)
Capital contributions	9,378	23,284	(13,906)	(59.7%)
Transfers out	(6,415)	(6,407)	(8)	0.1%
Extraordinary item – Natural disaster	678	1,737	(1,059)	(61.0%)
Increase in net position	4,310	26,944	(22,634)	(84.0%)
Cumulative effect of change in accounting principle	-	(13,372)	13,372	(100.0%)
<b>Net position, end of year</b>	<b>\$1,099,770</b>	<b>1,095,460</b>	<b>4,310</b>	<b>0.4%</b>

*(Dollars in thousands, unless otherwise indicated)*

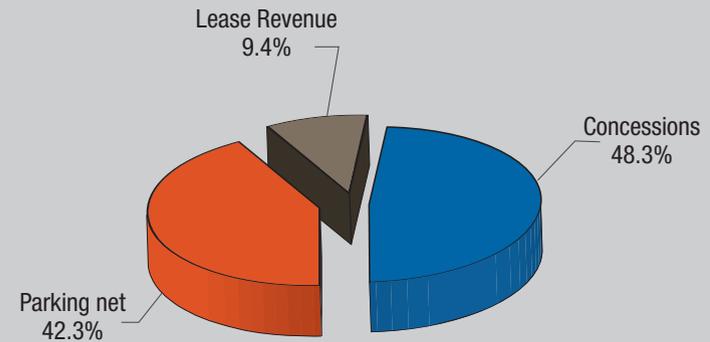
# Operating Revenues

The following chart shows the major sources of operating revenues for the year ended June 30, 2016:

## Aviation Revenue



## Non-Aviation Revenue



# 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, 2016:

	FY2016	% of Total	\$ Change from 2015	% Change from 2015
Operating revenues:				
Aviation revenue:				
Airfield	\$58,138	68.7%	(2,920)	(4.8%)
Airfield Cargo	3,152	3.7%	(285)	(8.3%)
Terminal and concourses	21,707	25.7%	(3,258)	(13.1%)
Hangars and other buildings	1,176	1.4%	65	5.9%
Cargo buildings	393	0.5%	36	10.1%
<b>Total Aviation revenue</b>	<b>84,566</b>	<b>100.0%</b>	<b>(6,362)</b>	<b>(7.0%)</b>
Non-Aviation revenue:				
Concessions	25,195	48.3%	(467)	(1.8%)
Parking, net	22,043	42.3%	3,107	16.4%
Lease revenue	4,890	9.4%	168	3.6%
<b>Total Non-Aviation revenue</b>	<b>52,128</b>	<b>100.0%</b>	<b>2,808</b>	<b>5.7%</b>
<b>Total operating revenue</b>	<b>136,694</b>	<b>100.0%</b>	<b>(3,554)</b>	<b>(2.5%)</b>
Non-operating revenues:				
Intergovernmental revenue	692	0.4%	(585)	(45.8%)
Investment revenue	2,896	1.7%	355	14.0%
Passenger facility charges	25,785	15.5%	1,597	6.6%
Other non-operating revenue, net	358	0.2%	213	146.9%
Gain/(Loss) on sale of capital asset	(71)	(0.0%)	(235)	(143.3%)
<b>Total non-operating revenue</b>	<b>29,660</b>	<b>17.8%</b>	<b>1,345</b>	<b>4.8%</b>
<b>Total revenues</b>	<b>\$166,354</b>	<b>100.0%</b>	<b>(2,209)</b>	<b>(1.3%)</b>

Fiscal year 2016 operating revenues decreased 2.5%, or \$3,554. This results primarily from lower landing fee rates assessed to air carriers resulting in lower Airfield and Airfield Cargo revenue of \$3,205, and lower Terminal and Concourse rental revenues of \$3,258, and an increase in Hangar building revenues of \$65. In addition, non-operating revenues increased 4.8%, or \$1,345, due primarily to an increase in enplaned passengers during the fiscal year and passenger facility fee collections.

*(Dollars in thousands, unless otherwise indicated)*

# St. Louis Airport Commission\*

Rhonda Hamm-Niebruegge  
Director of Airports, Chairperson

Jeffrey Aboussie  
President  
Regional Strategies

John Bales  
Director of Aviation  
Spirit of St. Louis Airport

Sean R. Fitzgerald  
Vice President of Airport Property, Construction and  
Environmental  
Enterprise Holdings

June Fowler  
Senior Vice President, Corporate and Public Communications  
BJC HealthCare

Darlene Green  
Comptroller  
St. Louis City

Dick Hrabko  
Retired, former Director of  
St. Louis Lambert International Airport

Samuel Jenkins  
Owner  
SPJ Consulting, LLC.

Lyda Krewson  
Alderman, 28th Ward  
St. Louis Board of Aldermen

Benjamin A. Lipman  
Attorney  
Lewis, Rice & Fingersh, LC

Richard Nemanick, Ph.D.  
Co-founder, principal consultant  
The Leadership Effect

Kathleen Osborn  
Executive Director  
The Regional Business Council

Lewis Reed  
President  
St. Louis Board of Aldermen

Richard A. Sauget  
Founder, President  
East County Enterprises

John "Jack" Stelzer  
Retired  
St. Louis City Democratic Committeeman-8th Ward

Marilyn Teitelbaum  
Attorney  
Schuchat, Cook & Werner



\*St. Louis Airport Commissioners as of February 2017



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STRATEGIC PLAN 2015 - 2020