



■ *State of Hawaii, Department of Transportation, Airports
Division*

PATA Hawai'i

September 13, 2018



DOTA Continues Major Initiatives in 2018

- **Enhance financial performance**
- **Strengthen air service development**
 - Dramatic increase of overseas traffic to neighbor island airports
 - Service initiation by Southwest Airlines
- **Recently completed projects**
 - Concession improvements through P3
 - Ewa concourse improvements
 - Upgraded Flight Information Display
 - Advertising and Wi-Fi
 - Terminal signage replacement
 - TNC accommodation
 - Energy saving project phases 1 and 2
- **Exciting improvements on the horizon**

Enhance Financial Performance

The Hawaii Airports System is self-supporting

- **The State of Hawaii's General Fund (tax revenues) does not fund the operation of the Airports System.**
- **Rather, the Airports System generates its own revenues and pays for its own expenses from concession and airline revenues.**
- **The Airports System is a Special/Enterprise Fund similar to a private sector entity.**

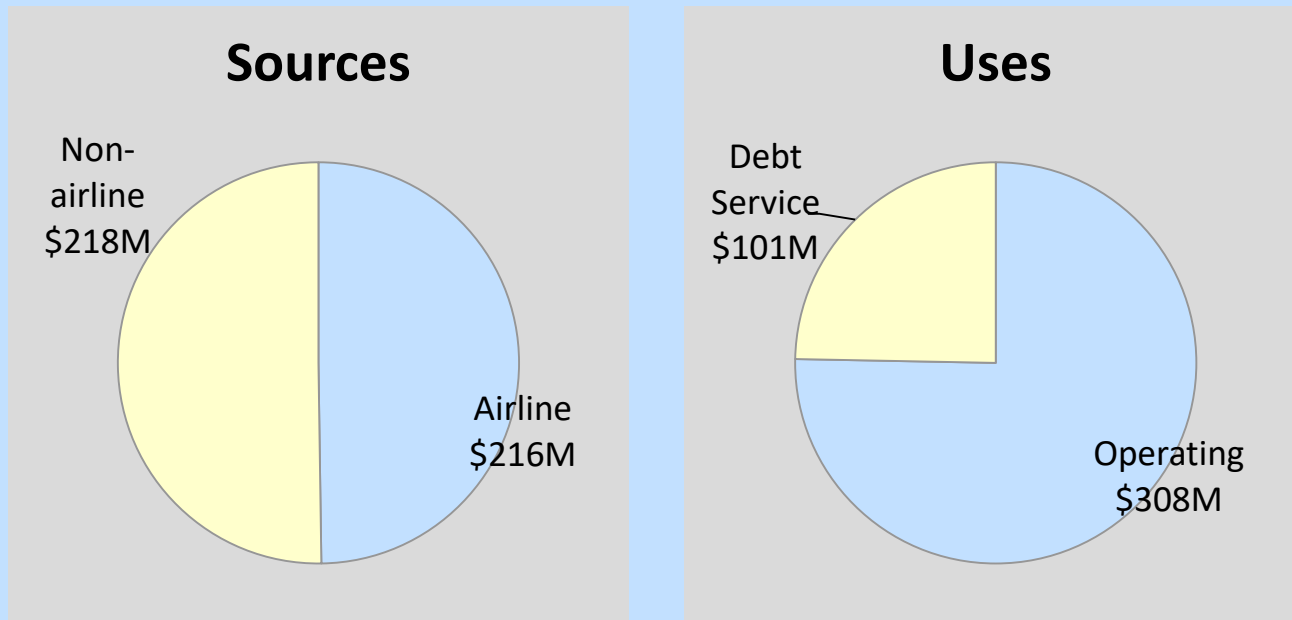
Primary Sources of Funds	Primary Uses of Funds
<ul style="list-style-type: none">• Airline revenues: landing fees, terminal rentals, etc.• Nonairline revenues: passenger concession fees, parking revenues, etc.• Federal grants and Passenger Facility Charge revenues	<ul style="list-style-type: none">• Operating expenses (personnel, contractual services, utilities, etc.)• Debt service payments• Capital expenditures (facilities, equipment, etc.)

Enhance Financial Performance

Optimizing expenses and developing nonairline revenues remain key focus

- Approximately half of all revenues come from airline payments, with the other half from concession revenues and other nonairline revenues.
- Approximately 75% of expenditures are operating expenses, and 25% for debt service.

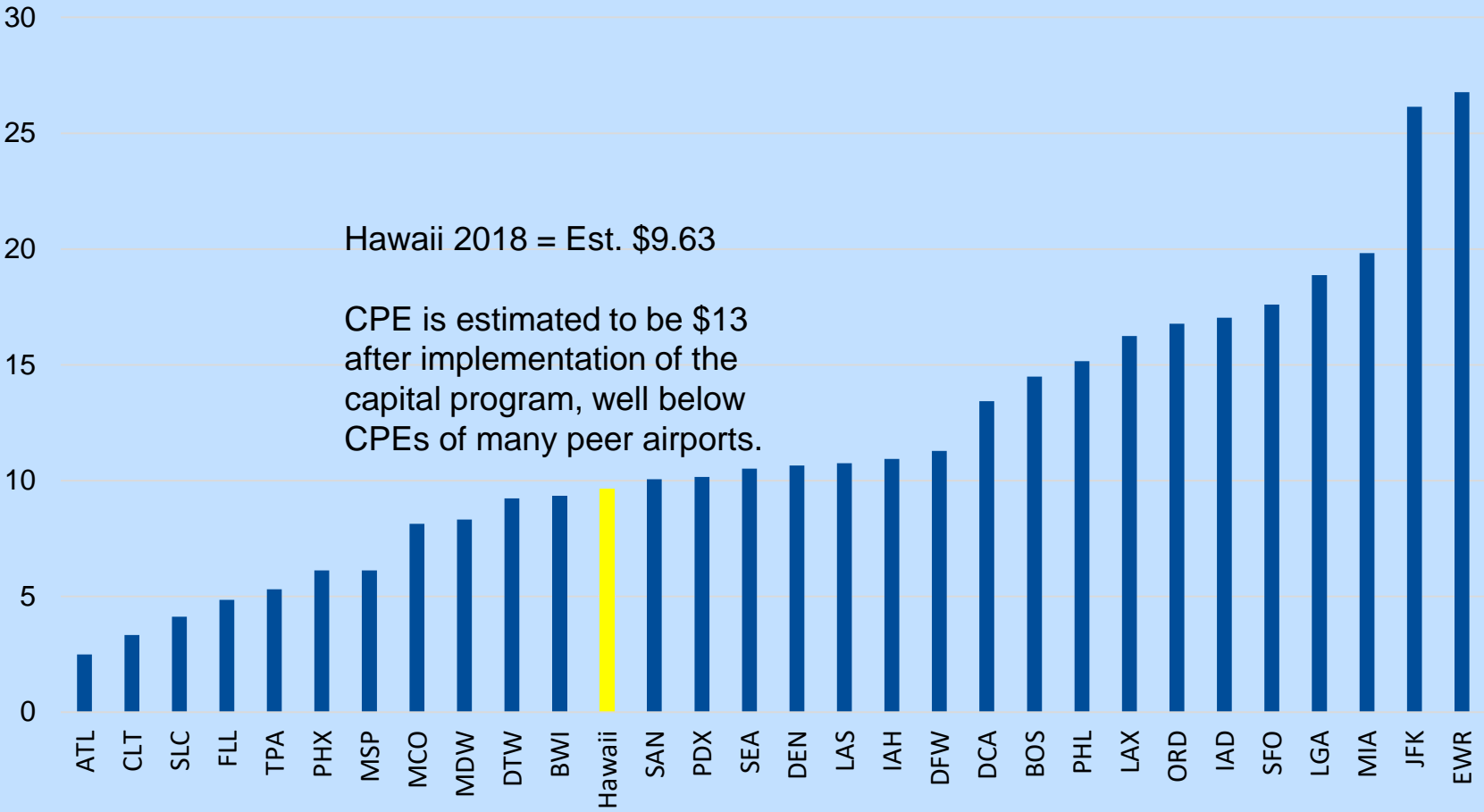
FY 2018 Estimated Financial Results (in millions)



Enhance Financial Performance

DOTA's CPE compares favorably to peers

Recent Cost per Enplaned Passenger U.S. Large Hubs



Enhance Financial Performance

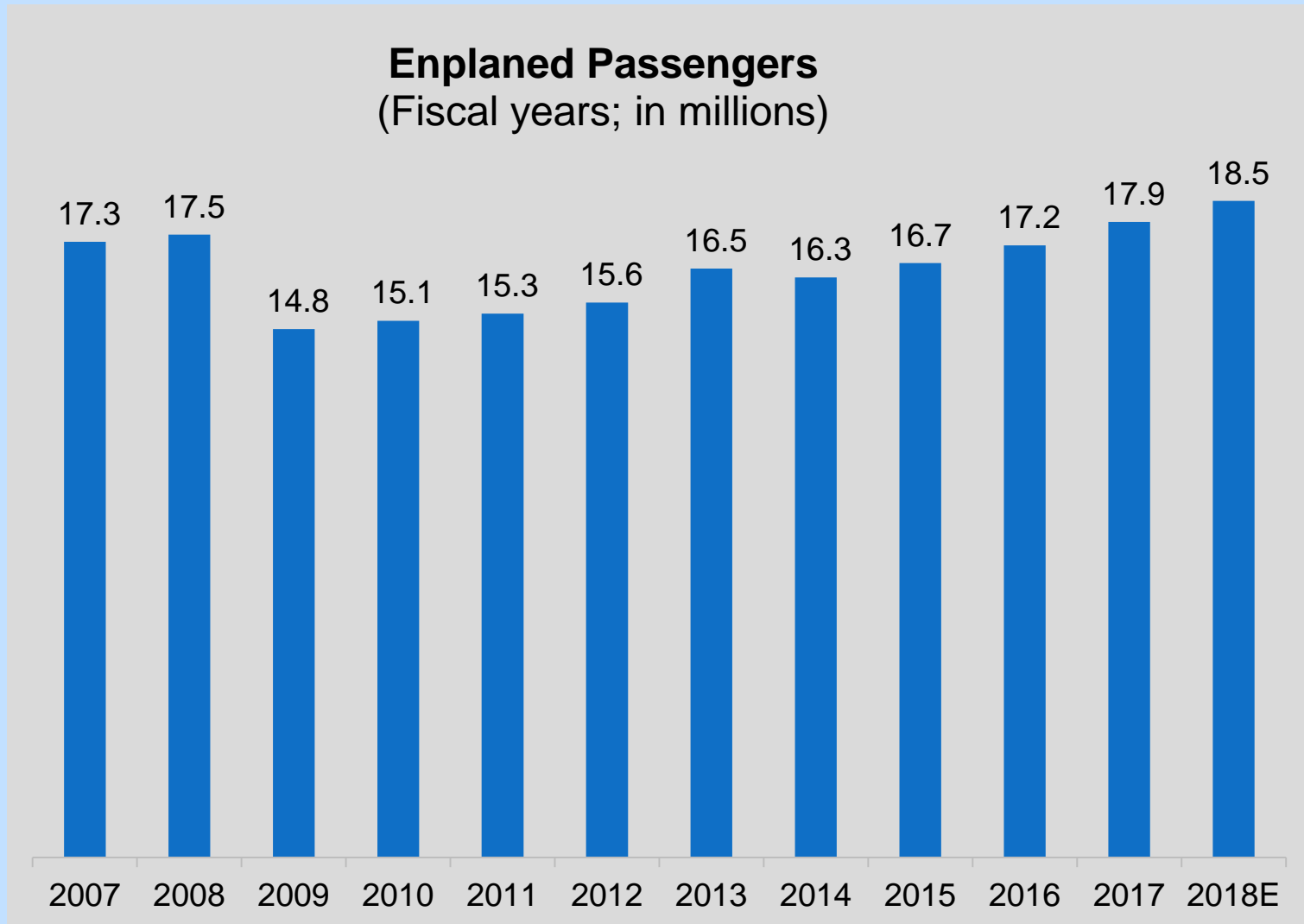
DOTA's continuing efforts are recognized by bond rating agencies

- **In August 2018, both Moody's and Fitch Ratings confirmed DOTA's bond ratings. S&P upgraded bond ratings from A+ to AA-, making Hawaii one of the very few airports with AA bond ratings**
 - In addition, the refunding will save \$27 million over the next 16 years
- **DOTA's prudent financial management and efforts in developing nonairline revenues are key factors in rating considerations:**
 - Positive trends in air traffic, including planned initiation of services by Southwest Airlines
 - Managed increase of operating expenses, with expense optimization being the focus
 - Higher nonairline revenues due to lease extension, facility development, and contract negotiations, including duty free, retail, food and beverage, among other revenues, totaling more than \$100 million in the next 5 years

STRENGTHEN AIR SERVICE DEVELOPMENT

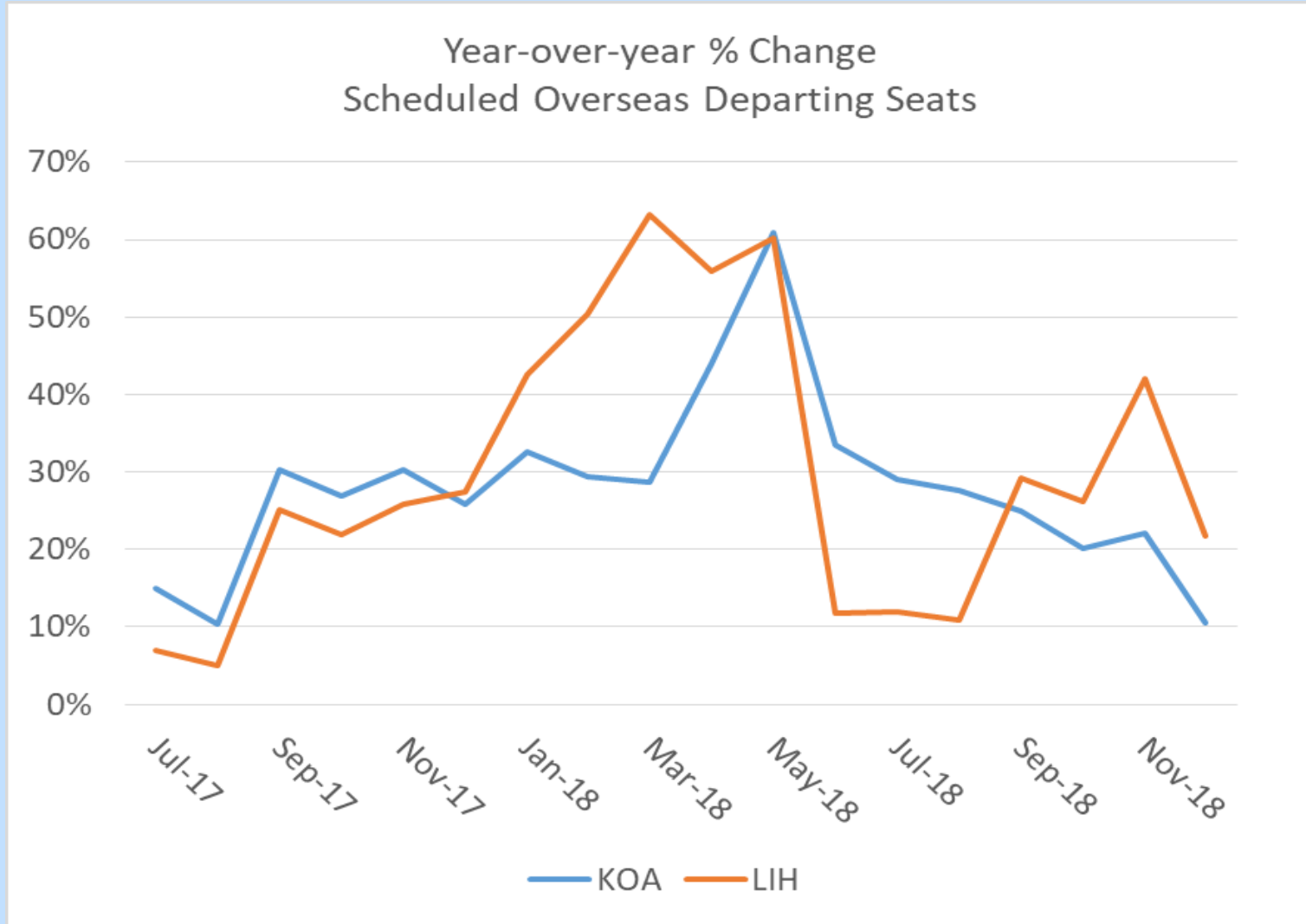
Air Service Development

Enplaned passengers exceed the FY 2008 peak, and are expected to be historical high in FY 2018



Air Service Development

Scheduled seat capacity is increasing dramatically at Kona and Lihue



Air Service Development

Southwest Airlines are expected to start service soon



- **In 2017, Southwest Airlines announced its intention to fly to the Hawaiian Islands**
 - The carrier is still awaiting FAA approval to fly the Trans-Pacific, which is anticipated by end of 2018 or early 2019
- **In April 2018, Southwest announced the intention to serve Honolulu, Kahului, Lihū'e, and Kona from four California markets including Oakland, Sacramento, San Diego, and San Jose**
 - The carrier may also expand to provide interisland service
- **Southwest Hawai'i service will likely start at the end of 2018 or in early 2019**
- **In addition, United Airlines has recently announced to invest \$200 million into its infrastructure at Hawaii**



IMPROVE CUSTOMER SERVICE
RECENTLY COMPLETED PROJECTS

Improve Customer Service

Public-Private partnership projects



- In recent years, DOTA has negotiated with key concessionaires to renovate facilities at major Hawaii airports
- DFS has completed renovation of central concourse area and enhanced both duty free and duty paid operations
- Host has committed to invest \$20 million into airport facilities and completed improvements at Ewa concourse.
- A market place will be constructed as part of Diamond Head concourse improvements and improve the concession revenues to DOTA

Improve Customer Service

Ewa Concourse Improvements

- Ewa Concourse improvements were completed in July 2017, providing state-of-the-art facilities for international operations
- New concession offerings have significantly improved food and beverage, retail and duty free sales



Improve Customer Service

FIDS (Flight Information Displays)

- Large, easy to read, state of the art Flight Information Display boards for Lobbies 4, 6, 7 and 8 (2 and 3 completed)



Improve Customer Service

Advertising and WiFi

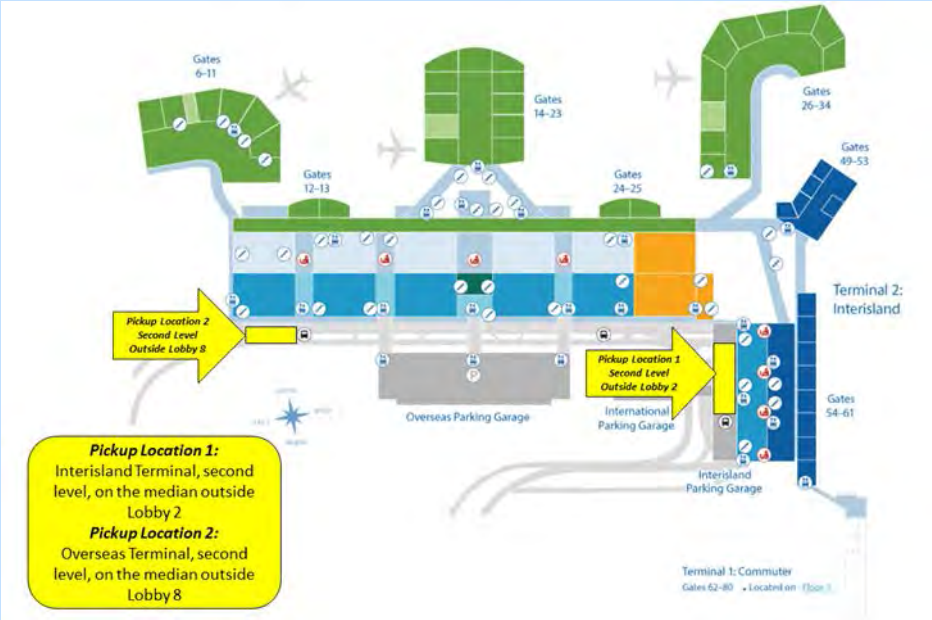
- The new advertising contract not only improved airport revenues, but also improved wayfinding in the terminal
- Free high speed internet is available at HNL



Improve Customer Service *Transportation Network Companies (TNC)*



- New rules effective August 24, 2018
- Licensed TNCs now eligible for ground transportation permits
- TNCs currently operate at HNL; other airports pending



IMPROVE CUSTOMER SERVICE
EXCITING NEW PROJECTS

Major Capital Projects

Many new projects are being implemented in the next two years

■ **Expected completion schedule**

- Terminal signage: late 2018-2019
- A380 Gates: February 2019
- OGG Consolidated Rental Car Facility: April 2019
- Diamond Head concourse improvements: June 2019
- KOA terminal modernization: June 2019
- Ticket lobby renovations 4, 5, and 6: late 2019
- OGG holdroom improvements: late 2019 to 2020
- Restroom improvements at all airports: through 2020
- New Mauka concourse: summer 2020
- HNL Consolidated Rental Car Facility: early 2021
- Permanent KOA FIS: 2021
- Future Diamond Head Extension Program: initiating

Major Capital Projects

A380 Gates



- **DOTA is constructing A380-capable gates at Ewa Concourse, and expects to complete in February 2019**
- **All three aircrafts will be Hawaiian-themed**
- **The upgauging of three daily services is expected to bring up to \$37 million of annual tax revenues to the State**

Major Capital Projects

DH CONCOURSE AND CONCESSION IMPROVEMENTS



Major Capital Projects

Ticket lobby renovation and Diamond Head Concourse



- The ticket lobby project will renovate lobbies 4 to 6 to provide glass panels similar to lobbies 7 and 8, install back wall conveyor belt, and improve overall functionality of the ticket lobbies.
- Ewa concourse improvements were completed in July 2017, and a similar project is ongoing at Diamond Head Concourse



Major Capital Projects

Terminal Signage and Statewide Restroom Renovation



- The signage project is being implemented to replace roadway and terminal signage for better wayfinding
- DOTA is renovating restroom statewide, with two phases planned for HNL restrooms. Restrooms at Ewa concourse have been completed
- Wi-Fi and advertising contracts have been implemented



Major Capital Projects

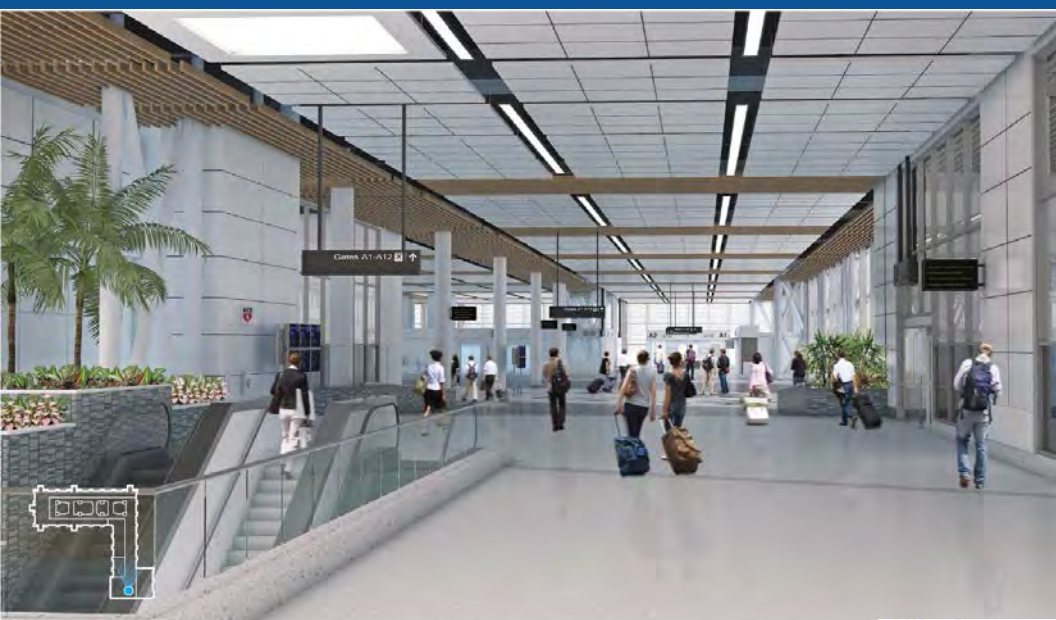
Mauka concourse will provide additional 6 to 11 gates to accommodate peak demand



- The concourse is expected to complete in summer 2020
- PFC revenues are expected to be used to pay eligible debt service

Major Capital Projects

MAUKA CONCOURSE RENDERING



Major Capital Projects

Diamond Head Extension Program



- **The Governor has announced this \$1.1 billion program, which is supported by the airlines**
- **A planning study is being conducted to recommend the path forward, with the completion date around 2025. This project has not been reflected in the financial projections.**

Major Capital Projects

- Larger hold rooms & restrooms @ OGG



HOLDROOM B RESTROOM CORRIDOR ELEVATION



HOLDROOM B RESTROOM CORRIDOR ELEVATION CONTINUE

HOLDROOMS A, B & E RESTROOM IMPROVEMENTS

AM1042-41

HOLDROOM B INTERIOR ELEVATION

Not to Scale

26 APRIL 2018

- **Current hold rooms and restrooms were designed for inter-island aircraft.**
- **Construction:**
 - Start: November 2018
 - End: October 2019

Major Capital Projects

KOA Terminal Modernization



- A large central security checkpoint will serve both the north and south terminal. Currently, the terminal is divided and operates as 2 terminals with 2 checkpoints.



Major Capital Projects

KOA Terminal Modernization



Aerial Photo – Northwest View



Aerial Photo – West View

Major Capital Projects

KOA Federal Inspection Station

- Both Hawaiian Airlines and Japan Airlines operate non-stop international flights to KOA, adding an estimated \$150M in visitor spending to the Big Island economy and \$19M in tax revenues annually.
- The KOA FIS serves as the 2nd port of entry, in case our HNL facility is not available due to an unforeseen event.
- The permanent facility is being planned for completion by mid 2021.



Major Capital Projects

HNL Consolidated Rental Car Facility



- **DOTA constructed an interim facility to enable the construction of the permanent ConRAC**
- **The project is scheduled to complete in 2021, using CFC revenues and CFC bond proceeds**
- **Upon completion, off-airport rental car companies will relocate on-airport, bringing additional revenues to DOTA**



Major Capital Projects

OGG Consolidated Rental Car Facility



- This project is scheduled to be completed in late 2018 and is on schedule
- A tram will connect the ConRAC with the passenger terminal, providing high quality of customer service

Mahalo

