ONTARIO INTERNATIONAL AIRPORT

SPECIAL AND URGENT NOTICE ELIMINATING IN-PERSON PUBLIC PARTICIPATION AT ONTARIO INTERNATIONAL AIRPORT AUTHORITY MEETINGS

In accordance with the Governor's Declarations of Emergency for the State of California (Executive Orders N-25-20 and N-29-20) and the Governor's Stay at Home Order (Executive Order N-33-20), the Ontario International Airport Authority (OIAA) board meetings are being conducted via Zoom and teleconference. Members of the public may utilize alternative measures established by OIAA to view the board meetings and/or to address the President and Commissioners. Please see instructions listed below.

Link to watch the January 28, 2021 Board Meeting*: https://us02web.zoom.us/s/89035320939

To dial in, call either: US: +1 669 900 6833 or +1 346 248 7799 or +1 253 215 8782

WEBINAR ID: 890 3532 0939

*Zoom requires you to enter a response for name and email. To remain anonymous, you may use Attendee and attendee@flyontario.com to bypass this Zoom feature.

ANY MEMBERS OF THE PUBLIC WISHING TO PROVIDE PUBLIC COMMENT MAY DO SO AS FOLLOWS:

E-MAIL: You may submit public comments by e-mail to clerk@flyontario.com no later than 12:00 p.m. the day of the meeting. Please identify the Agenda item you wish to address in your comments. All e-mail comments will be included in the record.

TELEPHONE: You may call (909) 414-1718 between 1:40 p.m. to 2:00 p.m. the day of the meeting to speak live during the public comment portion of the meeting. You will be asked to identify the Agenda item you wish to address and be placed on hold until the public comment portion of the meeting. Comments are limited to 3 minutes.

VOICEMAIL: You may record public comments at (909) 544-5307 no later than 12:00 p.m. the day of the meeting. Please identify the Agenda item you wish to address in your comments. Recorded comments are limited to 3 minutes. All voicemail comments will be included in the record.

MAIL: You may mail in public comments to the OIAA Clerk's Office at 1923 E. Avion St., Ontario, CA 91761. Comments by mail must be received no later than 12:00 p.m. the day of the meeting. Postmarks are not accepted.

Any members of the public who require special assistance or a reasonable accommodation to participate telephonically in the meeting of the OIAA Commission may contact Natalie Gonzaga at 909-544-5307 or clerk@flyontario.com.

The Ontario International Airport Authority Board of Commissioners and staff thank you for your continued patience and corporation during these unprecedented times. If you have any questions related to participation in the Board Meeting please call (909) 544-5307.

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

COMMISSION AGENDA – REGULAR MEETING

JANUARY 28, 2021 AT 2:00 P.M.

Ontario International Airport Regular Meeting

MEETING WILL BE HELD VIA LIVE STREAM AND TELECONFERENCE

ALAN D. WAPNER President	**RONALD O. LOVERIDGE** Vice President	**JIM W. BOWMAN** Secretary	**CURT HAGMAN** Commissioner	**JULIA GOUW** Commissioner
MARK A. THORPE Chief Executive Officer	**LORI D. BALLANCE** General Counsel	**JOHN M. SCHUBERT** Treasurer		

WELCOME TO THE MEETING OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY

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MAIL: You may mail in public comments to the OIAA Clerk's Office at 1923 E. Avion St., Ontario, CA 91761. Comments by mail must be received no later than 12:00 p.m. the day of the meeting. Postmarks are not accepted.

Any members of the public who require special assistance or a reasonable accommodation to participate telephonically in the meeting of the OIAA Commission may contact Natalie Gonzaga at 909-544-5307 or clerk@flyontario.com.

ORDER OF BUSINESS

The Authority meeting begins at 2:00 p.m. with Public Comment and the Regular Meeting, followed by Closed Session Public Comment and Closed Session.

(Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days notice is strongly recommended.)

CALL TO ORDER (OPEN SESSION) - 2:00 P.M.

ROLL CALL

Loveridge, Bowman, Hagman, Gouw, President Wapner

PLEDGE OF ALLEGIANCE

PUBLIC COMMENT

Public Comment: The open meeting Public Comment portion of the Commission meeting is limited to a maximum of 3 minutes for each Public Comment. Under provisions of the Brown Act, the Commission is prohibited from taking action on oral requests.

AGENDA REVIEW/ANNOUNCEMENTS

The Chief Executive Officer will go over all updated materials and correspondence received after the Agenda was distributed to ensure Commissioners have received them.

1. INFORMATION RELATIVE TO POSSIBLE CONFLICT OF INTEREST

Note: Agenda item contractors, subcontractors and agents which may require member abstentions due to conflict of interests and financial interests. Commission Member abstentions shall be stated under this item for recordation on the appropriate item.

CONSENT CALENDAR

All matters listed under CONSENT CALENDAR will be enacted by one motion in the form listed below – there will be no separate discussion on these items prior to the time Commission votes on them, unless a member of the Commission requests a specific item be removed from the Consent Calendar for a separate vote.

Each member of the public wishing to address the Authority on items listed on the Consent Calendar will be given a total of 3 minutes.

2. APPROVAL OF MINUTES

Minutes for the special meeting of the Ontario International Airport Authority on December 17, 2020, and the cancelled meetings on November 26, 2020 and December 24, 2020, and approving the same as on file with the Secretary/Assistant Secretary.

3. BILLS/PAYROLL

Bills December 1, 2020 through December 31, 2020 and Payroll December 1, 2020 through December 31, 2020.

4. APPROVAL OF MEETING STIPENDS

That the Ontario International Airport Authority Commission approve meeting stipends for President Wapner for the month of December, 2020.

5. A RESOLUTION DECLARING THE CONTINUED EXISTENCE OF A LOCAL EMERGENCY IN CONNECTION WITH PREPARATIONS THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY IS MAKING, AND ACTIONS IT IS TAKING, IN RESPONSE TO NOVEL CORONAVIRUS (COVID-19), AND COMPLIANCE WITH HEALTH AUTHORITIES' APPLICABLE GUIDANCE REGARDING RESPONDING TO COVID-19

That the Ontario International Airport Authority approve a resolution declaring the continued existence of a local emergency in connection with preparations the Authority is making, and actions it is taking, in response to the outbreak of the novel coronavirus (COVID-19), and compliance with health authorities' applicable guidance regarding responding to COVID-19.

RESOLUTION NO. ______

A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY DECLARING THE CONTINUED EXISTENCE OF A LOCAL EMERGENCY IN CONNECTION WITH PREPARATIONS THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY IS MAKING, AND ACTIONS IT IS TAKING, IN RESPONSE TO NOVEL CORONAVIRUS (COVID-19), AND COMPLIANCE WITH HEALTH AUTHORITIES' APPLICABLE GUIDANCE REGARDING RESPONDING TO COVID-19

6. **AWARD OF CONTRACT TO M. WILSON COMPANY CONTRACTORS, INC. FOR THE TRANSPORTATION SECURITY ADMINISTRATION RECAPITALIZATION CONSTRUCTION PROJECT IN TERMINAL 2 AND TERMINAL 4 AT ONTARIO INTERNATIONAL AIRPORT**

   That the Ontario International Airport Authority (OIAA) authorize the Chief Executive Officer (CEO) to execute a contract with M. Wilson Company Contractors, Inc. in the amount of $4,346,810 for Transportation Security Administration (TSA) Recapitalization Construction Project in Terminal 2 and Terminal 4 at the Ontario International Airport. The total construction cost of $4,346,810, plus a 10% contingency in the amount of $434,681 for this project has been requested through a TSA Other Transaction Agreement (OTA) Grant.

7. **APPROVE THE SELECTION OF A DIGITAL MEDIA AGENCY OF RECORD AND AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH FRUITION GROWTH, LLC DBA FRUITION FOR DIGITAL WEB SERVICES AT ONTARIO INTERNATIONAL AIRPORT**

   That the Ontario International Airport Authority (OIAA) authorize the Chief Executive Officer (CEO) to execute a professional services agreement with Fruition Growth, LLC for a one-year term in an amount not-to-exceed $350,000, and authorize the CEO to exercise two, one-year extension options at $350,000 annually, for an overall not-to-exceed amount of $1,050,000, if all options are exercised, for digital web services at Ontario International Airport (ONT). Funding for this contract is approved under the Fiscal Year 2020-21 budget. Funding for subsequent years will be requested through the annual budget process.

8. **AWARD OF CONTRACT TO PROSEGUR SECURITY USA FOR SECURITY SERVICES AT ONTARIO INTERNATIONAL AIRPORT**

   That the Ontario International Airport Authority (OIAA) authorize the Chief Executive Officer to execute a one-year term services contract with Prosegur Security USA, with a spending authority of up to $650,000 annually, and authorize the CEO to exercise up to four, one-year extensions, for an overall not-to-exceed spending authority of $3,250,000, if all options are exercised, for a services contract to fulfill security requirements at loading docks, North and South SAAP's, lost and found, and other assigned security functions as required by OIAA. Funding for this contract is approved under the Fiscal Year 2020-21 budget. Funding for subsequent years will be requested through the annual budget process.

ADMINISTRATIVE DISCUSSION/ACTION/REPORT

9. APPROVAL OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING JUNE 30, 2020

That the Ontario International Airport Authority approve the Audited Financial Statements for the fiscal year ending June 30, 2020.

10. A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY AUTHORIZING THE ISSUANCE OF SERIES 2021 SUBORDINATED REVENUE BONDS

That the Ontario International Airport Authority (OIAA) adopt a resolution authorizing and providing for the issuance Subordinated Revenue Bonds, Series 2021. Refinancing of approximately $59.5 million in OIAA outstanding debt and financing for $62.7 million of additional projects.

RESOLUTION NO. ____

A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY AUTHORIZING THE ISSUANCE OF ONTARIO INTERNATIONAL AIRPORT AUTHORITY REVENUE BONDS AND CERTAIN RELATED DOCUMENTS AND ACTIONS

11. A RESOLUTION UPDATING AIR CARRIER INCENTIVE PROGRAM A (ACIP) TO ENCOURAGE AND PROMOTE THE OPERATION OF COMMERCIAL PASSENGER AIR SERVICE TO NEW NONSTOP DESTINATIONS IN THE UNITED STATES, CANADA, AND MEXICO

That the Ontario International Airport Authority (OIAA) Board of Commissioners (Board) adopt a resolution to update and approve the newly proposed ACIP (A), offering Qualified Air Carriers a waiver, up to 12 months, of landing fees and marketing incentives to 33 new nonstop destinations in the United States of America, 2 in Canada, and 3 in Mexico, to encourage and support the launch of new air service from the Ontario International Airport (ONT).

RESOLUTION NO. ____

A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY TO UPDATE AN EXISTING AIR CARRIER INCENTIVE PROGRAM FOR NEW NONSTOP PASSENGER SERVICE TO DESTINATIONS IN THE UNITED STATES, CANADA, AND MEXICO

12. A RESOLUTION UPDATING AIR CARRIER INCENTIVE PROGRAM B (ACIP) TO ENCOURAGE AND PROMOTE THE OPERATION OF COMMERCIAL PASSENGER AIR SERVICE TO NEW NONSTOP INTERNATIONAL DESTINATIONS

That the Ontario International Airport Authority (OIAA) Board of Commissioners (Board) adopt a resolution to approve the newly proposed ACIP (B), offering qualifying Air Carriers a waiver of fees to 10 new nonstop international destinations in Asia, Europe and Central America, to encourage and support the launch of new air service from the Ontario International Airport (ONT).

RESOLUTION NO. ____

A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY UPDATING THE EXISTING AIR CARRIER INCENTIVE PROGRAM COVERING MULTIPLE INTERNATIONAL DESTINATIONS

MANAGEMENT REPORT

Chief Executive Officer Thorpe

COMMISSION MATTERS

President Wapner

Vice President Loveridge

Secretary Bowman

Commissioner Hagman

Commissioner Gouw

CLOSED SESSION PUBLIC COMMENT

The Closed Session Public Comment portion of the Authority meeting is limited to a maximum of 3 minutes for each speaker and comments will be limited to matters appearing on the Closed Session.

CLOSED SESSION

- GC 54957, PUBLIC EMPLOYEE PERFORMANCE EVALUATION
  Title: Chief Executive Officer

REPORT ON CLOSED SESSION

General Legal Counsel

ADJOURNMENT

ONTARIO INTERNATIONAL AIRPORT

DATE: **JANUARY 28, 2021**

SECTION: **MINUTE ACTION**

SUBJECT: **RELATIVE TO POSSIBLE CONFLICT OF INTEREST**

RECOMMENDED ACTION(S): Note: agenda items and contractors/subcontractors, which may require member abstentions due to possible conflicts of interest.

BACKGROUND: In accordance with California Government Code 84308, members of the Ontario International Airport Authority may not participate in any action concerning a contract where they have received a campaign contribution of more than $250 in the prior twelve (12) months and from an entity or individual if the member knows or has reason to know that the participant has a financial interest, except for the initial award of a competitively bid public works contract. This agenda contains recommendations for action relative to the following contractors:

Item No	Principals & Agents	Subcontractors
06	M. Wilson Company Contractors	• G & S Mechanical USA, Inc. • DAART Engineering Co. Inc.
07	Fruition Growth, LLC	• None
08	Prosegur Security USA	• None

STAFF MEMBER PRESENTING: Board Clerk, Natalie Gonzaga

Department: Clerk's Office Submitted to OIAA: January 28, 2021

ITEM NO. 01

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
SPECIAL COMMISSION MEETING
MINUTES
DECEMBER 17, 2020
(Not official until approved)

In accordance with the Governor's Declarations of Emergency for the State of California (Executive Orders N-25-20 and N-29-20) and the Governor's Stay at Home Order (Executive Order N-33-20), the Ontario International Airport Authority (OIAA) board meetings were conducted via live stream and teleconference. Members of the public utilized alternative measures established by OIAA to view the board meeting and/or to address the President and Commissioners for the special meeting held on Thursday, December 17, 2020.

Notice of said meeting was duly given in the time and manner prescribed by law.

CALL TO ORDER

President Wapner called the Ontario International Airport Authority Commission meeting to order at 2:02 p.m.

ROLL CALL

PRESENT VIA ZOOM:	Commissioners:	Julia Gouw, Curt Hagman, Jim W. Bowman, Ronald O. Loveridge, and Alan D. Wapner.
ABSENT:	Commissioners:	None

Also present via Zoom webinar were: Chief Executive Officer Mark A. Thorpe, General Counsel Kevin Sullivan and Board Clerk Natalie Gonzaga.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by General Counsel Sullivan.

PUBLIC COMMENT

Members of the public wishing to provide public comment for the items on the agenda were able to do so via email comments to clerk@flyontario.com, live via telephone at (909) 414-1718, via telephone recording comments at (909) 544-5307, or by mail.

Richard Sherman, provided an email comment expressing concerns on airplane noise.

AGENDA REVIEW/ANNOUNCEMENT

No announcements were made.

1. INFORMATION RELATIVE TO POSSIBLE CONFLICT OF INTEREST

Note: agenda item contractors, subcontractors and agents which may require member abstentions due to conflict of interests and financial interests. Commission Member abstentions shall be stated under this item for recordation on the appropriate item.

President Wapner announced a conflict for Item No. 07.

CONSENT CALENDAR

MOTION: Moved by Commissioner Hagman, seconded by Secretary Bowman, and carried by a roll call vote of 5-0-0, to approve the consent calendar Items No. 2-10, including Resolution 2020-21 and 2020-22, with President Wapner abstaining from Item No. 07.

2. APPROVAL OF MINUTES

Approved minutes for the meeting of the Ontario International Airport Authority special meeting on November 24, 2020 and approving the same as on file with the Secretary/Assistant Secretary.

3. BILLS/PAYROLL

Approved bills November 1, 2020 through November 30, 2020 and Payroll November 1, 2020 through November 30, 2020.

4. APPROVAL OF MEETING STIPENDS

The Ontario International Airport Authority Commission approved meeting stipends for President Wapner and Commissioner Hagman for the month of November, 2020.

5. A RESOLUTION DECLARING THE CONTINUED EXISTENCE OF A LOCAL EMERGENCY IN CONNECTION WITH PREPARATIONS THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY IS MAKING, AND ACTIONS IT IS TAKING, IN RESPONSE TO NOVEL CORONAVIRUS (COVID-19), AND COMPLIANCE WITH HEALTH AUTHORITIES' APPLICABLE GUIDANCE REGARDING RESPONDING TO COVID-19

The Ontario International Airport Authority approved a resolution declaring the continued existence of a local emergency in connection with preparations the Authority is making, and actions it is taking, in response to the outbreak of the novel coronavirus (COVID-19), and compliance with health authorities' applicable guidance regarding responding to COVID-19.

RESOLUTION NO. 2020-21 A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY DECLARING THE CONTINUED EXISTENCE OF A LOCAL

EMERGENCY IN CONNECTION WITH PREPARATIONS THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY IS MAKING, AND ACTIONS IT IS TAKING, IN RESPONSE TO NOVEL CORONAVIRUS (COVID-19), AND COMPLIANCE WITH HEALTH AUTHORITIES' APPLICABLE GUIDANCE REGARDING RESPONDING TO COVID-19

6. A RESOLUTION APPROVING THE NON-EXCLUSIVE REVOCABLE FUEL DELIVERY PERMIT AT ONTARIO INTERNATIONAL AIRPORT

The Ontario International Airport Authority (OIAA) Board of Commissioners (Board) adopted a resolution approving the change and addition of material language to the OIAA standard form Fuel Delivery Permits at Ontario International Airport (ONT) to ensure the language reflects up-to-date industry standards and operations at ONT.

RESOLUTION NO. 2020-22 A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY APPROVING THE NON-EXCLUSIVE REVOCABLE DELIVERY PERMIT AT ONTARIO INTERNATIONAL AIRPORT

7. APPROVAL OF A PROFESSIONAL SERVICES AGREEMENT WITH PAUL A. HANEY & ASSOCIATES, LLC FOR CONTINUED CONSULTING SERVICES TO SUPPORT MANAGEMENT, OPERATIONS, AND DEVELOPMENT AT ONTARIO INTERNATIONAL AIRPORT

The Ontario International Airport Authority (OIAA) authorized the Chief Executive Officer (CEO) to execute a professional services agreement with Paul A. Haney & Associates, LLC, for consulting services, for one-year in an amount not to exceed $240,000; and, authorize the CEO to exercise four, one-year extensions, for an overall contract amount not to exceed $1,275,000, plus authorized reimbursable expenses. Funding for this agreement is approved in the Fiscal Year 2020-21 budget. Funding for subsequent years will be requested through the annual budget process.

8. APPROVAL OF A PROFESSIONAL SERVICES AGREEMENT WITH KENAZ DESIGNS, LLC FOR CONTINUED CONSULTING SERVICES TO SUPPORT MANAGEMENT, OPERATIONS, AND DEVELOPMENT AT ONTARIO INTERNATIONAL AIRPORT

The Ontario International Airport Authority (OIAA) authorized the Chief Executive Officer (CEO) to execute a professional services agreement with Kenaz Designs, LLC, for consulting services, for one-year in an amount not to exceed $240,000; and, authorize the CEO to exercise four, one-year extensions, including CPI adjustments not to exceed 3% per extension, for an overall contract amount not to exceed $1,275,000, plus authorized reimbursable expenses. Funding for this agreement is approved in the Fiscal Year 2020-21 budget. Funding for subsequent years will be requested through the annual budget process.

9. APPROVAL OF THE SELECTION OF A MARKETING CREATIVE AGENCY OF RECORD AND AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH HILTACHK MARKETING GROUP FOR MARKETING AND CREATIVE ADVERTISING SERVICES AT ONTARIO INTERNATIONAL AIRPORT

The Ontario International Airport Authority (OIAA) authorized the Chief Executive Officer (CEO) to execute a professional services agreement with Hiltachk Marketing Group, for a one-year term in an amount not to exceed $300,000, and authorize the CEO to exercise two, one-year extension options at $300,000 annually, for an overall amount not to exceed $900,000 over the three-year term of contract for marketing and creative advertising services at Ontario International Airport (ONT). Funding for this contract is approved under the Fiscal Year 2020-21 budget. Funding for subsequent years will be requested through the annual budget process.

10. APPROVAL OF AN AUTHORITY INCREASE TO ONTARIO INTERNATIONAL AIRPORT AUTHORITY CONTRACT NO. SCONT-000149 WITH GRIFFITH COMPANY FOR THE NORTH WEST QUADRANT DEMOLITION PROJECT AT ONTARIO INTERNATIONAL AIRPORT

The Ontario International Airport Authority (OIAA) authorized the Chief Executive Officer (CEO) to increase the authority amount for existing OIAA Contract No. SCONT-000149 with Griffith Company for the North West Quadrant Demolition project for an amount not to exceed $1,340,000, for an overall contract amount not to exceed $4,305,875. Funding for this project was approved under Capital Improvement Projects in the Fiscal Year 2019-20 budget and was included in the current Fiscal Year 2020-21 budget.

ADMINISTRATIVE DISCUSSION/ACTION/REPORT

11. A RESOLUTION APPROVING AN AIR CARRIER INCENTIVE PROGRAM A (ACIP) TO ENCOURAGE AND PROMOTE THE OPERATION OF COMMERCIAL PASSENGER AIR SERVICE TO NEW NONSTOP DESTINATIONS IN THE UNITED STATES, CANADA, AND MEXICO

That the Ontario International Airport Authority (OIAA) Board of Commissioners (Board) adopted a resolution to approve the newly proposed ACIP, offering Qualified Air Carriers a waiver of landing fees to new nonstop destinations in the United States of America, Canada, and Mexico, to encourage and support the launch of new air service from the Ontario International Airport (ONT). If approved, the ACIP will be provided to any airline offering new non-stop service to any points in the United States, Mexico, and Canada, for the first 12 months from when the first carrier begins new service. These new services will result in incremental passenger traffic growth, with increases in non-aeronautical revenue (i.e. parking, food and beverage, retail, etc.), as well as real estate lease revenue. The amount of incremental revenue generated by such new services will depend on the frequency of flights, aircraft seat capacity, and the percentage of seats filled by passengers. However, in most cases, these incremental revenues will exceed the landing fees waived under the ACIP.

The OIAA Board made a motion to approve the ACIP Resolution for the State of Hawaii only, and continued the ACIP for United States, Canada, and Mexico destinations to a future meeting.

RESOLUTION NO. 2020-23 A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY COMMISSION ESTABLISHING AN AIR CARRIER INCENTIVE PROGRAM FOR NEW NONSTOP PASSENGER SERVICE TO DESTINATIONS IN THE STATE OF HAWAII

MOTION: Moved by Commissioner Hagman, seconded by Vice President Loveridge, and carried by a roll call vote of 5-0-0, to approve Resolution No. 2020-23 establishing an Air Carrier Incentive Program for new nonstop passenger service to destinations in the State of Hawaii.

12. A RESOLUTION APPROVING AN AIR CARRIER INCENTIVE PROGRAM B (ACIP) TO ENCOURAGE AND PROMOTE THE OPERATION OF COMMERCIAL PASSENGER AIR SERVICE TO NEW NONSTOP DESTINATIONS IN ASIA, EUROPE, AUSTRALIA, NEW ZEALAND, CENTRAL AMERICA, AND SOUTH AMERICA – *ITEM CONTINUED*

That the Ontario International Airport Authority (OIAA) Board of Commissioners (Board) adopt a resolution to approve the newly proposed ACIP (B), offering Air Carriers a waiver of landing fees to new nonstop destinations in Asia, Europe, Australia, New Zealand, Central America, and South America, to encourage and support the launch of new air service from the Ontario International Airport (ONT). If approved, the ACIP will be provided to any airline offering new non-stop service to any points in: (Tier 1) Asia, Europe, Australia, New Zealand, and (Tier 2) Central America, and South America. Tier 1 destinations shall receive 24 months of incentives; Tier 2 destinations shall receive 12 months of incentives. These new services will result in incremental passenger traffic growth, with increases in non-aeronautical revenue (i.e. parking, food and beverage, retail, etc.), as well as real estate lease revenue. The amount of incremental revenue generated by such new services will depend on the frequency of flights, aircraft seat capacity, and the percentage of seats filled by passengers. However, in most cases, these incremental revenues will exceed the fees waived under the ACIP.

RESOLUTION NO. ______

A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY COMMISSION UPDATING THE EXISTING AIR CARRIER INCENTIVE PROGRAM COVERING MULTIPLE INTERNATIONAL DESTINATIONS

The OIAA Board continued this item to a future meeting to allow more time for questions and review.

MANAGEMENT REPORT

Chief Executive Officer Thorpe provided updates on new service announcements, passenger traffic and cargo traffic.

COMMISSIONER MATTERS

Commissioner Gouw had no comments.

Vice President Loveridge asked about staff providing a report of leadership efforts regarding COVID-19 and thanked Commissioner Hagman for his efforts on cold storage opportunities.

Commissioner Hagman inquired regarding the possibility of a verification system for vaccines to help with air traveler confidence, provided updates on the COVID-19 vaccine distribution, and discussed the opportunity of assistance from the State and San Bernardino County for cold storage infrastructure opportunities at ONT for vaccine storage and other cold storage needs.

Secretary Bowman thanked staff for their efforts with Hawaiian Airlines.

President Wapner complimented staff on their work.

CLOSED SESSION

President Wapner recessed the special meeting of the Ontario International Airport Authority to Closed Session at 2:36 p.m. with all Commissioners virtually in attendance.

- GC section 54956.8: REAL PROPERTY NEGOTIATIONS (portions of the Airport); OIAA General Counsel's office as negotiator.
- GC section 54956.8: REAL PROPERTY NEGOTIATIONS (Property: 1150 S. Vineyard Avenue, Ontario, CA 91761, 2161 E. Avion St. Building 1, Ontario, CA 91761, 2161 Avion St. Building 2, Ontario, CA 91761); OIAA General Counsel's office as negotiator.
- GC section 54956.9(b): CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION; Potential litigation (1 case).

The Ontario International Airport Authority Commission special meeting was reconvened in public session at 3:43 p.m.

REPORT ON CLOSED SESSION

General Counsel Sullivan announced direction from the Commission to confirm a settlement to be paid with insurer funds together with receiving a release of all potential claims to settle the related litigation matter for GC section 54956.9(b): CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION; Potential litigation (1 case).

There was no reportable action on closed session items: GC section 54956.8: REAL PROPERTY NEGOTIATIONS (portions of the Airport); OIAA General Counsel's office as negotiator and GC section 54956.8: REAL PROPERTY NEGOTIATIONS (Property: 1150 S. Vineyard Avenue, Ontario, CA 91761, 2161 E. Avion St. Building 1, Ontario, CA 91761, 2161 Avion St. Building 2, Ontario, CA 91761); OIAA General Counsel's office as negotiator.

ADJOURNMENT

President Wapner adjourned the Ontario International Airport Authority Commission meeting at 3:44 p.m.

RESPECTFULLY SUBMITTED:

____
NATALIE GONZAGA, BOARD CLERK
ONTARIO INTERNATIONAL AIRPORT AUTHORITY

APPROVED:

____
ALAN D. WAPNER, PRESIDENT
ONTARIO INTERNATIONAL AIRPORT AUTHORITY

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
MINUTES
Thursday, November 26, 2020
(Not official until approved)

The Regular Meeting scheduled for Thursday, November 26, 2020 at 2:00 p.m. was cancelled due to a holiday.

Respectfully submitted:

____
NATALIE GONZAGA, BOARD CLERK

____
ALAN D. WAPNER, PRESIDENT
ONTARIO INTERNATIONAL AIRPORT AUTHORITY

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
MINUTES
Thursday, December 24, 2020
(Not official until approved)

The Regular Meeting scheduled for Thursday, December 24, 2020 at 2:00 p.m. was cancelled due to a holiday.

Respectfully submitted:

____
NATALIE GONZAGA, BOARD CLERK

____
ALAN D. WAPNER, PRESIDENT
ONTARIO INTERNATIONAL AIRPORT AUTHORITY

ONTARIO INTERNATIONAL AIRPORT

DATE: **JANUARY 28, 2021**

SECTION: **CONSENT CALENDAR**

SUBJECT: **ONTARIO INTERNATIONAL AIRPORT AUTHORITY COMMISSION APPROVAL OF STIPENDS AS REQUIRED BY AUTHORITY BYLAWS**

RELEVANT STRATEGIC OBJECTIVE: **Development of Airport-Related Business.**

RECOMMENDED ACTION(S): That the Ontario International Airport Authority Commission approve additional stipends per Article IV, Section 6 of the Authority's Bylaws.

FISCAL IMPACT AND SOURCE OF FUNDS: OIAA operating revenue.

BACKGROUND: Article IV, Section 6 of the Authority's Bylaws states as follows:

"No salary: Reimbursement for Expenses; Stipends. The members of the Commission shall receive no salary but shall be reimbursed for necessary expenses (including mileage in accordance with standard IRS mileage reimbursement rates) incurred in the performance of their duties. Additionally, Commissioners will receive a stipend in the amount of one hundred fifty dollars ($150.00) for attendance at each Commission meeting, standing committee meeting, ad hoc committee meeting, and any Authority-related business function. A maximum of six (6) stipends are permitted per month. An additional two (2) stipends are permitted with prior approval of the President. More than eight (8) stipends per month will require approval by the full Commission."

During the month of December 2020, President Wapner attended seven (7) additional Authority-related business functions. Full Commission approval is needed to approve payment of these additional stipends.

STAFF MEMBER PRESENTING: Chief Executive Officer, Mark A. Thorpe

Department:	Clerk's Office	Submitted to OIAA:	January 28, 2021
		Approved:	
		Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

ITEM NO. 04

CEQA COMPLIANCE: Exclusion from the definition of "project": The creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (CEQA Guidelines §15378(b)(4).)

PRIOR COMMISSION ACTION: On December 8, 2016, the OIAA Commission adopted Resolution No. 2016-14 approving and adopting the OIAA Bylaws.

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: N/A

ATTACHMENTS: N/A

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday, although these hours and review procedures may be modified due to COVID-19 precautions. In that case, the documents may be requested by email at clerk@flyontario.com.

This Agenda Report has been reviewed by OIAA General Counsel.

ONTARIO INTERNATIONAL AIRPORT

DATE: **JANUARY 28, 2021**

SECTION: **CONSENT CALENDAR**

SUBJECT: **A RESOLUTION DECLARING THE CONTINUED EXISTENCE OF A LOCAL EMERGENCY IN CONNECTION WITH PREPARATIONS THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY IS MAKING, AND ACTIONS IT IS TAKING, IN RESPONSE TO NOVEL CORONAVIRUS (COVID-19), AND COMPLIANCE WITH HEALTH AUTHORITIES' APPLICABLE GUIDANCE REGARDING RESPONDING TO COVID-19**

RELEVANT STRATEGIC OBJECTIVE: **Safety and Security: Provide Customer Friendly Facilities and Services.**

RECOMMENDED ACTION(S): That the Ontario International Airport Authority (OIAA or Authority) approve a resolution declaring the continued existence of a local emergency in connection with preparations the Authority is making, and actions it is taking, in response to the outbreak of COVID-19, and compliance with health authorities' applicable guidance regarding responding to COVID-19.

FISCAL IMPACT SUMMARY: Possible appropriations and corresponding expenditures for equipment, materials, supplies, labor services and other items needed to address or respond to a declared local emergency will be accounted for and reported to and by the Authority.

BACKGROUND: Ontario International Airport (ONT) provides essential services and infrastructure for public commercial travel and general commerce. As part of the Aviation segment of the Transportation Systems Sector, ONT is an element of national critical infrastructure recognized by the Department of Homeland Security. The nation's transportation system is required to quickly, safely, and securely move people and goods through the country and overseas.

STAFF MEMBER PRESENTING: Mark A. Thorpe, Chief Executive Officer

Department:	Administration	Submitted to OIAA:	January 28, 2021
		Approved:	
		Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

ITEM NO. 05

Local Emergency

Pursuant to Government Code sections 8550 *et seq*. and 8630 *et seq*., the Authority can determine to declare the existence of a local emergency under applicable circumstances threatening the lives, property or welfare of ONT passengers, employees and operators.

California and the nation are responding to the spread of a respiratory illness caused by a novel coronavirus and which has now been detected in more than 200 locations internationally, including in the United States. The virus has been named “SARS-CoV-2” and the disease it causes has been named “coronavirus disease 2019” (COVID-19).

On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization (WHO) declared the COVID-19 outbreak a “public health emergency of international concern.” On January 31, U.S. Health and Human Services Secretary Alex M. Azar II declared a public health emergency for the United States to aid the nation’s healthcare community in responding to COVID-19. On March 4, 2020, Governor Newsom declared a statewide emergency related to COVID-19. On March 11, WHO publicly characterized COVID-19 as a pandemic. On March 13, the President of the United States declared the COVID-19 outbreak a national emergency.

On March 14, 2020, the City of Ontario proclaimed a local emergency, and most recently on January 15, 2021, continued the local state of emergency declaration in response to regional COVID-19 diagnoses and to mobilize the City to best serve the Ontario community. Given that ONT is a destination for passengers from across the nation and from some international locations, the potential effects of the spread of COVID-19 is a local emergency at ONT.

The U.S. Centers for Disease Control (CDC), the California Department of Public Health (CDPH), and the San Bernardino County Department of Public Health (SBCDPH) have all issued requirements, recommendations and guidelines for the public, businesses and public agencies regarding addressing the spread of COVID-19. Some of the requirements, recommendations and guidelines, however, do not apply to essential services and infrastructure such as ONT, or to operations related to air travel in general.

Available Actions by OIAA Responding to the Local Emergency

Declaration of a local emergency relating to COVID-19 enables the Authority, including its CEO under delegated power, to issue written orders and regulations necessary to provide for the protection of passengers, employees and operators at ONT, and related property, as affected by such emergency. The orders and/or regulations include those to (1) obtain vital supplies, equipment, and such other properties found lacking and needed for the protection of life and property at ONT and to bind the Authority for the fair value thereof, (2) require emergency services of any OIAA officer or employee, (3) requisition necessary personnel or material of any OIAA departments, and (4) modify or approve contracts as necessary to ensure and protect the life and property of the public, operators, and employees at ONT.

Exercise of local emergency powers by the OIAA CEO or his designees will be timely reported to the Authority, and the Authority must periodically review the need for continuing the local emergency until it terminates the local emergency.

CEQA COMPLIANCE AND LAND USE APPROVALS: N/A

PRIOR COMMISSION ACTION: On December 17, 2020, the OIAA Commission adopted Resolution No. 2020-21 approving and declaring the continued existence of a local emergency.

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: N/A

EXHIBITS & ATTACHMENTS: Attachment A - Resolution approving and declaring the continued existence of a local emergency in connection with preparations the Authority is making, and actions it is taking, in response to novel coronavirus (COVID-19), and compliance with health authorities' applicable guidance regarding responding to COVID-19.

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This Agenda Report has been reviewed by OIAA General Counsel.

ATTACHMENT A

RESOLUTION NO. 2021-_____

A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY DECLARING THE CONTINUED EXISTENCE OF A LOCAL EMERGENCY IN CONNECTION WITH PREPARATIONS THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY IS MAKING, AND ACTIONS IT IS TAKING, IN RESPONSE TO NOVEL CORONAVIRUS (COVID-19), AND COMPLIANCE WITH HEALTH AUTHORITIES' APPLICABLE GUIDANCE REGARDING RESPONDING TO COVID-19

WHEREAS, Ontario International Airport (ONT) provides essential services and infrastructure for public commercial travel and general commerce. As part of the Aviation segment of the Transportation Systems Sector, ONT is an element of national critical infrastructure recognized by the Department of Homeland Security. The nation's transportation system is required to quickly, safely, and securely move people and goods through the country and overseas;

WHEREAS, Pursuant to Government Code sections 8550 *et seq*. and 8630 *et seq*., the Ontario International Airport Authority (OIAA or Authority) can determine to declare the existence of a local emergency under certain circumstances;

WHEREAS, California and the nation are responding to the spread of a respiratory illness caused by a novel coronavirus and which has now been detected in more than 200 locations internationally, including in the United States. The virus has been named "SARS-CoV-2" and the disease it causes has been named "coronavirus disease 2019" (COVID-19);

WHEREAS, On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization (WHO) declared the COVID-19 outbreak a "public health emergency of international concern." On January 31, U.S. Health and Human Services Secretary Alex M. Azar II declared a public health emergency for the United States to aid the nation's healthcare community in responding to COVID-19. On March 4, 2020, Governor Newsom declared a statewide emergency related to COVID-19. On March 11, WHO publicly characterized COVID-19 as a pandemic. On March 13, the President of the United States declared the COVID-19 outbreak a national emergency;

WHEREAS, On March 14, 2020, the City of Ontario proclaimed a local emergency, and most recently on January 15, 2021, continued the local state of emergency declaration in response to regional COVID-19 diagnoses and to mobilize the City to best serve the Ontario community. Given that ONT is a destination for passengers from across the nation and from some international locations, the potential effects of the spread of COVID-19 is a local emergency at ONT;

WHEREAS, The U.S. Centers for Disease Control (CDC), the California Department of Public Health (CDPH), and the San Bernardino County Department of Public Health (SBCDPH) have all issued requirements, recommendations and guidelines for the public, businesses and public agencies regarding addressing the spread of COVID-19. Some of the requirements, recommendations and guidelines, however, do not apply to essential services and infrastructure such as ONT, or to operations related to air travel in general;

WHEREAS, Declaration of a local emergency enables the Authority, including its CEO under delegated power, to issue written orders and regulations necessary to provide for the protection of ONT passengers, employees, and operators, related property, and OIAA finances as affected by such emergency. The orders and/or regulations include those to (1) obtain vital supplies, equipment, and such other properties found lacking and needed for the protection of life and property at ONT and to bind the Authority for the fair value thereof, (2) require emergency services of any OIAA officer or employee, (3) requisition necessary personnel or material of any OIAA departments, and (4) modify or approve contracts as necessary to ensure and protect the life and property of the public, operators, and employees at ONT;

WHEREAS, The August 21, 2012 Joint Exercise of Powers Agreement (JPA) between the City of Ontario (City) and the County of San Bernardino (County) that created the Authority stated that the Authority shall have and possess all powers common to the City and County, as well as other powers granted under California law. Both the City and County have provisions in their Municipal Codes allowing for the exercise of emergency powers and authorities;

WHEREAS, The JPA also states that, in exercising its powers for the operation, management and administration of ONT, the Authority shall exercise such powers as are restricted and applicable to the City. Accordingly, the Authority's actions and powers available under a declaration of a local emergency shall be consistent with, or shall not exceed, those powers allowed to be exercised by the City during a declared local emergency;

WHEREAS, on December 17, 2020 the OIAA approved Resolution No. 2020-21, declaring the continued existence of a local emergency.

NOW, THEREFORE BE IT RESOLVED by the Ontario International Airport Authority does hereby declare a continued local state of emergency at ONT regarding the COVID-19 outbreak, and the need to prevent and address the effects of the spread of COVID-19 at ONT; and

BE IT FURTHER RESOLVED, under this continued declaration of a local emergency at ONT by the Authority, the OIAA Chief Executive Officer (CEO) is empowered to:

(1) Promulgate written orders and regulations necessary to provide for the protection of passengers, employees and operators at ONT, and related

property, as affected by such emergency, including orders or regulations imposing hours of operation within the boundaries of ONT where necessary to preserve the public order and safety; provided, however, such rules and regulations shall be widely publicized and noticed and shall be confirmed at the earliest practicable time by the Authority Commission; and

(2) Promulgate written orders and regulations relating to the requirements, recommendations and guidelines issued by the CDC, CDPH and SBCDPH that are applicable to essential services and infrastructure such as ONT, or to operations related to air travel in general, regarding preventing and addressing the spread of COVID-19;

(3) Make any expenditure in connection with emergency activities, including mutual aid activities, which shall be deemed conclusively to be for the direct protection and benefit of the passengers, airlines, and business partners and property of the OIAA. When necessary to address the effects of the declared emergency, the CEO or his designee may enact conditional changes in procurement processes, spending and signature authority limits, approval authorities, and allocation of Airport resources during the time of the declared emergency in order to support the OIAA required response activities; and

(4) Require emergency services of any OIAA officer or employee; and

(5) requisition necessary personnel or material of any OIAA departments; and

(6) Execute all ordinary powers; all special powers conferred by this Resolution; and all other powers conferred by statute, agreement approved by the Authority Commission, or by any other lawful authority; and

(7) Approve and modify contracts as necessary to provide for the protection of passengers, employees and operators at ONT, related property, and OIAA finances as affected by such emergency, including ad-hoc revenue agreements with a one (1) year term or less; and

(8) Represent the Authority in all dealings with public or private agencies on matters pertaining to this declared local emergency; and

BE IT FURTHER RESOLVED, In the absence of the OIAA CEO, the OIAA Deputy Chief Executive Officer is empowered to take on the emergency powers of the OIAA CEO authorized and described in this Resolution. The OIAA CEO shall be deemed absent where he is unavailable to participate in meetings or otherwise is unable to perform his duties during an emergency.

BE IT FURTHER RESOLVED, The Authority Commission shall review the need for continuing this declaration of a continued local emergency at least once every 30 days until the Commission terminates this local emergency declaration.

PASSED, APPROVED, AND ADOPTED at a Regular Meeting this 28th day of January 2021.

____
ALAN D. WAPNER
OIAA PRESIDENT

ATTEST:

____
SECRETARY/ASSISTANT SECRETARY

APPROVED AS TO LEGAL FORM:

____
LORI D. BALLANCE
GENERAL COUNSEL

STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO)
CITY OF ONTARIO)

I, Natalie Gonzaga, Assistant Secretary of the Ontario International Airport Authority, DO HEREBY CERTIFY that foregoing Resolution No. 2021-_____ was duly passed and adopted by the Commission of the Ontario International Airport Authority at their regular meeting held on January 28, 2021 by the following roll call vote, to wit:

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSENT: COMMISSIONERS:

____
SECRETARY/ASSISTANT SECRETARY

(SEAL)

The foregoing is the original of Resolution No. 2021-_______ duly passed and adopted by the Commission of the Ontario International Airport Authority at their regular meeting held January 28, 2021.

____
SECRETARY/ASSISTANT SECRETARY

(SEAL)

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

ONTARIO INTERNATIONAL AIRPORT

DATE: **JANUARY 28, 2021**

SECTION: **CONSENT CALENDAR**

SUBJECT: **AWARD OF CONTRACT TO M. WILSON COMPANY CONTRACTORS, INC. FOR THE TRANSPORTATION SECURITY ADMINISTRATION RECAPITALIZATION CONSTRUCTION PROJECT IN TERMINAL 2 AND TERMINAL 4 AT ONTARIO INTERNATIONAL AIRPORT**

RELEVANT STRATEGIC OBJECTIVE: **Upgrade Airport Related Screening Systems; Provide Customer Friendly Facilities and Services.**

RECOMMENDED ACTION(S): That the Ontario International Airport Authority (OIAA) authorize the Chief Executive Officer (CEO) to execute a contract with M. Wilson Company Contractors, Inc. in the amount of $4,346,810 for Transportation Security Administration (TSA) Recapitalization Construction Project in Terminal 2 and Terminal 4 at the Ontario International Airport.

FISCAL IMPACT SUMMARY: The total construction cost of $4,346,810, plus a 10% contingency in the amount of $434,681 for this project has been requested through a TSA Other Transaction Agreement (OTA) Grant.

BACKGROUND: Due to the technical obsolescence of the existing Explosive Detection System (EDS) CTX 9000 machines, as defined in the Systems Optimization and Support CTX 9000 Recapitalization Effort report prepared by the Transportation Security Administration on October 12, 2017, the existing EDS machines in T2 and T4 will be replaced with new EDS machines, CTX 9800s. The scope of work for this project consists of replacement and recapitalization of existing EDS CTX 9000 machines, modifications and upgrades to the Checked Baggage Inspections Systems (CBIS) and installation of new EDS CTX 9800 machines. This recapitalization project's scope of work will also include modifications to the in-line security screening systems of the baggage handling systems (BHS) within Terminals 2 and 4 at the Ontario International Airport. The TSA will provide the new EDS CTX 9800 machines, three (3) in Terminal

STAFF MEMBER PRESENTING: Chief Executive Officer, Mark A. Thorpe

Department:	Administration	Submitted to OIAA:	January 28, 2021
		Approved:	
		Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

ITEM NO. 06

4 and two (2) in Terminal 2. This update project is of great necessity and will be separated into multiple phases to allow for continued operations within the Terminals during construction and installation.

Reimbursement for 100% of the cost of construction for the project has been requested through a TSA Other Transaction Agreement (OTA) Grant. Once the Grant is received a subsequent staff report will be submitted to the Board requesting authorization for the CEO to execute all documents necessary to accept the OTA funds from the TSA for the Recapitalization construction project. If there is any amount remaining, the debt service for this amount will be paid via collection of rates and charges and/or FAA Passenger Facility Charges (PFC).

PROCUREMENT: On November 17, 2020, a Notice Inviting Bids for Recapitalization of Existing EDS Equipment and Checked Baggage Inspection Systems (CBIS), ONT Project #: 201712054, was advertised. On December 17, 2020, the OIAA received two sealed bids in response to the solicitation. Bidders were requested to provide line item material and labor pricing for the various components of the project, as well as the submission of administrative requirements. Upon review of the bids received, M. Wilson Company Contractors, Inc. was determined to be the lowest, most responsive, most responsible bidder for an amount of $4,346,810.

CEQA COMPLIANCE AND LAND USE APPROVALS: This project is Categorically Exempt (Class 1 and Class 2) from the requirements of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15301 provides an exemption for relating to minor alterations to existing structures or facilities involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination, as well as under CEQA Guidelines Section 15302 relating to the reconstruction of existing structures or facilities involving substantially the same purpose and capacity as the structure replaced.

STAFFING IMPACT (# OF POSITIONS): N/A.

IMPACT ON OPERATIONS: The Project will be separated into multiple phases to allow for continued operations within Terminals 2 and 4.

SCHEDULE: The overall time for completion of this project is 402 calendar days, in which Mobilization is scheduled to be completed in 33 calendar days after NTP resulting in the total construction duration being 369 calendar days. Construction is expected to commence in May 2021, upon confirmation of the OTA Grant approval.

ATTACHMENTS: Attachment A: Proposed M. Wilson Company Contractors, Inc. Agreement

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This Agenda Report has been reviewed by OIAA General Counsel

ONTARIO INTERNATIONAL AIRPORT

DATE: **JANUARY 28, 2021**

SECTION: **CONSENT CALENDAR**

SUBJECT: **APPROVE THE SELECTION OF A DIGITAL MEDIA AGENCY OF RECORD AND AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH FRUITION GROWTH, LLC DBA FRUITION FOR DIGITAL WEB SERVICES AT ONTARIO INTERNATIONAL AIRPORT**

RELEVANT STRATEGIC OBJECTIVE: **Provide Customer Friendly Facilities and Services.**

RECOMMENDED ACTION(S): That the Ontario International Airport Authority (OIAA) authorize the Chief Executive Officer (CEO) to execute a professional services agreement with Fruition Growth, LLC for a one-year term in an amount not to exceed $350,000, and authorize the CEO to exercise two, one-year extension options at $350,000 annually, for an overall amount not to exceed $1,050,000, if all options are exercised, over the three-year term of the contract for digital web services at Ontario International Airport (ONT).

FISCAL IMPACT SUMMARY: Funding for this contract is approved under the Fiscal Year 2020-21 budget. Funding for subsequent years will be requested through the annual budget process.

BACKGROUND: In today's digital-first world, 24/7 operations must meet 24/7 customer service demands. The Airport requires website maintenance, communications and digital analytics support services to assist in the customer experience and brand awareness/outreach efforts of the Ontario International Airport. With recovery, surrounding the Coronavirus pandemic, becoming a more pertinent need for the airport each day, agency support in search engine optimization and strategic digital executions for both domestic and global markets is crucial to ONT's online presence – the space where most passengers and partners first become introduced to the Airport and its brand.

STAFF MEMBER PRESENTING: Chief Executive Officer, Mark A. Thorpe

Department:	Digital Media	Submitted to OIAA:	January 28, 2021
		Approved:	
		Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

ITEM NO. 07

Based on industry best practices, flyontario.com session volume and ONT digital needs, OIAA staff has determined that continuing to out-source digital web service needs is a cost-effective alternative to hiring a full complement of OIAA staff to carry out these functions.

PROCUREMENT: On November 9, 2020, the OIAA posted a Request for Proposals (RFP #200008) for Digital Media Agency for the Ontario International Airport Authority. On December 18, 2020, four proposals were received and evaluated, resulting in two responsive proposals. The OIAA Evaluation Committee determined that Fruition Growth, LLC is a well-rounded, digital powerhouse that exhausted their proposal with detailed strengths in digital strategy, web development & creative design, and comprehensive analytics. They were extremely sharp in identifying needs and issues among a brand's digital portfolio and creating thorough, data-driven solutions. A common thread in the notes of all Selection Committee members was Fruition's strength in Subject Matter Competence in which they not only provided an insightful peer/competitive analysis but also included short-term and long-term recommendations to improve ONT's digital presence. Therefore, staff recommends the award of contract for Digital Media Agency to Fruition Growth, LLC as determined by the selection panel of OIAA representatives.

CEQA COMPLIANCE AND LAND USE APPROVALS: N/A

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: N/A

ATTACHMENTS: Attachment A: Proposed Agreement between OIAA and Fruition Growth, LLC

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This Agenda Report has been reviewed by OIAA General Counsel.

DATE: JANUARY 28, 2021

SECTION: CONSENT CALENDAR

SUBJECT: AWARD OF CONTRACT TO PROSEGUR SECURITY USA FOR SECURITY SERVICES AT THE ONTARIO INTERNATIONAL AIRPORT

RELEVANT STRATEGIC OBJECTIVE: **Safety and Security; Provide Customer Friendly Facilities and Services.**

RECOMMENDED ACTION(S): That the Ontario International Airport Authority (OIAA) award a contract to Prosegur Security USA, and authorize the Chief Executive Officer (CEO) to execute a one-year contract with a spending authority of up to $650,000 annually, and authorize the CEO to exercise up to four, one-year extensions, for an overall not-to-exceed spending authority of $3,250,000, if all options are exercised, for a services contract to fulfill security requirements at loading docks, North and South SAAP's, lost and found, and other assigned security functions as required by OIAA.

FISCAL IMPACT SUMMARY: Funding for this contract is approved under the Fiscal Year 2020-21 budget. Funding for subsequent years will be requested through the annual budget process.

BACKGROUND: OIAA has utilized security contractors for specific security related functions on and around the airport. Security contractors have been and will continue to be responsible for vehicle inspections and entry at our loading docks, secured area access points (SAAP), and lost and found functions. Due to the expiration of the current agreement, a request for proposals (RFP) for security services was issued. The responsive proposals were reviewed and evaluated by a review team who determined Prosegur to meet all requirements.

STAFF MEMBER PRESENTING: Chief Executive Officer, Mark A. Thorpe

Department:	Operations	Submitted to OIAA:	January 28, 2021
		Approved:	
		Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

ITEM NO. 08

The initial fiscal impact of this new agreement is $544,237 annually which includes all services required at pre-pandemic airport activity levels. The requested spending authority of up to $650,000 annually will allow for the possibility of increased cost based on operational needs. Initially, there is a possibility of a reduced cost due to a decrease in operational needs related to the pandemic.

PROCUREMENT: OIAA conducted a request for proposals (RFP) and received nine (9) responsive proposals. The OIAA team evaluated the responsive proposals and short-listed six (6) firms for interviews. The OIAA evaluation team interviewed and assessed the short-listed firms and determined based on experience, cost, and vision of the lead firm that Prosegur met all requirements set forth by the OIAA.

CEQA COMPLIANCE AND LAND USE APPROVALS: Security services is not a project and does not require environmental approval.

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: Security services is a vital component to ensuring safety and security on and around airport property while controlling access on the AOA. No negative impact on existing operations, the new firm will provide additional technology to improve oversight and security of the airport. Based on the time frame there will be no down time or lapse in the current operation.

SCHEDULE: The contract will be executed upon board approval with a targeted commencement date of March 1, 2021.

ATTACHMENTS: ATTACHMENT A - Proposed Prosegur Contract

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This Agenda Report has been reviewed by OIAA General Counsel.

ONTARIO INTERNATIONAL AIRPORT

DATE: **JANUARY 28, 2021**

SECTION: **ADMINISTRATIVE DISCUSSION/ACTION/REPORT**

SUBJECT: **APPROVAL OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING JUNE 30, 2020**

RELEVANT STRATEGIC OBJECTIVE: **Maintain Financial Accountability, Transparency and Compliance with Laws and Regulations.**

RECOMMENDED ACTION(S): That the Ontario International Airport Authority approve the Audited Financial Statements for the fiscal year ending June 30, 2020.

FISCAL IMPACT AND SOURCE OF FUNDS: N/A

BACKGROUND: The Joint Exercise of Powers Agreement of August 21, 2012 created the Ontario International Airport Authority (OIAA) and established the bylaws under which the OIAA would operate and be governed. *Section 9. Accounts and Reports* states that management "shall contract with an independent certified public accountant or firm of certified public accountants to make an annual audit of the accounts and records of the Authority, and a complete written report of such audit shall be filed as public records annually, within six (6) months after the conclusion of the Fiscal Year under examination, with each member of the Commission, the City Clerk of Ontario and the San Bernardino Board of Supervisors."

The authority is also obligated to provide annual audited financial statements to satisfy certain compliance requirements as stated in our bond indenture, operating certificate and other laws and regulation. Annual reports containing the audited financial statements or elements thereof are filed with the FAA, Municipal Securities Rulemaking Board, State Controller's Office, and other interested parties

STAFF MEMBER PRESENTING: Chief Executive Officer, Mark A. Thorpe

Department:	Finance	Submitted to OIAA:	January 28, 2021
		Approved:	
		Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

ITEM NO. 09

CEQA COMPLIANCE: N/A

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: N/A

SCHEDULE: N/A

EXHIBITS & ATTACHMENTS:

Attachment A: DRAFT Ontario International Airport Authority Audited Financial Statements for the Fiscal Year Ending June 30, 2020.

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This Agenda Report has been reviewed by OIAA General Counsel.

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
AUDITED FINANCIAL STATEMENTS AND REPORTS OF INDEPENDENT AUDITORS
FOR THE YEARS ENDING JUNE 30, 2020 AND 2019
(DRAFT)

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Ontario International Airport Authority, (the Authority), as of and for the year ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Lance, Soll & Lunghard, LLP | 203 N. Brea Blvd., Suite 203 | Brea, CA 92821 | Phone: 714.672.0022

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ontario International Airport Authority as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated ____________, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea California
________________, 2020

The following discussion and analysis of the financial performance and activity of the Ontario International Airport Authority (Authority) provides an introduction to the Authority's financial statements for the fiscal year ended June 30, 2020 (FY 2020). Information for the previous fiscal years ended June 30, 2019 and 2018 (FY 2019 and FY 2018, respectively)) has been included to provide a better insight into the overall financial position of the Authority.

The Authority is a business-type activity and, as such, the basic Financial Statements consists of Management's Discussion and Analysis (MD&A), the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows, and the Notes to Financial Statements. This MD&A has been prepared by management and should be read and considered in conjunction with the Authority's basic financial statements.

Coronavirus (COVID-19)
On March 13, 2020, a national emergency was declared by the President of the United States in response to the novel coronavirus known as SARS-CoV-2 (COVID-19), which the World Health Organization announced on March 11, 2020 could be characterized as a pandemic. The Federal Government, along with State and local governments took extraordinary actions to prevent and slow the spread of the virus, which required essential businesses to close and stay-at-home orders were issued for all but essential workers. This national declaration and corresponding actions by Federal, State and local governments had an immediate and unprecedented impact on the commercial passenger aviation industry, including airports.

For the Ontario International Airport passenger levels decreased by 74.1% from March 1 – June 30, 2020 compared to the same period for 2019. Prior to March 1, 2020 passenger activity increased by 12.4% compared to 2019. As of June 30, 2020, one domestic carrier and two international carriers suspended air service at ONT. A substantial portion of airport revenues relate directly to passenger activity levels, including parking, rental cars and concessions (e.g. news and gifts, food and beverage). These revenues were experiencing fiscal year over year increases prior to the Declaration and substantial decreases that corresponded to decreases in passenger activity.

Unlike many commercial service airports in the United States, cargo carrier activity makes up a substantial portion of airplane operations at ONT. As commercial passenger activity decreased Cargo carrier activity increased in response to substantial increases in e-commerce and the need for personal protective equipment (PPE). This resulted in a net total increase in landed weights and landing fees, as passenger carrier landed weights were offset by increases in cargo landed weights. Facility and land rent revenues were not significantly impacted by the Declaration, as the Airline Operating Lease and Use agreements require that terminal rents be paid regardless of air service suspension. In addition, other non-terminal lessees were obligated to continue paying rents under similar lease terms.

Coronavirus (COVID-19) – continued

In April 2020 the United States Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. CARES provided financial assistance to United States commercial service air carriers and airports. The Authority received an award of approximately $22.2 million. The award was in the form of a grant to be used for any airport purpose allowed under existing law, including expenses, capital expenditures and debt service. CARES provides funding on a reimbursement basis, retroactive to January 21, 2020. The funding does not have an expiration date. As of June 30, 2020, the Authority had invoiced approximately $6.6 million for operating expenses, which was received subsequent to June 30, 2020.

Subsequent to June 30, 2020 national, regional and local economies as well as the commercial passenger carrier industry and the Authority experienced moderate recoveries as COVID-19 restrictions were lifted or eased. However, with the recent accelerations in COVID-19 cases many State and local jurisdictions are returning to more stringent business restrictions. On December 12, 2020 the Federal Food and Drug Administration (FDA) approved a COVID-19 vaccine that is eligible to the general public. The airport industry like many travel relate industries will continue to be impacted until COVID-19 case levels are reduced to levels that substantially impact the spread of the disease through, vaccination of the public as well as preventive measures such as social distancing and use of masks.

The MD&A and the Authority's basic financial statements reflect the blend of pre, and post Declaration activities and financial results discussed above. They should be read and considered in light of the realized and continuing impact caused by COVID-19.

Airport Activities & Highlights

Ontario International Airport (ONT) passenger carrier activity, measured by enplaned and total passengers, decreased in FY 2020 by 17.6% and 17.7% over FY 2019 and increased by 9.8% and 9.6% for FY 2019 compared to 2018, respectively. Aircraft operations decreased .3% for FY 2020 and 14.5% FY 2019 compared to the previous year. Landed weight increased 9.0% in FY 2020 to 7,868,878 one-thousand-pound units compared to FY 2019 and increased by 8.7% in FY 2019.

Seven major domestic and two international passenger carriers served ONT during FY 2020 and 2019 compared to 6 domestic and two international carriers for FY 2018. Southwest Airlines and American Airlines have dominated both passenger activity and air carrier landed weight. These two carriers accounted for 66.7%, 69.7% and 73.4% of passenger traffic in FY 2020, 2019 and 2018, respectively. Four major cargo carriers operated at ONT in FY 2020 compared to two in FY 2019 and 2018. Each of the major passenger and cargo carriers serving ONT FY 2020 had signed signatory Airline Operating Lease and Use agreements.

	FY 2020	FY 2019	FY 2018
Enplaned passengers	2,168,844	2,632,230	2,396,976
% increase	-17.6%	9.8%	N/A (1)
Total passengers	4,339,234	5,273,816	4,810,699
% increase	-17.7%	9.6%	N/A (1)
Aircraft operations	76,374	76,632	89,543
% increase	-0.3%	-14.4%	N/A (1)
Landed weight	7,866,856	7,219,155	6,640,772
% increase	9.0%	8.7%	N/A (1)

(1) Activity changes FY 2018 versus the prior fiscal year are not shown as FY 2018 was the first full year of ONT operations under the Authority.

Financial Highlights

Summary of Operations and Changes in Net Position

Total operating revenues increased $7.5 million (10.2%) in FY 2020 over 2019 and $1.6 million (2.3%) in FY 2019 over FY 2018. Increases in operating revenues for FY 2020 and FY 2019 were primarily related to increases in non-aeronautical revenues.

Total operating expenses FY 2020 increased by $1.0 million (1.5%) over 2019 primarily associated with increases in personnel and materials and supplies. Total operating expenses in FY 2019 decreased by $4.0 million (5.7%) over FY 2018, which were associated with reductions in personnel and police, fire and rescues expenses.

Non-operating revenues decreased $6.6 million (34.4%) in FY 2020 compared to 2019. The decrease resulted primarily from decreased passenger and customer facility charges. Non-operating revenue in FY 2019 increased 35.4% compared to FY 2018. This was mainly due to increases in passenger facility charge revenue, income on investments and gains on disposition of capital assets and other operating income. Nonoperating expenses increased $.8 million in FY 2020 compared to FY 2019, as a result of increases in interest expenses. Nonoperating expenses for FY 2019 were approximately the same as FY 2018.

The Authority's assets exceeded liabilities at the end of FY 2020 by $74.1 million, compared to $47.8 and $34.3 million FY 2019 and FY 2018, respectively. The Authority experienced increases in net position of $16.3 million FY 2020 compared to $26.3 million FY 2019 and $13.5 million for FY 2018.

	2020	2019	2018
Operating Revenues	$ 80,236,200	$ 72,780,724	$ 71,149,308
Operating Expenses	69,023,141	67,750,405	72,078,470
Operating income (Loss) before depreciation and amortization	11,213,059	5,030,319	(929,162)
Depreciation and amortization	6,053,898	3,453,639	2,075,266
Operating income (loss)	5,159,161	1,576,680	(3,004,428)
Non-operating revenues	12,690,771	19,339,233	14,279,882
Non-operating expenses	(3,915,631)	(2,516,835)	(2,194,625)
Income (loss) before capital contributions	13,934,301	18,399,078	9,080,829
Capital contributions	1,731,148	7,933,404	4,402,701
Increase in net position	15,665,449	26,332,482	13,483,530
Net Position - Beginning of the year	74,114,105	47,781,623	34,298,093
Net Position - End of the year	$ 89,779,554	$ 74,114,105	$ 47,781,623

Statement of Net Position

Current unrestricted assets decreased in FY 2020 over 2019 by $11.1 million (17.3%). The FY 2020 decrease resulted from a decrease in cash and cash equivalents of $16.4 million offset by decreases in accounts receivable $3.8 million, grants receivable $5.0 million and prepaid expenses of $.4 million. Current restricted assets decreased by $13.8 million in FY 2020 compared to FY 2019. Cash and equivalents decreased $12.6 million (43.8%) as construction fund cash was drawn for project expenditures. Also restricted receivables decreased $1.2 million (68.5%) as decreases in aviation and concession activities resulted in lower receivables from passenger facility and customer facility charges. Net capital assets increased by $16.6 million (14.1%) in FY 2020 compared to FY 2019 as the result of expenditures on several continuing projects, as well vehicles and equipment purchased, including $4.2 million in Airport Rescue Vehicles.

Current liabilities in FY 2020 decreased $18.2 million compared to FY 2019. This decrease included a decrease in accounts payable $3.4 million (38.3%) and accrued expenses $12.2 million (91.4%). The current portion of long-term debt increased by $.7 million and long-term debt decreased $9.3 million (8.5%) as a result of normal debt service, offset by the debt issued to acquire new vehicles and equipment.in incl 2019 over FY 2018. These increases were a result of the Authority issuing new debt totaling $40.2 million in FY 2019.

The Authority's net position increased by $15.7 million for FY 2020 compared to FY 2018. The net investment in capital assets increased by $25.2 million and represented 31.9% of total Net position FY 2020 versus 4.6% FY 2019. Net investment in capital assets represents its investment in capital assets (e.g. land, buildings, machinery and equipment), less outstanding debt used to acquire those assets. The Authority uses these assets to provide services to its passengers, visitors and tenants that generate future revenue streams. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from operations, since the capital assets themselves cannot be used to retire these liabilities.

An additional portion of the Authority's net position, $16.5 for FY 2020 and 30.5% for FY 2019, is restricted and represents resources that are subject to restrictions from government grantors, bond resolutions and government regulatory authorities on how they may be used. The changes in restricted net position of $13.8 million year-over-year is primarily attributable to decreases in restricted cash expended on capital projects. The remaining unrestricted net position balances of $44.4 million for FY 2020 and $40.2 million for FY 2019 may be used for any lawful purpose of the Authority.

Statement of Net Position - continued

	2020	2019	Dollar	%
Assets				
Current unrestricted assets	$ 52,926,264	$ 63,981,490	$ (11,055,226)	-17.30%
Current restricted assets	16,724,867	30,505,467	(13,780,600)	-45.20%
Capital assets, net	134,583,439	117,985,602	16,597,837	14.10%
Other long-term assets	-	168,516	(168,516)	-100.00%
Total Assets	204,234,570	212,641,075	(8,406,505)	-4.00%
Liabilities				
Current liabilities	15,109,626	33,344,069	(18,234,443)	-54.70%
Total long-term liabilities	99,345,390	105,182,901	(5,837,511)	-5.50%
Total liabilities	114,455,016	138,526,970	(24,071,954)	-17.40%
Net Position				
Net Investment in Capital Assets	28,644,278	3,430,243	25,214,035	735.10%
Restricted	16,724,867	30,505,467	(13,780,600)	-45.20%
Unrestricted	44,410,409	40,178,395	4,232,014	10.50%
Total net position	$ 89,779,554	$ 74,114,105	$ 15,665,449	21.10%

Current unrestricted assets increased in FY 2019 over FY 2018 by $9.3 million. The FY 2019 increase was due mainly to an increase in cash and cash equivalents of $9.1 million. Current restricted assets increased by $22.4 million in FY 2019 compared to FY 2018. Net capital assets increased by $25.4 million in FY 2019 over FY 2018 as the result of a significant number of projects in the Authority's capital improvement program.

Current liabilities in FY 2019 increased $13.7 million compared to FY 2018. This increase was due to increases in amounts due from the City of Ontario of $5.4 million offset by a decrease in amounts due to the airlines. The current portion of long-term debt increased by $.7 million and long-term debt increased $25.9 million in FYE 2019 over FY 2018. These increases were a result of the Authority issuing new debt totaling $40.2 million in FY 2019.

The Authority's net position increased by $26.3 million for FY 2019 versus FY 2018. The net investment in capital assets decreased by $1.2 million (26.5%) and represented 9.8% and 4.6% of total Net position FY 2019 and FY 2018, respectively.

Restricted net position represents 41.2% and 16.9% of total net position FY 2019 and FY 2018, respectively. The $22.4 increase in restricted net position year-over-year is associated with unexpended proceeds from bond anticipation notes issued in May 2019. The remaining unrestricted net position balances of $40.2 million for FY 2019 and $35.0 million for FY 20198 may be used for any lawful purpose of the Authority.

Statement of Net Position – continued

	2019	2018	Dollar	%
Assets				
Current unrestricted assets	$ 63,981,490	$ 54,663,668	$ 9,317,822	17.00%
Current restricted assets	30,505,467	8,068,344	22,437,123	278.10%
Capital assets, net	117,985,602	85,245,953	32,739,649	38.40%
Other long-term assets	168,516	7,374,462	(7,205,946)	-97.70%
Total Assets	212,641,075	155,352,427	57,288,648	36.90%
Liabilities				
Current liabilities	33,344,069	19,619,341	13,724,728	70.00%
Liabilities payable from restricted assets	-	5,313,956	(5,313,956)	-100.00%
Total long-term liabilities	105,182,901	82,637,507	22,545,394	27.30%
Total liabilities	138,526,970	107,570,804	30,956,166	28.80%
Net Position				
Net Investment in Capital Assets	3,430,243	4,668,951	(1,238,708)	-26.50%
Restricted	30,505,467	8,068,344	22,437,123	278.10%
Unrestricted	40,178,395	35,044,327	5,134,068	14.70%
Total net position	$ 74,114,105	$ 47,781,622	$ 26,332,483	55.10%

Revenues

Total FY 2020 revenues of $94.7 million decreased $5.4 million (5.4%) compared to FY 2019 total revenues of $100.1 million. The decrease was attributable to increases in Operating revenues of $8.7 million offset by decreases in Non-operating revenues of $6.6 million and Capital contributions of $6.2 million.

Operating revenues increased in FY 2020 over FY 2019 by $7.4 million (10.2%). This increase was largely driven by an increase in Operating grants of $6.5 million, year over year, which was associated with CARES Act grant funding of $6.6 million. Total landing fees in FY2020 increased from the prior year by $.6 million (4.0%). This increase was attributable to greater landed weights. Facility and land rentals increased by $.9 million (4.0%) as a result of additional non-terminal rents. Parking decreased by $1.5 million (8.5%) due to decreases in passenger activity. Concession revenues increased $.7 million (15.3%) despite decreases in passenger activity as contractually required Minimum Annual Guarantees (MAG) offset actual concessionaire sales decreases. Rental car privilege fees remained relatively flat FY 2020 compared to 2019. Other operating revenues increased $.3 (6.6%).

Non-operating revenues decreased by $6.6 million (34.4%) for FY 2020 compared to FY 2019. This decrease occurred across all Non-operating revenue financial statement categories. Investment income decreased $.5 million (36.6%), Passenger and Customer facility charges decreased for FY 2020 over FY 2019 by $2.3 (21.9%) and $.7 million (17.3%). Passenger facility charge and Customer facility charge decreases were a consequence of lower passenger activity. The decrease in FY 2020 Gain on Disposal of Assets versus FY 2019. The decrease in Other non-operating revenues of $2.4 million in FY 2020 resulted from a one-time settlement in 2019 on estimates for accrued expenses related to the LAWA settlement agreement.

Total Capital contributions of $1.7 million (78.2%) in FY 2020 was $6.2 million (78.2%) lower than FY 2019 Capital contributions of $7.9 million. This decrease was attributable to decreases in Airport Improvement Program (AIP) grant revenues as eligible AIP projects costs were lower FY 2020 as these projects were completed.

			Increase (Decrease)	
	2020	2019	$	%
Operating revenues				
Landing Fees	$ 14,710,660	$ 14,138,867	$ 571,793	4.0%
Facility and land rents	24,759,631	23,797,234	962,397	4.0%
Parking	16,418,573	17,937,975	(1,519,402)	-8.5%
Rental car privilege fees	7,383,170	7,378,129	5,041	0.1%
Concession revenue	5,160,614	4,477,220	683,394	15.3%
Operating grants	7,126,536	663,040	6,463,496	974.8%
Other operating revenues	4,677,016	4,388,259	288,757	6.6%
Total operating revenues	80,236,200	72,780,724	7,455,476	10.2%
Non-Operating Revenue				
Investment Income	794,984	1,253,343	(458,359)	-36.6%
Passenger Facility Charges	8,448,989	10,814,570	(2,365,581)	-21.9%
Customer Facility Charges	3,360,085	4,061,658	(701,573)	-17.3%
Gain on Disposal of Assets	86,713	789,604	(702,891)	-89.0%
Other Non-Operating Revenue	-	2,420,058	(2,420,058)	-100.0%
Total Non-Operating Revenue	12,690,771	19,339,233	(6,648,462)	-34.4%
Capital contributions	1,731,148	7,933,404	(6,202,256)	-78.2%
Total Revenue	$ 94,658,119	$ 100,053,361	$ (5,395,242)	-5.4%

Revenues – continued
In FY 2019, total revenues of $100.1 million were greater than the prior fiscal year by 11.4%. This increase included increases Operating revenues of $1.6 million, Non-operating revenues of $5.1million and Capital contributions of $3.5 million.

Operating revenues increased in FY 2019 over FY 2018 by $1.6 million (2.3%). Total landing fees decreased from the prior year by $.5 million (3.6%). This decrease was attributable to a reduction in the landing fee rate from $2.37 to $1.98, a 16.5% decrease, although the effect of the decrease was mitigated by the increase in passenger and cargo carrier activity. Facility and land rentals decreased as a result of the reduction in the per square foot rental rate for the terminal from $110.79 to $109.76 for FY 2019 as well from a reduction in non-terminal facility leases, which was offset by an increase in land of $2.5 million (78.6%), which was primarily attributable to additional revenues from long-term as well seasonal truck parking leases. Parking revenues were relatively flat FY 2020 compared to FY 2019 as Transportation Network Companies (TNC's) provided an alternative to parking for customers using ONT. Increased passenger activity drove increases in Rental car privilege fees and Concessions in FY 2020 versus FY 2019 of $1.2 (19.8%) and $1.2 (36.4%), respectively. The Concession revenue increases included increases in news and gifts and food and beverage revenues of $1.6 million (50.8%) for FY 2019 versus FY 2018.

Non-operating revenues increased by $5.1 million (35.4%) for FY 2019 compared to FY 2018. This increase was primarily a result of increases in the following Non-operating revenue Categories: Investment income $.5 million (69.9%), Passenger Facility Charges $1.2 million (14.3%), Gain on Disposal of assets increased $.8 million (100%) and other Non-Operating Revenue increased $2.4 million (100%). The Passenger Facility Charge revenue increase for FY 2019 was directly related to the increase in Commercial Passenger activity. The increase in Gain on Disposal of assets was a result of the sale and disposition of obsolete and end-of-life assets acquired from LAWA. The increase in Other Non-Operating Revenue resulted from a recovery of amounts previously expended by OIAA under the Staff Augmentation Agreement with LAWA.

Grant revenues of $7.9 FY 2019 increased $3.5 million (80.2%) versus FY 201 primarily due to the award of new Airport Improvement Grants for and revenues earned on those grants for eligible capital improvement project costs.

			Increase (Decrease)	
	2019	**2018**	**$**	**%**
Operating revenues				
Landing Fees	$ 14,138,867	$ 14,667,511	$ (528,644)	-3.60%
Facility and land rents	23,797,234	24,973,918	(1,176,684)	-4.70%
Parking	17,937,975	18,075,732	(137,757)	-0.80%
Rental car privilege fees	7,378,129	6,156,834	1,221,295	19.80%
Concession revenue	4,477,220	3,283,404	1,193,816	36.40%
Operating grants	663,040	415,360	247,680	59.60%
Other operating revenues	4,388,259	3,576,549	811,710	22.70%
Total operating revenues	72,780,724	71,149,308	1,631,416	2.30%
Non-Operating Revenue				
Investment Income	1,253,343	737,697	515,646	69.90%
Passenger Facility Charges	10,814,570	9,463,951	1,350,619	14.30%
Customer Facility Charges	4,061,658	4,078,166	(16,508)	-0.40%
Gain on Disposal of Assets	789,604	-	789,604	100.00%
Other Non-Operating Revenue	2,420,058	-	2,420,058	100.00%
Total Non-Operating Revenue	19,339,233	14,279,814	5,059,419	35.40%
Capital contributions	7,933,404	4,402,701	3,530,703	80.20%
Total Revenue	$ 100,053,361	$ 89,831,823	$ 10,221,538	11.40%

Expenses

Total expenses for FY 2020 increased $5.0 million (6.8%) from FY 2019. This included increases in operating expenses of $1.0 million (1.5%), depreciation and amortization $2.6 million and non-operating expense of $1.4 million (55.6%).

Operating expenses FYE 2020 of $69.0 million increased by $1.0 million (1.5%) compared to FYE 2019. Personnel expenses FYE 2020 increased by $1.7 million (31.0%) due to the increase in the number of Authority staff from FY 2019. Public safety expense of $22.4 million FYE 2020 remained relatively flat year over year. Contractual expenses of $25.6 million and $25.4 million FY 2020 and 2019, respectively, increased $.2 million (.9%). Materials and supplies increase $1.4 million (74.9%) over FY 2019 and was primarily related to facility, security and information technology infrastructure replacements and improvements. Utilities and administration expense and Other operating expenses decreased $.5 million (10.8%) and $1.7 million (20.6%) FY 2020 versus FY 2019, respectively. The decrease in Utilities and administration resulted from decreases across all utility categories, including electric, gas and water. Marketing expense reductions in FY 2020 compared to FY 2019 accounted for a majority of the decrease in Other operating expenses. Depreciation expense increased $2.6 million in FY 2020 over FY 2019 due to the acquisition of new capital assets and the completion of capital projects.

Nonoperating expenses for FY 2020 of $3.9 million increased by $1.4 million (55.6%) compared to 2019. This change resulted from an increase in interest expense, which was attributable to the issuance of new debt to finance capital projects and expenses, as well as an increase in Bad debt expense associated with a corresponding increase in the allowance for uncollectable receivables.

			Increase (Decrease)	
	2020	**2019**	**$**	**%**
Operating Expenses				
Personnel	$ 7,116,113	$ 5,430,436	$ 1,685,677	31.0%
Public safety	22,377,074	22,423,975	(46,901)	-0.2%
Contractual services	25,560,455	25,366,236	194,219	0.8%
Materials and supplies	3,232,404	1,847,630	1,384,774	74.9%
Utilities and administration	4,360,637	4,890,622	(529,985)	-10.8%
Other operating expenses	6,376,460	8,030,500	(1,654,040)	-20.6%
Total Operating Expenses	69,023,143	67,989,399	1,033,744	1.5%
Depreciation and amortization	6,053,898	3,453,639	2,600,259	75.3%
Non-Operating Expenses				
Interest expense	3,296,292	2,240,335	1,055,957	47.1%
Bad debt expense	606,339	-	606,339	100.0%
Bond issuance costs	13,000	276,500	(263,500)	-95.3%
Total Non-Operating Expenses	3,915,631	2,516,835	1,398,796	55.6%
Total Expenses	$ 78,992,672	$ 73,959,873	$ 5,032,799	6.8%

Expenses – continued

Total expenses for FY 2019 decreased 3.1% from FY 2018 due primarily to lower operating expenses.

Operating expenses decreased $4.1 million (5.7%). Lower operating expenses was a result of lower personnel expense $6.9 million (56.0%), Public Safety expenses $6.4 million (22.2%) and Materials and supplies $1.2 million (39.1%) offset by increases in the following categories, Contractual services $5.7 million (28.8%), Utilities and administration $.5 million (10.2%), and Other operating expenses $4.3 million (113.4%) The operating expense increases (decreases) were associated with the final transition from the use of LAWA employees to Authority employees and contracted services.

Non-operating expenses were relatively flat at $2.5 million.

			Increase (Decrease)	
	2019	**2018**	**$**	**%**
Operating Expenses				
Personnel	$ 5,430,436	$ 12,346,473	$ (6,916,037)	-56.0%
Public safety	22,423,975	28,810,842	(6,386,867)	-22.2%
Contractual services	25,366,236	19,687,386	5,678,850	28.8%
Materials and supplies	1,847,630	3,031,395	(1,183,765)	-39.1%
Utilities and administration	4,890,622	4,439,569	451,053	10.2%
Other operating expenses	8,030,500	3,762,738	4,267,762	113.4%
Total Operating Expenses	67,989,399	72,078,403	(4,089,004)	-5.7%
Depreciation and amortization	3,453,639	2,075,460	1,378,179	66.4%
Non-Operating Expenses				
Interest Expense	2,240,335	2,073,167	167,168	8.1%
Bond issuance costs	276,500	-	276,500	100.0%
Bad Debts	-	121,458	(121,458)	-100.0%
Total Non-Operating Expenses	2,516,835	2,194,625	322,210	14.7%
Total Expenses	$ 73,959,873	$ 76,348,488	$ (2,388,615)	-3.1%

Capital Assets

Net capital assets increased $16.6 million (14.1%) in FY 2020 over FY 2019. The increase resulted from spending on capital improvement program projects being higher than current year depreciation expense Land improvements and Buildings and improvements increased by $15.7 and $18.7 million, respectively, as long-term capital projects were completed and placed in service and are offset by a related decrease in construction in progress. In addition, Machinery, equipment and vehicles increased by $4.9 million primarily from the replacement of Aircraft Rescue and Firefighting and airside operations vehicles. The most significant FY 2020 CIP projects were for Taxiway S & W Reconstruction and the Northwest Cargo Development.

	2020	2019	Dollar	%
Land	$ 56,503,866	$ 56,503,866	$ -	0.0%
Air avigation easements	7,273,370	7,273,370	-	0.0%
Construction in progress	3,253,139	19,893,356	(16,640,217)	-83.6%
Land improvements	30,150,647	14,443,681	15,706,966	108.7%
Buildings and improvements	38,066,172	19,410,708	18,655,464	96.1%
Information technology hardware and software	4,659,526	4,593,000	66,526	1.4%
Furniture and Fixtures	72,723	72,723	-	0.0%
Machinery, equipment and vehicles	7,199,098	2,336,102	4,862,996	208.2%
Accumulated Depreciation	(12,595,102)	(6,541,204)	(6,053,898)	92.6%
Total Capital Assets, net	$ 134,583,439	$ 117,985,602	$ 16,597,837	14.1%

Net capital assets increased $25.4 million (27.4%) in FY 2019 over FY 2018. The increase resulted from spending on capital improvement program projects being higher than current year depreciation expense. There was an increase in all Capital Asset categories except land, which remained the same year over year. The most significant FY 2019 CIP projects were for Taxiway S & W Reconstruction and the Northwest Cargo Development.

	2019	2018	Dollar	%
Land	$ 56,503,866	$ 56,503,866	$ -	0.0%
Air avigation easements	7,273,370	7,273,370	-	0.0%
Construction in progress	19,893,356	5,463,086	14,430,270	264.1%
Land improvements	14,443,681	5,306,556	9,137,125	172.2%
Buildings and improvements	19,410,708	15,791,616	3,619,092	22.9%
Information technology hardware and software	4,593,000	3,817,395	775,605	20.3%
Furniture and Fixtures	72,723	35,149	37,574	106.9%
Machinery, equipment and vehicles	2,336,102	1,744,237	591,865	33.9%
Accumulated Depreciation	(6,541,204)	(3,314,860)	(3,226,344)	97.3%
Total Capital Assets, net	$ 117,985,602	$ 92,620,415	$ 25,365,187	27.4%

Additional detailed information regarding capital asset activity may be found in Note 5 to the financial statements.

Debt Activity

At the end of FY 2020, the Authority had total long-term debt outstanding of $105.9 million. The debt consists principally of bonds, $33.4 million, Notes payable to LAWA, $28.0 million and Subordinated revenue notes $34.4 million. This debt is secured by airport revenues and/or by passenger facility charge revenues. The decrease of $8.7 million (7.6%) for FY 2020 was primarily related to the issuance of debt to finance vehicles and airport improvements offset by normal debt service.

			Increase (Decrease)	
	2020	2019	$	%
Revenue bonds Series 2016	$ 33,395,000	$ 38,405,000	$ (5,010,000)	-13.0%
Loan payable LAWA	28,046,542	34,715,284	(6,668,742)	-19.2%
Subordinated revenue notes	34,370,500	34,370,500	-	0.0%
Notes payable - BAML	4,234,887	-	4,234,887	100.0%
Notes payable	5,892,232	7,036,696	(1,144,464)	-16.3%
	$ 105,939,161	$ 114,527,480	$ (8,588,319)	-7.5%

At the end of FY 2019, the Authority had total long-term debt outstanding of $114.5 million. The debt consists principally of bonds, $38.4 million and Subordinated revenue notes, $34.4 million that are secured by airport revenues and/or were also secured by a pledge of passenger facility charge revenues. The increase of $26.6 million (30.2%) for FY 2019 was primarily from the issuance of the Subordinated Revenue Bonds of $34.4 in FY 2019, additional notes and capital leases offset by normal debt service.

			Increase (Decrease)	
	2019	2018	$	%
Revenue bonds Series 2016	$ 38,405,000	$ 43,315,000	$ (4,910,000)	-11.3%
Loan payable LAWA	34,715,284	42,724,167	(8,008,883)	-18.7%
Subordinated revenue notes	34,370,500	-	34,370,500	100.0%
Notes payable	7,036,696	1,912,296	5,124,400	268.0%
	$ 114,527,480	$ 87,951,463	$ 26,576,017	30.2%

Additional detailed information regarding long-term debt activity may be found in Note 7 to the financial statements.

Debt Service Coverage

Debt service coverage is a covenant of the Authority's bond resolutions requiring that annual net airport system revenues be maintained in an amount expressed as a multiple of times annual principal and interest payments on the related debt. This coverage serves as an indicator to bondholders that funds are available for timely debt service payments. Net airport system revenue is calculated based on the airport use and lease agreement between the Authority and its signatory airlines and includes several additions to and subtractions from revenue and expense amounts reported in the basic financial statements.

The Authority is required to maintain debt service coverage ratios for both the 2016 Revenue Bonds as well as the 2019 Subordinated Revenue Notes.

The required Debt Service Coverage ratio mandated for the 2016 Bonds payable is 125% of annual principal and interest payments. For the fiscal year ended 2020 the debt service coverage was $280.4%, compared to 179.4% and 190.1% for FY 2019 and 2018, respectively.

The 2019 Subordinated Revenue Notes are subordinate to the 2016 Revenue Bonds in terms of priority of claims. The required debt Service Coverage ratio mandated for the 2019 Notes is 110% of annual principal and interest payments. For the fiscal years ended 2020 and 2019 the calculated ratio amounted to 236.1% and 137.9%, respectively.
As of June 30, 2020, the Authority was in compliance with all financial covenants. Variances in the debt service coverage year-over-year are primarily attributable to normal debt service and changes in net airport system revenue.

Airline Rates and Charges
The Authority has a residual cost airport use agreement with seven passenger airlines (signatory airlines) that expires June 30, 2024. This agreement provides a method for securing the financial stability of the Authority through a schedule of rates and charges. Following are some of the key rates and charges included in the agreement:

Fee Type	2020	2019	2018
Signatory landing fees per thousand pounds of gross landed weight	$ 1.98	$ 1.98	$ 1.98
Signatory annual per square foot rental rate	$ 109.76	$ 109.76	$ 109.76
Non-preferential gate use, per turn	$ 280.00	$ 280.00	$ 280.00
Jet bridge utility per use	$ 189.00	$ 189.00	$ 189.00

Airline Cost Per Enplanement

Airline Cost Per Enplanement (CPE) is a measure used in the airline and airport industries to show the average cost an airline incurs to enplane one passenger at a given airport. This figure is derived by dividing total passenger airline revenues earned by the airport by the total number of enplaned passengers.

CPE increased in FY 2020 compared to FY 2019 by $2.40 per enplaned passenger. This increase was the result of an increase in passenger airline revenues and a decrease in total passengers. FY 2019 over FY 2018 by $1.92 per enplanement. This decrease was mainly a result of the increase in passenger enplanements of 9.8% for FY 2019.

Airline Cost per Enplanement	**2020**	**2019**	**2018**
Passenger Airline Revenues	$ 24,102,471	$ 22,960,517	$ 25,526,175
Enplaned Passengers	2,168,058	2,632,231	2,397,075
Cost per Enplanement	$ 11.12	$ 8.72	$ 10.65

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the ONTARIO INTERNATIONAL AIRPORT AUTHORITY, 1923 E. Avion St., Ontario, CA 91761

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents - Note 3	$ 34,991,929	$ 51,383,206
Accounts receivable, net of allowance for doubtful accounts of $538,631 for 2020 and $121,458 for 2019	8,925,783	7,755,556
Grants receivable	7,858,834	4,014,411
Interest receivable	118,344	202,441
Prepaid expenses	1,031,374	625,877
Total unrestricted current assets	52,926,264	63,981,491
Restricted Assets:		
Cash and cash equivalents - Note 3	16,181,957	28,781,510
Accounts receivable	542,910	1,723,957
Total restricted assets	16,724,867	30,505,467
Total current assets	69,651,131	94,486,958
Noncurrent assets:		
Notes receivable, net of current portion	-	168,516
Capital assets - Note 5		
Not depreciated	67,030,373	83,670,591
Depreciated, net of accumulated depreciation of $12,595,101 for 2020 and $6,541,203 for 2019	67,553,066	34,315,011
Net capital assets	134,583,439	117,985,602
Total unrestricted noncurrent assets	134,583,439	118,154,118
Total noncurrent assets	134,583,439	118,154,118
TOTAL ASSETS	**$ 204,234,570**	**$ 212,641,076**

	2020	2019
LIABILITIES		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	$ 5,536,290	$ 8,972,172
Accrued expenses	1,146,001	13,391,526
Accrued payroll	615,564	383,760
Accrued interest	366,015	290,744
Current portion of long-term debt - Note 7	6,654,818	5,982,656
Unearned revenues - Note 6	851,985	933,409
Total unrestricted current liabilities	15,170,673	29,954,267
Total current liabilities	15,170,673	29,954,267
Noncurrent liabilities:		
Payable from unrestricted assets:		
Long-term debt - Note 7		
Bonds payable	28,250,000	33,395,000
Subordinated revenue notes	34,370,500	34,370,500
Notes payable - LAWA	28,046,542	34,715,284
Other notes and capital lease obligations	8,617,301	6,091,920
Total noncurrent liabilities	99,284,343	108,572,704
TOTAL LIABILITIES	**114,455,016**	**138,526,971**
NET POSITION		
Net Investment in capital assets	28,644,278	3,430,242
Restricted	16,724,867	30,505,467
Unrestricted	44,410,409	40,178,397
Total net position	89,779,554	74,114,106
TOTAL LIABILITIES AND NET POSITION	**$ 204,234,570**	**$ 212,641,077**

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDING JUNE 30, 2020 AND 2019

	2020	2019
Operating revenues:		
Landing fees	$ 14,710,660	$ 14,138,867
Facility and land rents	24,759,631	23,797,234
Parking	16,418,573	17,937,975
Rental car privilege fees	7,383,170	7,378,129
Concessions	5,160,614	4,477,220
Operating grants	7,126,536	663,040
Other operating revenues	4,677,016	4,388,259
Total operating revenues	80,236,200	72,780,724
Operating expenses:		
Personnel	7,116,113	5,430,436
Public safety	22,377,074	22,423,975
Contractual services	25,560,455	25,366,236
Materials and supplies	3,232,404	1,847,631
Utilities and administration	4,360,637	4,890,622
Other operating expenses	6,376,458	7,791,504
Total operating expenses	69,023,141	67,750,404
Operating income before depreciation and amortization	11,213,059	5,030,320
Depreciation and amortization	6,053,898	3,453,639
Operating income	**5,159,161**	**1,576,681**
Nonoperating revenue and (expense):		
Investment income	794,984	1,253,343
Passenger facility charges	8,448,989	10,814,570
Customer facility charges	3,360,085	4,061,658
Interest expense	(3,296,292)	(2,240,335)
Bad debt expense	(606,339)	-
Bond issuance Costs	(13,000)	(276,500)
Gain on disposition of assets	86,713	789,604
Other nonoperating revenues	-	2,420,058
Total nonoperating revenues	8,775,140	16,822,398
Net income before capital contributions	13,934,301	18,399,079
Capital contributions -		
Federal grants	1,731,148	7,933,404
Increase in net position	15,665,449	26,332,483
Total net position, beginning of year	74,114,105	47,781,623
Total net position, end of year	$ 89,779,554	$ 74,114,106

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from airlines and tenants	$ 71,320,575	$ 72,079,409
Federal/state grants in aid	3,282,113	663,040
Payments to suppliers	(77,427,913)	(56,290,178)
Payments for personnel services	(6,884,309)	(5,363,591)
Net cash provided (used) by operating activities	(9,709,534)	11,088,680
Cash flows from capital and related financing activities:		
Federal/state contributed capital, grants in aid	1,731,148	8,385,268
Acquisition of capital assets	(17,951,101)	(23,145,810)
Proceeds from sale of capital assets	86,713	539,856
Principal paid on long-term debt	(14,868,707)	(13,847,778)
Proceed from refunding long-term debt	-	34,370,500
Bond issuance costs	(13,000)	(276,500)
Passenger facility charges receipts	9,630,036	10,127,165
Customer facility charge receipts	3,360,085	4,042,480
Interest paid on long-term debt	(2,316,589)	(1,233,349)
Net cash provided (used) by capital and related financing activities	(20,341,416)	18,961,832
Cash flows from investing activities:		
Interest on investments	879,081	1,277,340
Collections of notes receivable	181,039	14,956
Net cash provided (used) by investing activities	1,060,120	1,292,296
Net increase (decrease) in cash and cash equivalents	(28,990,830)	31,342,808
Cash and cash equivalents, beginning of year	80,164,716	48,821,908
Cash and cash equivalents, end of year	$ 51,173,886	$ 80,164,716

See Accompanying Notes To Financial Statements.

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS - continued
Years ended June 30, 2020 and 2019

	2020	2019
Reconciliation of operating income to net cash provided by operating activities:	$ 5,159,161	$ 1,576,681
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	6,053,898	3,453,639
Effects of changes in operating assets and liabilities:		
Receivables	(1,182,750)	(1,834,781)
Other receivables	(3,844,423)	1,210,316
Prepaid expenses and other assets	(405,497)	(89,504)
Accounts payable	(3,435,882)	3,379,442
Accrued expenses	(12,245,525)	(424,862)
Accrued payroll	231,804	66,845
Due to related party	-	3,267,267
Other liabilities	(81,424)	483,636
Net cash provided by operating activities	$ (9,750,638)	$ 11,088,678
Noncash nonoperating, capital, financing and investing activities:		
Assets acquired by issuance of debt	$ 5,217,959	6,477,695
Net appreciation/(depreciation) in fair value of investments	$ 105,097	$ 130,562

See Accompanying Notes To Financial Statements.

NOTE 1 – Organization and reporting entity

The ONTARIO INTERNATIONAL AIRPORT AUTHORITY ("Authority") was organized on August 27, 2012, under a joint powers' agreement between the City of Ontario, CA and the County of San Bernardino, CA (together "Municipalities") pursuant to California Government Code Section 6500. The purpose of the OIAA is to exercise such powers for the operation, maintenance, management, administration, development and marketing of the Ontario International Airport ("ONT").

The Authority is governed by a commission of five members, each serving in his or her individual capacities. Two members are appointed from the City of Ontario Council, one member from the County Supervisorial District with the remaining two members selected from the community at large.

The accompanying financial statements include the accounts of the Authority. There are no potential component units, nor has the Authority been determined to be a component unit of the Municipalities or any other entity.

NOTE 2 – Summary of significant accounting policies

A summary of significant accounting policies follows:

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. All transactions are accounted for in a single enterprise fund. Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTE 2 – Summary of significant accounting policies – continued

Use of estimates in preparing financial statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make a number of estimates and assumptions, e.g., useful lives of capital assets that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. The most significant estimates recorded in the financial statements are the allowance for doubtful accounts and depreciation expense.

Measurement focus and basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statements of Net Position. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* net position is displayed in three components – net investment in capital assets, restricted and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

On proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, (i.e., charges to customers or users who purchase or use the goods or services of that activity). Operating expenses are those that are incurred to provide those goods or services. Nonoperating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. When both restricted and unrestricted resources are available for use, it is the Authority’s practice to use restricted resources first, then unrestricted resources as they are needed.

NOTE 2 – Summary of significant accounting policies - continued

Cash and cash equivalents

Investments are categorized as cash equivalents if their maturity date is 90 days or less at the date of purchase. Those assets having a maturity of more than 90 days are classified as investments for statement of net position presentation. Cash equivalents include cash on hand, checking, savings, money market accounts and cash equivalent mutual funds.

Grant and accounts receivable

The Authority grants unsecured credit to certain of its tenants, the U.S. government and state and local agencies without interest. Receivables are reported at their gross value when earned as the underlying exchange transaction occurs. Receivables are reduced by an allowance for the estimated portion that is expected to be uncollectible. This estimate is made based on collection history, aviation industry trends and current information regarding the credit worthiness of the debtors. When collection activity results in receipt of amounts previously written off against the allowance, revenue is recognized for the amount collected.

Investments

Investments are stated at fair value. The Authority's policy is to invest in certificates of deposit, federal treasury and agency securities, cash equivalent mutual funds and repurchase agreements, and to hold such investments to maturity. In accordance with this policy, investments are purchased so that maturities will occur as projected cash flow needs arise in connection with daily operations, construction projects and bond debt service requirements.

In accordance with California Government Code (Code) Section 53600 et seq., the Authority adopts an investment policy annually for the Operating, PFC and CFC portfolios that, among other things, authorizes types of allowable investments, maximum maturities, maximum concentration of investments by type of investment and issuer, minimum ratings for certain types of investments, and how the investments may be held. These criteria on investments and invested cash related to the Authority's bonded debt are governed by the related Master Indenture of Trust. Authorized investments and invested cash include U.S. Treasury securities, corporate notes, federal agency securities, money market mutual funds, bankers' acceptances, commercial paper, negotiable and non-negotiable certificates of deposit, repurchase agreements, guaranteed investment contracts and fund deposited in the State Treasurer's Local Agency Investment Fund (LAIF). The restrictions in the Code mitigate the Authority's interest rate risk, credit risk, concentration of credit risk, and custodial credit risk related to its various investments.

The Authority's investments are carried at fair value. Fair value is determined based upon market closing prices or bid/asked prices for regularly traded securities. The fair value of money market mutual funds and other similar investments is stated at its share value. The fair value of the Authority's investment in the LAIF is based on the Authority's pro rata share provided by LAIF of the fair value of the entire LAIF portfolio. Certain money market mutual fund investments with initial maturities at the time of the purchase of less than one year are recorded at cost. The calculation of realized gains and losses on investments that had been held more than one fiscal year and sold during the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year. Unrealized gains and (losses) are included in investment income in the accompanying financial statements. For the year ending June 30, 2020 and 2019 unrealized gains totaled $105,097 and $130,562 respectively.

NOTE 2 – Summary of significant accounting policies – continued

Bond issuance costs

Costs of issuing general airport revenue bonds, except prepaid insurance, are expensed as incurred. Insurance is recorded as a prepaid asset and amortized over the life of the bonds using the effective interest method.

Capital assets

Capital assets are stated at cost or estimated historical cost if original cost is not available and include expenditures which substantially increase the useful lives of existing assets. Capital assets includes intangible assets, which are without physical substance that provide economic benefits through the rights and privileges associated with their possession, including aviation avigation easements and computer software. Gifts or contributions of capital assets are recorded at acquisition value as of the date of the acquisition. The Authority's policy is to capitalize assets with a cost of $5,000 or more. Routine maintenance and repairs are expensed as incurred.

Depreciation (including amortization of intangible assets) has been provided using the straight-line method over the following estimated useful lives of the related assets:

Depreciation is computed on a straight-line basis over the following periods:

Land Improvements	5 years
Buildings and Improvements	20-33 years
Information technology hardware software	1-5 years
Furniture and fixtures	3-5 years
Machinery, equipment and vehicles	1-10 years

Depreciation of capital assets is recorded as an expense in the Statements of Revenues, Expenses and Changes in Net Position.

Interest incurred on debt obligations to finance construction projects is capitalized during the construction period. Interest income from funds obtained through Authority bond proceeds that are restricted for construction purposes is netted against interest expense incurred on the bonds in determining the amount of capitalized interest.

Capital assets are considered impaired if there is a significant unexpected decline in the service utility of the asset. Impaired capital assets that will no longer be used by the Authority are reported at the lower of carrying or fair value. Impairment losses on capital assets that will continue to be used by the Authority are measured using the method that best reflects the diminished service utility of the capital asset.

Restricted assets

Certain resources of the Authority are classified as restricted assets on the Statements of Net Position because their use is limited by applicable bond covenants, Federal Aviation Administration regulations or the environmental consent decree for payment of the respective liabilities.

NOTE 2 – Summary of significant accounting policies – continued

Compensated absences

The Authority provides full-time employees with of Paid Time Off ("PTO") in varying amounts and, at termination, an employee is paid for accumulated (vested) PTO. Accordingly, compensation for PTO leave is charged to expense as earned by the employee, and accumulated unpaid PTO is recorded as a current liability and reported in the accompanying financial statements under accrued payroll. Employees may make an annual election to have accumulated leave paid out in March and/or November of each calendar year.

Certain employees are provided an additional 48 hours of management leave each calendar year. The hours are credited at the beginning of the calendar year and any unused leave may not be carried over to the next calendar year and is not eligible to be paid out.

Retirement Plan Contribution

Net position

The Authority's policy is to restrict net position to the extent that assets restricted for bond debt service exceed the applicable debt service liabilities, and these assets are funded from operations rather than bond proceeds. Because these restricted assets do not exceed debt service liabilities at June 30, 2020 and 2019, no reservation of net position is required.

Passenger facility charges

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act (Act), which authorized domestic airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. In accordance with the PFC Program, PFC collections may be used to pay eligible costs for approved airport projects which meet at least one of the following criteria: preserve or enhance safety, security or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers.

The maximum allowable fee is $4.50 per enplaned passenger. PFC charges are collected by Airlines and remitted to the Authority monthly, net of an administrative fee of $.11 per enplaned passenger. Total authorized collections and the time period for collections is established with each approved application. In accordance with the Act the Authority's AIP passenger entitlement apportionment is reduced by certain percentages.

At the present time, GASB has not released authoritative guidance on the accounting treatment of PFC's. The Authority's position is that PFCs should be treated as revenue because: 1) the Authority earns the PFCs due to a passenger's use of the Airport; 2) after receipt, the Authority has clear title to the funds and is not required to refund or return them; 3) the Authority is entitled to assess late charges on any payment not received by the deadlines specified in the Act; and 4) the fee is reserved for specific purposes as defined in the approval letter received from the FAA.

Since the Authority's applications for PFCs were approved as Impose and Use, it is the position of the Authority that revenue should be recognized immediately when PFCs are earned and are accounted for on an accrual basis. Due to their restricted use PFC program assets are presented as Current Unrestricted Assets and PFC' are categorized as nonoperating revenue in the accompanying financial statements.

NOTE 2 – Summary of significant accounting policies – continued

Under Section 1936 of the California Civil Code an Airport may require that rental car companies operating on the airport must impose a Customer Facility Charge (CFC) to:

(i) finance, design, and construct consolidated airport car rental facilities
(ii) finance, design, construct, and operate common-use transportation systems that move passengers between airport terminals and those consolidated car rental facilities, and acquire vehicles for use in that system
(iii) finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation system

CFC's must be charged on a per contract basis and are limited to $10 per contract. Under certain circumstances an alternative fee may be imposed that exceeds this amount.

The Authority requires on-airport rental car operators to collect $10 per rental car contract, which are remitted to the Authority on a monthly basis. CFC revenues are recognized on an accrual basis when the rental car contract has been settled. Due to their restricted use CFC program assets are presented as Current Unrestricted Assets and CFC's are categorized as nonoperating revenue in the accompanying financial statements.

New Accounting Standards

Implementation of the following GASB statements was effective for fiscal year 2020 and 2019:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations, or legally enforceable liabilities associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Authority implemented this Statement in fiscal year 2019.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The requirements of this Statement are effective immediately.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The requirements of this Statement are effective for reporting periods beginning after June 15, 2019. Earlier application is encouraged.

NOTE 2 – Summary of significant accounting policies – continued

New Accounting Standards – continued

The GASB issued pronouncements that may impact future financial presentations. Management has not currently determined what impact implementation of these statements may have on the financial statements of the Authority.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 93, *Replacement of Interbank Offered Rates.* The requirements of this Statement have multiple effective dates based that are applicable based on specific identified paragraphs of the statement. The dates range from June 15, 2020 to June 15, 2021 with earlier application encouraged.

GASB Statement No. 92, *Omnibus 2020.* The requirements of this Statement are effective as follows (earlier application is encouraged and is permitted by topic):

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

GASB Statement No. 91, *Conduit Debt Obligations.* The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.* The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 87, *Leases.* The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

NOTE 2 – Summary of significant accounting policies – continued

Reclassifications
Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications have no impact on net position or cash flows as previously reported.

NOTE 3 – Cash, cash equivalents and investments

Deposits with Financial Institutions

At June 30, 2020, the carrying amount of the Authority's deposits was $18,580,990 and the bank balance was $19,418,599. At June 30, 2019, the carrying amount of the Authority's deposits was $48,422,539 and the bank balance was $52,361,970. The difference between the carrying amounts and the bank balances represents outstanding checks, deposits in transit and other reconciling items.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned, or the Authority will not be able to recover collateral securities in possession of an outside party.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, investments with longer maturities have greater fair value sensitivity to changes in market interest rates. One of the ways the Airport Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities. These staggered maturities also provide consistent cash flow and fulfill liquidity needs for operations. The Airport Authority monitors interest rate risk inherent in its portfolio by measuring the segmented time distribution of its portfolio. The Airport Authority has no specific limitations with respect to this metric.

Custodial Risk (Deposits)

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Airport Authority maintains deposits at several institutions in order to minimize custodial credit risk. These deposits are collateralized by various instruments such as U.S. government securities (guaranteed) or U.S. agency securities (government sponsored). California Government Code requires that a financial institution secure deposits made by a state or local government by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Airport Authority deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured deposits. Insurance through the Federal Deposit Insurance Corporation (FDIC) may be applicable to the first $250,000 of institutional deposit accounts, with any balance above this amount covered by the collateralization requirement. Certificates of deposit held by the Airport Authority's third-party custodians are fully insured by the FDIC, as the individual amounts do not exceed the FDIC-insured limits or are collateralized in accordance with the California Government Code.

NOTE 3 – Cash, cash equivalents and investments - continued

Custodial credit risk (investments)

Custodial credit risk for investments is the risk that the Airport Authority will not be able to recover the value of its investments in the event of a counterparty failure. The Airport Authority uses third-party banks' custody and safekeeping services for its registered investment securities. Securities are held in custody at third-party banks registered in the name of the Airport Authority and are segregated from securities owned by those institutions or held in custody by those institutions.

Credit Risk (Investments)

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. California Government Code Section 53601 (as referenced previously in this note) limits the types of investment instruments that may be purchased by the Airport Authority.

Cash and cash equivalents comprised the following at June 30, 2020 and 2019:

		Cash and cash equivalents		
		2020		2019
Deposits with financial institutions	$	18,580,990	$	48,422,539
Local Agency Investment Fund (LAIF)		32,592,896		31,742,177
	$	51,173,886	$	80,164,716

Cash, cash equivalents and investments are classified on the Statements of Net Position at June 30, 2020 and 2019 as follows

		Cash and cash equivalents		
		2020		2019
Unrestricted	$	34,991,929	$	51,383,206
Restricted:				
Construction fund		8,662,637		23,715,587
Customer facility charge fund		4,817,205		2,163,589
Passenger facility charge fund		2,702,115		2,902,334
		16,181,957		28,781,510
	$	51,173,886	$	80,164,716

NOTE 3 – Cash, cash equivalents and investments – continued

Investments authorized in accordance with California Government Code Section 53601 and under the provisions of the airport authority's investment policy: The table that follows identifies the investment types that are authorized by the Airport Authority's investment policy and State Government Code. The table also identifies certain provisions of the Airport Authority's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of bond proceeds held by the bond trustee that are governed by provisions of debt agreements of the Airport Authority, in addition to the general provisions of the Airport Authority's investment policy and State Government Code.

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirements	Maximum Percentage of Portfolio	Maximum Investment in One Issue
U.S. Treasury obligations	5 years	N/A	None	None
U.S. agency securities	5 years	N/A	None	None
Supranationals	5 years	AA	30 percent	10 percent
Bankers' acceptances	180 days	AAA/Aaa	40 percent	5 percent
Commercial paper	270 days	A-1; P-1; F-1	25 percent	5 percent
Negotiable certificates of deposit	5 years	A	30 percent	5 percent
Medium-term notes	5 years	A	20 percent	5 percent
Money market mutual funds	N/A	AAA/Aaa	20 percent	5 percent
Repurchase agreements	1 year	A	None	None
Local Agency Investment Fund	N/A	N/A	None	$65 million
Local Government Investment Pool	N/A	N/A	None	$65 million
U.S. State and California agency indebtedness	5 years	A	20 percent	5 percent
Placement service certificates of deposits	3 years	N/A	30 percent	5 percent
Time certificates of deposit	3 years	*	20 percent	5 percent
Bank deposits	N/A	*	None	None

Investment in State Investment Pools

The Airport Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Airport Authority's investments in this pool are reported in the accompanying financial statements at fair value based upon the Airport Authority's pro rata share of the amortized cost basis provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of each portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

NOTE 4 - Note receivable

Note receivable from sale of vehicles and equipment. Original amount $364,511 due in monthly installments of $14,956 including interest at 1.6%, due May 2021.

The balance outstanding at June 30, 2020 and 2019 was as follows:

		Cash and cash equivalents		
		2020		2019
Note receivable balance	$	168,516	$	349,555
Less: current portion		168,516		181,039
Long-term portion	$	-	$	168,516

NOTE 5 – Capital assets

Capital asset activity for the year ended June 30, 2020 follows:

	Balance June 30, 2019	Reclassifications	Additions	Deletions	Balance June 30, 2020
Capital assets, not depreciated					
Land	$ 56,503,866	$ -	$ -	$ -	$ 56,503,866
Air avigation easements	7,273,370	-	-	-	7,273,370
Construction in progress	19,893,356	(33,560,381)	18,151,506	1,231,342	3,253,139
Total	83,670,592	(33,560,381)	18,151,506	1,231,342	67,030,375
Capital assets, depreciated					
Land improvements	14,443,681	15,093,469	613,497	-	30,150,647
Buildings and improvements	19,410,708	18,466,912	188,552	-	38,066,172
Information technology hardware and software	4,593,000	-	66,526	-	4,659,526
Furniture and fixtures	72,723	-		-	72,723
Machinery, equipment and vehicles	2,336,102	-	4,862,996	-	7,199,098
Total	40,856,214	33,560,381	5,731,571	-	80,148,166
Less: accumulated depreciation					
Land improvements	3,384,808	-	2,472,977	-	5,857,785
Buildings and improvements	1,446,522	-	1,038,293	-	2,484,815
Information technology hardware and software	1,239,237	-	807,496	-	2,046,733
Furniture and fixtures	14,273	-	10,389	-	24,662
Machinery, equipment and vehicles	456,364	-	1,724,743	-	2,181,107
Total	6,541,204	-	6,053,898	-	12,595,102
Capital assets, depreciated - net	34,315,010	33,560,381	(322,327)	-	67,553,064
Capital assets, net	$ 117,985,602	$ -	$ 17,829,179	$ 1,231,342	$ 134,583,439

NOTE 5 – Capital assets – continued

Capital asset activity for the year ended June 30, 2019 follows:

	Balance June 30, 2018	Reclassifications	Additions	Deletions	Balance June 30, 2019
Capital assets, not depreciated					
Land	$ 56,503,866	$ -	$ -	$ -	$ 56,503,866
Air avigation easements	7,273,370	-	-	-	7,273,370
Construction in progress	5,463,086	(8,125,424)	22,555,694		19,893,356
Total	69,240,322	(8,125,424)	22,555,694	-	83,670,592
Capital assets, depreciated					
Land improvements	5,306,556	8,125,424	1,011,701	-	14,443,681
Buildings and improvements	15,791,616	-	3,619,092	-	19,410,708
Information technology hardware and software	3,817,395	-	775,605	-	4,593,000
Furniture and fixtures	35,149	-	37,574	-	72,723
Machinery, equipment and vehicles	1,744,237	-	828,623	236,758	2,336,102
Total	26,694,953	8,125,424	6,272,595	236,758	40,856,214
Less: accumulated depreciation					
Land improvements	1,618,133	-	1,766,675	-	3,384,808
Buildings and improvements	777,760	-	668,762	-	1,446,522
Information technology hardware and software	525,618	-	713,619	-	1,239,237
Furniture and fixtures	7,910	-	6,363	-	14,273
Machinery, equipment and vehicles	385,439	-	298,221	227,296	456,364
Total	3,314,860	-	3,453,640	227,296	6,541,204
Capital assets, depreciated - net	23,380,093	8,125,424	2,818,955	9,462	34,315,010
Capital assets, net	$ 92,620,415	$ -	$ 25,374,649	$ 9,462	$ 117,985,602

Depreciation expense was $5,502,601 and $3,453,639 for the years ended June 30, 2020 and 2019, respectively.

Net investment in capital assets as of June 30, 2020 and 2019 is as follows:

	2020	2019
Capital assets	$ 149,622,398	$ 124,514,774
Less accumulated depreciation	(12,043,803)	(6,511,136)
Less outstanding debt	(105,809,044)	(114,555,359)
Net investment in capital assets	$ 31,769,551	$ 3,448,279

NOTE 6 – Unearned revenues

At June 30, 2020 and 2019 the Authority had received security deposits as well as rent from certain tenants and certain other payments applicable to the subsequent year. Such amounts have been classified as unearned revenue, which totaled $851,985 at June 30, 2020 and $933,409 at June 30, 2019.

NOTE 7 – Long-term debt

Long-term debt at June 30, 2020 and 2019 follows:

Public Offering

On November 1, 2016, the Authority issued $52,015,000 of 2016 Airport Revenue Bonds ("2016 Bonds") at par, with effective interest rates ranging from 1.290% to 2.998%. The 2016 Bonds are special limited obligations of the Authority payable solely from, and secured solely by, a pledge of the net revenues and amounts in certain funds established under the Master Indenture of Trust, as amended, and the Debt Service Reserve Fund (provided through a surety). The 2016 Bonds are subject to redemption at the Authority's option prior to maturity, subject to a redemption premium. The 2016 Bonds were issued to extinguish LAWA 2006 Bonds as part of the Authority's acquisition of the Ontario International Airport from LAWA and to pay bond issuance costs.

The 2016 Bonds are due in principal installments on May 15th annually with interest installments due on May 15th and November 15th each year. In connection with the bond financing, the Authority secured a Reserve Surety Bond with a face value of $5,201,500 to provide coverage for debt service. The balance outstanding as of June 30, 2020 and 2019 was $38,405,000 and $33,395.000, respectively. Interest expense for the years ended June 30, 2020 and 2019, amounted to $999,553 and $1,088,817 respectively.

The 2016 Bonds are special obligations of the Authority payable solely from and secured solely by Pledged Revenues. Pledged Revenues is defined in the Master Indenture to mean all income, receipts, earnings, and revenues received by the Authority. The Authority covenants that, as long as the bonds are outstanding, that it will collect Pledged Revenues in amounts sufficient to provide for the flow of funds to the prescribed reserves. The Authority adheres to a regimen with respect to the flow of funds with cash receipts and cash disbursements. All receipts are deposited in the Airport Revenue Funds. Funds are then allocated and reserved for the following reserves: maintenance and operations, debt service, reserve, construction, and surplus (See Note 1). Net Pledged Revenues are defined to mean operating revenue plus investment income on operating funds less operating expenses before depreciation.

The Bond indenture contains various affirmative, negative and financial covenants. The primary financial covenant is a Debt Service Coverage Ratio defined as "net pledged revenues equal to at least 125% of aggregate annual debt service for that fiscal year". If the Authority violates the covenant, it will not constitute a default in the event the Authority cures violation within 120 days if its discovery.

The required debt service payments for the Series 2016 Bonds for the fiscal years ending June 30 are as follows:

For the year ending June 30,	Principal	Interest	Total
2021	$ 5,145,000	$ 895,145	$ 6,040,145
2022	5,290,000	782,778	6,072,778
2023	5,455,000	651,375	6,106,375
2024	5,645,000	507,690	6,152,690
2025	5,820,000	349,743	6,169,743
2026	6,040,000	181,079	6,221,079
Total	$ 33,395,000	$ 3,367,810	$ 36,762,810

NOTE 7 – Long-term debt – continued

Direct Borrowings and Placements
Loans Payable – LAWA
In connection with the acquisition of ONT from LAWA, a $70 million noninterest-bearing loan was due LAWA on the tenth anniversary of the closing. Subsequently, the parties agreed to modify the payment provisions of the settlement agreement. The revised agreement requires repayment to commence on the third anniversary from closing (November 1, 2019) by remitting to LAWA on an annual basis the sum of $2 per enplaned passenger (in excess of 2,082,721 passengers), a sum not less than $1 million or 100% of PFCs collected. The Authority may prepay the loan at any time applying a discount of 1.1%.

The original loan for $70 million was for a 10-year term and noninterest bearing. The loan was discounted to net present value using expected future cash flows at a weighted average discount rate of 1.83%. The discount rate reflects the yield on 10-year U.S. Treasury notes at the inception of the loan. Aggregate deferred interest in the amount $9,044,321 was imputed and is amortized to operations over the life of the loan. There is no fixed amortization schedule.

Subordinated Revenue Notes (Direct Borrowing)

On May 22, 2019, The Authority executed a note purchase agreement with a financial institution. The credit facility titled *Subordinated Revenue Notes, Series 2019*, provided financing for specifically identified capital projects (net of eligible third-party grants) *approved in accordance with the Airline Operating Use and Terminal Lease Agreement*. The capital projects consisted of airfield rehabilitation and upgrades, airside site improvements and warehouses, terminal infrastructure improvements and various machinery, equipment and vehicles.

The Note purchase agreement is for a 2-year term and bears interest of 3.06% per annuum calculated on 360-day basis. Interest is due and payable semi-annually on December 1 and June 1 each year.
The balance outstanding at June 30, 2020 and 2019 was $34,370,500.

The proceeds of the loan in the amount of $34,370,500 ($32,684,000 net of issuance costs) were deposited in a separate custodial account (Construction Account) at the Authority's financial institution, less $1,410,000 placed in escrow for a project until approved in accordance with the *Airline Operating Use and Terminal Lease Agreement*.. These conditions were subsequently satisfied, and the escrow funds were released and deposited in the Construction Account.

The Authority made draws on the Construction Account as costs were incurred on eligible projects. Construction fund draws for the years ending June 30, 2020 and 2019 totaled $15,052,950 and $10,378,400, respectively. The Construction Account balance at June 30, 2020 and 2019 was $8,662,637 and $23,715,586, respectively.

The note is secured by net pledged revenues, junior and subordinate to the 2016 Revenue Bonds. Net pledged revenues are defined as pledged revenues less maintenance and operating expenses.

In addition to general affirmative and negative covenants, The Authority has agreed to maintain a Debt Service Coverage Ratio of at least 110% of Aggregate Annual Debt Service for that Fiscal Year. In the event of non-compliance with the financial ratio, the Authority has 120 days in which to cure the condition. As further contemplated by the agreement, the Authority intends and covenants to the lender to obtain long term bond financing to retire the subordinated revenue bonds. In addition, the Authority is to submit a Passenger Facility Charge (PFC) application to seek approval from the Federal Aviation Administration

NOTE 7 – Long-term debt – continued

(FAA) to use PFC's collected to repay that portion of the contemplated by bond financing that is attributable to approved PFC eligible projects. The PFC application was submitted .

The note has been classified as non-current in the accompanying financial statements as the Authority intends to refinance the total outstanding debt by June 30, 2021.

Notes Payable – Enterprise Resource Planning System

In connection with the installation and implementation of its Enterprise Resource Planning (ERP) system the Authority entered into a Lease/Purchase Master agreement credit facility to finance the ERP system. Under the agreement, the Authority made drawdowns to cover ERP costs as they were incurred. Each drawdown converted to a 60-month term note, with interest at 3.7% per annum due in semi-annual installments of principal and interest ranging from $5,064 - $50,205. The notes mature beginning October 2022 and ending October 2023. Total cost of the ERP system financed was $2.8. The Note is secured by a first lien on the ERP system.

The required debt service payments for the note payable for the fiscal years ending June 30 are as follows:

For the year ending June 30,	Principal	Interest	Total
2021	$ 586,699	$ 60,766	$ 647,465
2022	610,152	37,313	647,465
2023	382,750	12,911	395,661
2024	70,239	1,692	71,931
Total	$ 1,649,840	$ 112,682	$ 1,762,522

Notes Payable – Parking Management Operator

The Authority entered into an agreement with its parking management operator (operator), for the operator to complete and incur costs for certain capital projects in the terminal parking area and to finance each project upon completion. Each note payable is for five-years, bears interest at 6% or 9.8% and is due in monthly installments of principal and interest ranging from $1,724 to $11,861. The notes mature from May 2023 to December 2024. The balance outstanding as of June 30, 2020 and 2019 was $1,200,826 and 811,822, respectively.

The required debt service payments for the note payable for the fiscal years ending June 30 are as follows:

For the year ending June 30,	Principal	Interest	Total
2021	$ 300,592	$ 85,006	$ 385,598
2022	326,845	58,753	385,598
2023	352,600	30,091	382,691
2024	150,911	8,913	159,824
2025	69,878	1,229	71,107
Total	$ 1,200,826	$ 183,992	$ 1,384,818

NOTE 7 – Long-term debt – continued

Terminal Improvement Financing

On June 19, 2018, the Authority entered into an agreement with a third-party to operate common use lounges in the airport terminals as well as certain online reservation car parking services. The agreement required MAG to construct and finance a lounge in Terminal 2 and 4. The total cost of the lounges was $3,611,798 and was to be repaid from concession fees earned under the agreement. The agreement required that 100% of concession fees earned, less certain expenses, would be applied to the outstanding debt until paid in full. On OIAA provided a notice of termination for convenience. Termination provisions in the agreement require the Authority to repay the unamortized cost of the lounges within 30 days of termination. The Authority intends to finance the lounge costs and to repay the unamortized costs through a bond issue in fiscal year 2021 and therefore the entire balance has been presented in the financial statements as long-term debt at June 30, 2020.

Note Payable – Airport Rescue and Firefighting (ARFF) Vehicles

The Authority executed a note payable with a financial institution for the acquisition of ARFF vehicles with a total cost of $4,234,887. The terms of the note are: 10 years, bearing annual interest of 1.799%, with annual principal and interest installments of $471,430, maturing October 2029. The note is secured by the vehicles. The outstanding balance at June 30, 2020 was $4,234,887.

The required debt service payments for the note payable for the fiscal years ending June 30 are as follows:

For the year ending June 30,	Principal	Interest	Total
2021	$ 410,891	$ 59,679	$ 470,570
2022	402,653	68,778	471,431
2023	409,897	61,534	471,431
2024	417,271	54,160	471,431
2025	424,777	46,654	471,431
2026	432,419	39,012	471,431
2027	440,198	31,233	471,431
2028	448,117	23,314	471,431
2029	456,179	15,252	471,431
2030	392,485	7,045	399,530
Total	$ 4,234,887	$ 406,661	$ 4,641,548

NOTE 7 – Long-term debt – continued

Capital Lease Obligations (Direct Borrowing)

The Authority leases various vehicles under capital lease obligations from two lenders. Lease payments are due monthly and range from approximately $2,100 to $6,700 and mature from July 2023 to September 2024. Total payments remaining at June 30, 2020 and June 30, 2019 totaled.

The required debt service payments for the capital lease obligation for the fiscal year ending June 30, are as follows:

For the year ending June 30,	Principal	Interest	Total
2021	$ 211,636	$ 38,377	$ 250,013
2022	217,310	22,600	239,910
2023	102,861	16,030	118,891
2024	62,108	3,296	65,404
2025	4,583	56	4,639
Total	$ 598,498	$ 80,359	$ 678,857

Long-term debt at June 30, 2020 and 2019 follows:

	Sum of Beginning Balance	Additions	Reductions	Sum of Ending Balance
Bonds payable	$ 38,405,000	$ -	$ 5,010,000	$ 33,395,000
Direct borrowings				
Notes payable - LAWA	34,715,284	-	6,668,742	28,046,542
Revenue notes payable	34,370,500			34,370,500
Notes payable - BAML	-	4,234,887	-	4,234,887
Notes payable	7,036,696	1,113,189	2,257,653	5,892,232
	$ 114,527,480	$ 5,348,076	$ 13,936,395	$ 105,939,161

	Sum of Beginning Balance	Additions	Reductions	Sum of Ending Balance
Bonds payable	$ 43,315,000	$ -	$ 4,910,000	$ 38,405,000
Direct borrowings				
Notes payable - LAWA	42,724,169	-	8,008,885	34,715,284
Revenue notes payable	-	34,370,500		34,370,500
Notes payable	1,912,296	5,410,129	285,729	7,036,696
	$ 87,951,465	$ 39,780,629	$ 13,204,614	$ 114,527,480

Note 8: Related Party Transactions

The Authority has entered into agreements with the City of Ontario (City) for the City to provide public safety, information technology, human resources and other administrative services to the Authority. In addition, the Authority purchases water and waste utilities from the City. The authorities parking operations are subject to a City parking tax. These taxes are included in the daily parking rates and taxes paid are netted against parking revenues.

Amounts due to the City are included in Due to Related parties in the accompanying financial statements. The following summarizes the Authorities related party transactions for the years ending June 30, 2020 and 2019:

		2020		2019
Public safety	$	22,377,074	$	22,423,975
Utilities		947,368		1,318,834
Administrative services		1,586,854		846,297
Parking taxes		2,171,222		2,551,615
Total	$	27,082,518	$	27,140,721

The Authority is also charged for services from County of San Bernardino departments that are categorized in the various expense line items in the statements of revenues, expenses and changes in net position. The most significant servic3es are for emergency communications systems totaling $68,774 and $157,576 for the year ended June 30, 2020 and 2019 respectively.

NOTE 9 – Operating leases with lessees

The Authority is the lessor of various land, facilities and equipment within the Airport System. Lease contracts are generally written with noncancelable terms of up to 30 years. Costs and related accumulated depreciation of property under leases are not practically determinable as the majority of the leases relate only to portions of buildings.

A summary of minimum noncancelable rentals under operating leases at June 30, 2020 follows:

For the fiscal year ending June 30,	2021	$	21,186,607
	2022		20,422,814
	2023		20,168,215
	2024		20,168,215
	2025		14,360,102
	Thereafter		2,617,455
		$	98,923,408

Several lease agreements have provisions for contingent rentals based on a percentage of the tenant's gross sales at ONT. Gross sales percentage amounts and minimum annual guarantees vary by type of tenant, as well as tenant products and services provided. The tenant is required to pay the greater of the amount calculated as a percentage of sales or the minimum annual guarantee based on the established annual contract period

NOTE 10 - Retirement Plans

The Authority established and maintains three defined contribution retirement plans the benefit of employees. The plans are administered by an unrelated third party. Significant plan requirements are as follows:

401A Plan- Defined Contribution Plan for Governmental Employees
The Authority established the "Ontario International Airport Authority 401(a) Defined Contribution Plan", administered by unrelated third-party. All full and part time employees participate in the Authority's 401A Plan. The Authority contributes 10% of the employee's eligible wages. Employee's may not contribute to the plan. All employer contributions are fully vested at the date of contribution. Maximum permissible contributions for the plan year are $40,000 per employee. All contributions made under this plan are fully vested. Amounts contributed to the plan for the years ended June 30, 2020 and 2019 amounted to approximately $570,060 and $441,439 respectively.

NOTE 10 - Retirement Plans - continued

457B Plan- Employee Deferred Compensation Plan
The “Ontario International Airport Authority 457(b) Deferred Compensation Plan” is an employee funded retirement plan. All employee contributions are fully vested at the time of contribution. The Authority does not make any contributions or provide for matching under this plan.

457F Plan
The “Ontario International Airport Authority 457(f) Deferred Compensation Plan” is a non-qualified deferred compensation arrangement which provides supplemental retirement benefits to a select management group. The plan has no active participants and no plan assets at June 30, 2020 and 2019.

NOTE 11 – Concentration of operating revenues

A significant portion of the Authority’s earnings and revenues are directly or indirectly attributable to the activity of a number of major airlines, tenants and concessionaires. The Authority’s earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations and should the Authority be unable to replace those airlines with similar activity.

		2020		2019	
Customer	**Customer Type**	**Revenues**	**% of Operating Revenues**	**Revenues**	**% of Operating Revenues**
Customer A	Passenger carrier	10,495,956	13.1%	16,846,458	23.1%
Customer B	Cargo carrier	6,324,224	7.9%	8,232,149	11.3%
Customer C	Passenger carrier	4,244,758	5.3%	6,574,945	9.0%
Customer D	Rental car company	3,358,551	4.2%	5,463,462	7.5%
Customer E	Cargo carrier	3,020,717	3.8%	2,938,001	4.0%
Customer F	Rental car company	2,801,144	3.5%	3,869,745	5.3%
Customer G	Passenger carrier	2,280,720	2.8%	3,516,268	4.8%
Customer H	Passenger carrier	2,237,878	2.8%	3,151,940	4.3%
Customer I	Rental car company	1,548,761	1.9%	2,282,250	3.1%
Customer J	Passenger carrier	1,545,451	1.9%	2,110,231	2.9%
	Total operating revenues		$ 80,236,200		$ 72,780,724

NOTE 12 – Passenger Facility Charges

The passenger facility charge program for ONT was established under previous ownership by the City of Los Angeles, Los Angeles World Airports (LAWA). In accordance with the Settlement Agreement for the Authority's acquisition of ONT from LAWA a PFC application was submitted to the FAA to authorize use of PFC collections at ONT for a single project at the Los Angeles International Airport (LAX). On July 18, 2016, the FAA issued a Final Agency Decision approving this application (16-05-C-00-ONT), which approved the imposition of a $4.50 PFC at ONT for use on the LAX project. On September 16, 2016, the FAA approved amendment number 1 (16-05-C-01-ONT) to increase the approved amount for the project from $47,338,500 to $117,338,550. The Authority is required to remit ONT PFC collections directly to LAWA until it pays in full amounts due under its loan agreement with LAWA (see Note 7).

On April 17, 2020 the Authority submitted an amendment to the FAA to repay its current obligation to LAWA, in a lump sum payment through the issuance of new bonds. The application amendment (16-05-C-02-ONT) was approved by the FAA on May 15, 2020. This amendment represents the following changes:

	Previously Approved	Revised	Net Increase (Decrease)
LAX - project			
Pay-as-you-go	$ 117,338,500	$ 86,885,234	$ (30,453,266)
PFC bond capital	-	30,453,266	30,453,266
PFC bond financing and interest	-	41,973,708	41,973,708
Total	$ 117,338,500	$ 159,312,208	$ 41,973,708

On May 1, 2020 the Authority submitted a new application to impose and use $104,024,601 ($52,397,490 for bond capital and $51,657,11 for bond financing and interest) for 15 projects at the Authority to be financed through a new bond issue. On May 29, 2020 the FAA notified the Authority that the application (20-06-C-00-ONT) was determined to be substantially incomplete. On June 2, 2020 the Authority notified the FAA that it intended to provide a supplement to the application. This notification placed a hold on the FAA's requirement to approve or disapprove the application within120 days of its final submission. The application supplement has not been submitted to the FAA.

Passenger facility charge revenues for the years ending June 30, 2020 and 2019 totaled $8,448,989 and 10,814,570, respectively.

NOTE 13 – Customer Facility Charges

Customer facility charges on rental car contracts are used to pay debt service on the portion of Series 2016 Revenue Bonds attributable to Consolidated Rental Car Facility (CONRAC) capital costs and operating costs for shuttle services to transport passengers to and from the terminal and the CONRAC. The following summarizes allowable expenditures for the Customer Facility Program for the years ending June 30, 2020 and 2019.

	6/30/2020	6/30/2019
Debt service - Revenue Bonds Series 2016	$ 586,306	$ 585,032
Shuttle services	1,723,284	1,941,547
Total	$ 2,309,590	$ 2,526,579

NOTE 14 – Risk management

The Authority is exposed to various risks or losses related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority's risk management activities include purchase of commercial insurance with standard deductibles for all significant insurable risks. There have been no significant changes in insurance coverage in the last year. The amounts of settlements have not exceeded insurance coverage for the past three years. The financial statements do not include any liability for uninsured claims at June 30, 2020 and 2019.

Losses arising from claims and judgments are expensed when 1) it is probable that an asset has been impaired, or a liability has been incurred at the date of the financial statements; and 2) the amount of the loss can be reasonably estimated.

NOTE 15 – Commitments and Contingencies

Coronavirus (COVID-19)

On March 13, 2020, a national emergency was declared by the President of the United States in response to the novel coronavirus known as SARS-CoV-2 (COVID-19), which the World Health Organization announced on March 11, 2020 could be characterized as a pandemic. The Federal Government, along with State and local governments took extraordinary actions to prevent and slow the spread of the virus, which required essential businesses to close and stay-at-home orders were issued for all but essential workers. This national declaration and corresponding actions by Federal, State and local governments had an immediate and unprecedented impact on the commercial passenger aviation industry, including airports.

For the Ontario International Airport passenger levels decreased by 74.1% from March 1 – June 30, 2020 compared to the same period for 2019. Prior to March 1, 2020 passenger activity increased by 12.4% compared to 2019. As of June 30, 2020, one domestic carrier and two international carriers suspended air service at ONT. A substantial portion of airport revenues relate directly to passenger activity levels, including parking, rental cars and concessions (e.g. news and gifts, food and beverage).

NOTE 15 – Commitments and Contingencies – continued

Coronavirus (COVID-19) – continued

Subsequent to June 30, 2020 national, regional and local economies as well as the commercial passenger carrier industry and the Authority experienced moderate recoveries. However, for the five months ending November 30, 2020 passenger activity had recovered to only 40.4% compared to passenger activity for the five months ending November 30, 2019. Passenger activity at ONT is expected to lag the general economic recovery. While the financial impact associated with continuing is partially mitigated by the residual airport agreement, long-term lease agreements and the growth of Cargo activity at ONT, the Authority remains at substantial risk for the potential failure of one or more of its significant airport partner airlines, tenants or concessionaires. The possible financial impact to the Authority's asset values and future financial performance cannot be estimated. The Authority's Management Discussion and Analysis, Financial Statements and Notes to the Financial Statements should be read and considered in light of these extraordinary circumstances.

Federal and State Grants

All federal and state grants are subject to audit by the granting agencies for compliance with applicable grant requirements. The Authority anticipates that the amount, if any, of disallowed grant expenditures in the event of granting agency audits would be immaterial.
Other Contingencies

The Authority is involved in other claims in the ordinary course of business. In the opinion of management, based on consultations with legal counsel, these matters are considered immaterial to the Authority or will be covered by insurance.

NOTE 16 – Restricted Net Position

Restricted net position includes restricted assets required to be set aside to repay principal and interest under debt covenants; and to comply with other legal or contractual requirements; less liabilities payable from these assets. For fiscal years June 30, 2020 and 2019 restricted net position is as follows:

	2020	2019
Restricted Net Position:		
Capital projects	$ 8,662,637	$ 23,715,588
Passenger facility charges	3,082,945	4,276,146
Customer facility charges	4,979,285	2,513,733
Total	$ 16,724,867	$ 30,505,467

The Authority's policy is to restrict net position to the extent that assets restricted for bond debt service exceed the applicable debt service liabilities, and these assets are funded from operations rather than bond proceeds. Because these restricted assets do not exceed debt service liabilities at June 30, 2020 and 2019, no reservation of net position is required.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Ontario International Airport Authority (the Authority) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated ____________, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify the following deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies: 2020-001 and 2020-004.

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards:* 2020-002 and 2020-003. These matters are described in the accompanying schedule of findings and questioned costs.

City's Response to Findings

The Authority's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lunghard, LLP

Brea, California
_____________, 2020

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Segregation of Duties and Review of Key Processes

Reference Number: 2020-001

Evaluation of Finding:
Significant Deficiency

Condition:
During part of the audited fiscal year, due to limited staffing, the Authority did not have appropriate segregation of duties and system controls over journal entries.

Criteria:
Journal entries are how accounting transaction are recorded in the accounting system. Proper accounting controls should provide for proper review and approvals for all journal entries and supporting documentation.

Cause of Condition:
For a part of the fiscal year, the finance director position was unfilled and resulted in a gap in segregation of duties.

Effect or Potential Effect of Condition:
Due to the gap in controls, there is a potential that entries could be posted to the accounting system without proper review and approval.

Recommendation:
We recommend that the Authority's process for preparation and approval of journal entries continue to require separate individual with appropriate accounting knowledge and skill to be involved in the process. Supporting documentation for journal entries should be uploaded into the accounting system to facilitate a complete review.

Management's Response and Corrective Action:
Supply management's response here

Passenger Facility Charges (PFC) Compliance

Reference Number: 2020-002

Evaluation of Finding:
Noncompliance

Condition:
During our inquiry of prior year finding, it was noted that the Authority did not receive nor request the required quarterly reports from ach air carrier collecting PFC revenues.

Criteria:
Section 158.65 of 14 CFR Part 158 states that each air carrier collecting PFC revenues is required to submit a quarterly report to the Authority. The PFC quarterly report shall state the collecting air carrier and airport

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Reference Number: 2020-002 (Continued)

involved, the total PFC revenue collected, the total amount of PFC revenue refunded to passengers, and the amount of collection withheld by the air carrier fore reimbursement of expenses. The report must be provided on or before the last day of the calendar month following the calendar quarter or other period agreed by the public agency and collecting carrier.

Cause of Condition:
The Authority is not currently requesting the quarterly reports from the air carriers collecting PFC revenues.

Effect or Potential Effect of Condition:
The condition resulted in noncompliance of section 158.65 14 CFR Part 158.

Recommendation:
We recommend that the Authority implement procedures to track air carrier remittances and reporting, and to notify carriers of their obligations when the remittance and reporting are not in compliance.

Management's Response and Corrective Action:
Supply management's response here

Customer Facility Charges (CFC) Compliance

Reference Number: 2020-003

Evaluation of Finding:
Noncompliance

Condition:
Per inquiry of prior year finding, it was noted that the Authority is continuing to collect CFC revenues under expired contract terms.

Criteria:
The Authority is required to update their car rental agency contract in compliance with the CFC imposition.

Cause of Condition:
The latest contract expired on February 28, 2019. The Authority contacted agencies notifying them that they would continue to rely on the expired contract until a new master agreement can be executed.

Effect or Potential Effect of Condition:
Without a binding and active agreement, the Authority does not have the right to collect the CFC revenues.

Recommendation:
We recommend that the Authority maintain updated and binding contract with all on-airport and off-airport care rental agencies.

Management's Response and Corrective Action:
Supply management's response here

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Year-end Closing Process

Reference Number: 2020-004

Evaluation of Finding:
Significant Deficiency

Condition:
Significant adjusting entries were received throughout the duration of the audit to correct errors in account balances identified by LSL and the Authority.

Criteria:
The trial balance received at the beginning of audit fieldwork is expected to be reconciled and free from material errors.

Cause of Condition:
In addition to COVID-19, the Authority lost a key employee during the fiscal year, this resulted in certain year-end closing processes to be delayed.

Effect or Potential Effect of Condition:
Unreconciled account balances could result in a material misstatement in the Authority's Financial Statements.

Recommendation:
We recommend the Authority implement controls and positions to ensure that all account balances are properly and timely reconciled prior to providing a final trial balance for the audit.

Management's Response and Corrective Action:
Supply management's response here

ONTARIO INTERNATIONAL AIRPORT

Ontario International Airport Administration Offices

1923 E. Avion Street, Ontario, CA 91761

MEMORANDUM

DATE: January 20, 2021

FROM: John M. Schubert, CFO

TO: Board of Commissioners

RE: Auditors Reports

As you review the draft auditors' reports including the findings that are reflected in those reports I wanted to provide to you a draft response to those findings as of January 20, 2021. As noted in our response management disagree with two of those findings and we will continue to work with the auditors to provide sufficient information to eliminate the findings completely or to change the narrative in its current form. Final OIAA management responses will be incorporated into the Auditors' reports as required by auditing standards. If you have questions regarding the findings and/or the responses, please let me know.

Segregation of Duties and Review of Key Processes
Reference Number: 2020-001

Management agrees with the Finding as set forth in the report on internal control. These conditions discussed in the letter existed from approximately March 2019 through January 2021. While there are several staff members in the Finance Division, there was only a single individual with qualifications and experience to properly perform the preparation and approval functions. The Authority has recently hired a new Finance Manager, which will provide the additional qualified resources to separate out the preparation of manual journal entries and the approval of those journal entries.

Passenger Facility Charges (PFC) Compliance
Reference Number: 2020-002

Management does not agree with the finding as set forth. Currently, airports and airlines are required to provide quarterly Passenger Facility Change reports in the Federal Aviation Administration PFC electronic reporting system, SOAR. The Authority does not currently print the electronically available quarterly reports submitted by the airlines. It is the Authority's position that the current electronic reporting meets the requirements under Federal Aviation Administration requirements.

Customer Facility Charges (CFC) Compliance
Reference Number: 2020-003

Management disagrees with the findings as set forth. Legal requirements for the collection and use of customer facility charges on rental car revenues earned at California airports is established by the State of California. Those legal requirements include limits on amounts that can be charged, how they may be used as well as audit and other administrative requirements. They do not provide requirements for the length or form of contract between an airport and a rental car company. Currently, the Authority has contracts with each parent rental car company doing business at ONT. These contracts expired February 28, 2019 and are now following the hold over provisions of these contracts, which continue to require that CFC funds are collected at ONT. In addition, the holdover status was presented to the Board of Commissioners and approved for continuation under the current contract provisions while the Authority negotiated new multi-year contracts. These negotiations and a new contract have been delayed because of the significant impact that Covid-19 has had on the rental car business at ONT.

Year-end Closing Process
Reference Number: 2020-004

Management agrees with the findings as set forth. It is the intent of management that the general ledger and corresponding financial statements be substantially maintained on a GAAP basis in accordance with GASB standards in a material way. This includes, manual accruals and other regular adjustments to meet the GAAP/GASB requirements, which are not provided through automation in day-to-day accounting journals such as accounts payable, accounts receivable and payroll. Management was unable to meet OIAA established standards because of resource constraints created by a vacant positions and budgetary limitations associated with the impact of Covid-19. A new Finance Manager has been hired to replace the position vacated since March of 2019 and a new staff accountant position has been established to assist with analysis and preparation of workpapers, accruals and adjustments necessary to maintain accrual basis accounting on a monthly basis. These additional resources will eliminate the need for substantial year end closing processes and accounting referenced in the finding.

__________________, 2020

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

We have audited the financial statements of the Ontario International Airport Authority (the Authority) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 18,2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in the notes to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2019-2020. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated ______________________, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management discussion and analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

New Accounting Standards

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2019-2020 audit:

GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* – The following pronouncements have been postponed as a temporary relieve to governments and other stakeholders in light of the COVID-19 pandemic and the new effective date are reflected in the following fiscal years.

GASB Statement No. 88, *Certain Disclosure Related to Debt, including Direct Borrowing and Direct Placements.*

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in the following fiscal year audit and should be reviewed for proper implementation by management:

Fiscal year 2021

GASB Statement No. 84, *Fiduciary Activities.*

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statement Nos. 14 and 61.*

Fiscal year 2022

GASB Statement No. 87, *Leases.*

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.*

Fiscal year 2023

GASB Statement No. 91, *Conduit Debt Obligations.*

Restriction on Use

This information is intended solely for the use of Board of Commissioners and management of Ontario International Airport Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lance, Soll & Lunghard, LLP

Brea, California

ONTARIO INTERNATIONAL AIRPORT

DATE: **JANUARY 28, 2021**

SECTION: **ADMINISTRATIVE DISCUSSION/ACTION/REPORT**

SUBJECT: **A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY AUTHORIZING THE ISSUANCE OF SERIES 2021 SUBORDINATED REVENUE BONDS**

RELEVANT STRATEGIC OBJECTIVE: **Develop Airport Related Business; Financing for Capital Projects.**

RECOMMENDED ACTION(S): That the Ontario International Airport Authority (OIAA) adopt a resolution authorizing and providing for the issuance Subordinated Revenue Bonds, Series 2021.

FISCAL IMPACT SUMMARY: Refinancing of approximately $59.5 million in OIAA outstanding debt and financing for $62.7 million of additional projects.

BACKGROUND: The Board of Commissioners has authorized the issuance of various debt and expenditures for capital projects. The OIAA will issue approximately $118.2 million (at par) in Airport Subordinated Revenue Bonds (Series 2021) to refund outstanding debt and finance additional capital projects. The bonds are estimated to sell at a premium for approximately $132.4 million, with proceeds to be distributed as follows: $24.8 million to repay outstanding Notes Payable to the City of Los Angeles, Los Angeles World Airports (LAWA), $34.7 million to refund notes payable to Bank of America, N.A., $62.7 million for additional capital projects, $8.7 million for interest and debt reserve funds and $1.4 million for bond issuance costs.

The $24.8 million to LAWA is to repay the outstanding principal balance of the $70 million note payable issued to LAWA for the transfer of ONT to the OIAA in 2016. Bond proceeds allocated to the repayment of LAWA will be paid from Passenger Facility Charges under an FAA approved PFC application. The $34.7 million repayment to Bank of America is to pay the outstanding balance of Bond Anticipation Notes that were issued in May 2019 to provide interim financing on various capital projects. The $62.7 million will

STAFF MEMBER PRESENTING: Chief Executive Officer, Mark A. Thorpe

Department:	Finance	Submitted to OIAA:	January 28, 2021
		Approved:	
		Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

ITEM NO. 10

be placed in a construction fund for financing of an estimated $97.5 million in additional projects net of anticipated Airport Improvement Program (AIP) grant funding of $24.6 million. The source of repayment for the Bond Anticipation Notes and additional capital projects will be PFC revenue for approved eligible projects on a pending PFC application and from airport rates and charges revenue.

The bonds will be issued in three series: tax-exempt Series A (non-AMT), tax-exempt Series B (AMT) and taxable Series C. The amount of bonds for each series will vary depending on final tax analysis of bond projects. Bond terms and interest rates will vary according to market conditions at the time they are issued. In addition, the taxable status of each issue will impact interest rates with tax-exempt Non-AMT bonds at the lowest rates and taxable bonds at the highest rates. The bonds are estimated to be marketed and priced mid-February 2021 – mid-March 2021 with an approximate closing date of April 2021. The most recent estimates for the Series 2021 bonds is included in Attachment B, Good Faith Estimates.

The following is the estimated sources and uses of the 2021 Series bonds.

	PFC-eligible				
	LAWA Repayment	2021 Project	Total PFC-eligible	Total Non PFC	Total Series 2021 Bonds
Sources of funds					
Principal amount	$23,750	$32,705	$56,455	$61,780	$118,235
Original issue premium (discount)	2,840	3,952	6,791	7,386	14,178
Total sources	$26,590	$36,657	$63,246	$69,166	$132,413
Uses of funds					
Project Fund					
LAWA Repayment	$24,800	$0	$24,800	$0	$24,800
2021 Project (a)					
Retire Subordinated Series 2019 Note	$0	$8,523	$8,523	$26,201	$34,724
Construction Fund	0	25,051	25,051	37,687	62,738
	$0	$33,574	$33,574	$63,888	$97,462
Construction Interest Fund	0	628	628	628	1,256
Reserve Fund	1,498	2,063	3,560	3,896	7,457
Costs of issuance	292	391	683	754	1,438
Total uses	$26,590	$36,657	$63,246	$69,166	$132,413

CEQA COMPLIANCE: N/A

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: Consolidates and provides long-term financing for approximately $59.5 million in outstanding debt. In addition, it provides $62.7 million in new funding for additional capital projects, including the matching share of grant projects. The consolidations and additional financing provide and improve cash flows for debt service and project expenditures. Also, these Projects meet a variety of OIAA operational and commercial needs with a substantial impact on improving airport safety and security and expansion of commercially available facilities and land.

SCHEDULE: N/A

EXHIBITS & ATTACHMENTS:

ATTACHMENT A: A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY AUTHORIZING THE ISSUANCE OF ONTARIO INTERNATIONAL AIRPORT AUTHORITY REVENUE BONDS AND CERTAIN RELATED DOCUMENTS AND ACTIONS

ATTACHMENT B: Good Faith Estimates

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday, although these hours and review procedures may be modified due to COVID-19 precautions. In that case, the documents may be requested by email at clerk@flyontario.com.

This Agenda Report has been reviewed by OIAA General Counsel.

RESOLUTION NO. 2021-___

A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY AUTHORIZING THE ISSUANCE OF ONTARIO INTERNATIONAL AIRPORT AUTHORITY REVENUE BONDS AND CERTAIN RELATED DOCUMENTS AND ACTIONS

WHEREAS, the Ontario International Airport Authority (the "Authority") was established under a Joint Exercise of Powers Agreement (the "Joint Powers Agreement") between the City of Ontario (the "City") and the County of San Bernardino (the "County") pursuant to the Joint Exercise of Powers Act of the State of California (the "Joint Powers Act"), for the purpose of operating, maintaining, managing, developing and marketing the Ontario International Airport (the "Airport"); and

WHEREAS, under that certain Settlement Agreement effective as of July 30, 2015 (the "Settlement Agreement"), by and among the Authority, the City of Ontario and the City of Los Angeles, California, its Board of Airport Commissioners ("BOAC") and the Los Angeles World Airports ("LAWA") (collectively, "Los Angeles"), Los Angeles transferred management and control of the Airport to the Authority; and

WHEREAS, pursuant to the terms of the Settlement Agreement, the Authority incurred certain obligations to LAWA, including the obligation to make certain payments and transfers to LAWA as set forth in the Settlement Agreement, and

WHEREAS, all amounts due and owing LAWA under the Settlement Agreement have been paid to LAWA except for approximately $24.8 million (the "LAWA Payment"), all obligations to LAWA under the Settlement Agreement of the Authority to LAWA have been otherwise satisfied; and

WHEREAS, the Joint Powers Agreement provides that the Authority shall have the power to borrow money and to issue revenue bonds in accordance with the Joint Powers Act ("Authority Revenue Bonds"); and

WHEREAS, pursuant to Section 6586.5 of the Government Code, the City Council of the City caused a public hearing to be held regarding financing or refinancing of capital improvements at the Airport by the Authority, notice of which public hearing was published in a newspaper of general circulation in the County at least five (5) days prior to such public hearing; and

WHEREAS, the City Council of the City adopted Resolution No. 2016-102 on October 4, 2016 approving the Authority's financing or refinancing of capital improvements at the Airport with additional revenue bonds and found in accordance with the criteria set forth in Section 6586 of the Government Code that such financings will (a) result in significant public benefit by enabling the more efficient operation of the Airport as a public transportation facility within the jurisdiction of the City and the County and (b) serve a public purpose; and

WHEREAS, the Authority has previously issued its $52,015,000 Ontario International Airport Authority Ontario International Airport Revenue Bonds, Series 2016 (Taxable) (the "Initial Bonds") pursuant to a Master Trust Indenture (the "Master Indenture") and a First Supplemental Indenture, dated as of November 1, 2016, between the Authority and The Bank of New York Mellon Trust Company, N.A., of which $33,395,000 of the Initial Bonds remain outstanding; and

WHEREAS, the Authority has previously issued its $34,370,500 Subordinated Revenue Note, Series 2019 (then "Note") pursuant to a Note Purchase Agreement, dated May 22, 2019, between the Bank of America, N.A. and the Authority to finance portions of the 2021 Project hereinafter defined; and

WHEREAS, the Master Indenture provides, in Section 2.09 thereof, for the issuance of Bonds in multiple series and, in Section 10.02 thereof, for the execution and delivery of Supplemental Indentures setting forth the terms of such Bonds and, in Section 2.11 thereof, the conditions for issuing Additional Bonds after the issuance of the Initial Bonds; and

WHEREAS, the Master Indenture sets forth, in Article X thereof, provisions governing amendments to the Master Indenture; and

WHEREAS, the Authority now desires to issue Additional Bonds for the purpose of paying the Costs of the 2021 Project as hereinafter defined and make certain amendments to the Master Indenture,

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY:

SECTION 1. References. Unless the context shall clearly indicate some other meaning, all words and terms used in this resolution which are defined in the Master Indenture shall have the meanings given to them in the Master Indenture. Unless the context shall clearly indicate some other meaning, the following terms shall have the following meanings for all purposes of this resolution:

"2021 Project" means (a) a portion of the Authority's capital improvement program, including the LAWA Payment and the acquisition, construction, rehabilitation, replacement, repair, renovation, improvement and reconstruction of terminal, airfield, parking, hangar, roadway, cargo and other airport structures and facilities and the acquisition of airport equipment and other facilities and improvements as may be necessary and appropriate for the operation of such airport facilities at the Airport, and to pay the principal of and interest on the Note the proceeds of which were applied to such costs, (b) the refunding of all or any portion of the Initial Bonds, the funding of reserves, capitalized interest and costs of issuance.

"Authorized Authority Representative" means each of the Chief Executive Officer of the Authority and his designee, the Chief Operating Officer of the Authority and his designee, and the Chief Financial Officer of the Authority and his designee.

SECTION 2. Execution and Delivery of the Second Supplemental Indenture. The Board hereby authorizes and approves the entering into, and the execution and delivery of, the Second Supplemental Trust Indenture (the "Second Supplemental Indenture"), between the Authority and the Trustee, by an Authorized Authority Representative, in the form attached hereto as Exhibit A, together with such changes thereto as the Authorized Authority Representative executing and delivering the same may require or approve upon the advice of counsel, such approval to be conclusively evidenced by the execution thereof.

SECTION 3. Execution and Delivery of the Third Supplemental Indenture. The Board hereby authorizes and approves the entering into, and the execution and delivery of, the Third Supplemental Trust Indenture (the "Third Supplemental Indenture"), between the Authority and the Trustee, by an Authorized Authority Representative, in the form attached hereto as Exhibit B, together with such changes thereto, subject to the parameters set forth in Section 3 hereof, as the Authorized Authority Representative executing and delivering the same may require or approve upon the advice of counsel, such approval to be conclusively evidenced by the execution thereof.

SECTION 4. Authorization of Series 2021 Bonds. In order to provide funds to finance the 2021 Project there is hereby authorized to be issued pursuant to the Indenture the Authority's Ontario International Airport Authority Ontario International Airport Revenue Bonds, Series 2021 (the "2021 Bonds") in the aggregate principal amount of not to exceed One Hundred Fifty Million Dollars ($150,000,000). The Series 2021 Bonds shall have such terms and provisions as set forth in the Third Supplemental Indenture approved in Section 3 hereof; provided that no maturity shall be later than May 15, 2055 and the 2021 Bonds shall have a true interest cost not to exceed five percent (5%) per annum. To the extent determined by the Authorized Authority Representative executing the Third Supplemental Indenture approved in Section 3 hereof, the 2021 Bonds may be issued in several Series, in which case the Series designation for each such separate Series shall distinguish each such Series and shall be as determined by the Authorized Authority Representative and set forth in the Third Supplemental Indenture. The proceeds from the sale of the 2021 Bonds shall be applied as provided in the Third Supplemental Indenture.

SECTION 5. Bond Purchase Agreement; Sale of Series 2021 Bonds. The Board hereby authorizes and approves the entering into and the execution and delivery by an Authorized Authority Representative of a Bond Purchase Agreement, between the Authority and Morgan Stanley & Co. LLC pursuant to which Morgan Stanley & Co. LLC shall agree to purchase the 2021 Bonds under the terms provided therein, in the form attached hereto as Exhibit C, together with such changes thereto as the Authorized Authority Representative executing and delivering the same may require or approve upon the advice of counsel, such approval to be conclusively evidenced by the execution thereof. In connection with the negotiation, execution and delivery of the Bond Purchase Agreement, each Authorized Authority Representative is further hereby authorized, empowered and directed to negotiate the purchase price, interest rates, redemption provisions, dated dates, maturity dates, principal amounts and prepayment provisions with respect to the 2021 Bonds, subject to the parameters set forth in Section 3 hereof, and are further authorized to negotiate any and all other terms and agreements related to the issuance of the 2021 Bonds, as an Authorized Authority Representative, acting individually, may determine to be in the best interest of the Authority, all to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement; provided, however, that the amount of the underwriting fee paid to Morgan Stanley & Co. LLC shall not exceed 0.50% of the original par amount of the 2021 Bonds. The Authority hereby approves and ratifies the appointment of Morgan Stanley & Co. LLC as the underwriter for the 2021 Bonds.

SECTION 6. Continuing Disclosure Certificate. The Board hereby authorizes and approves the execution and delivery of a Continuing Disclosure Certificate by an Authorized Authority Representative, in the form attached hereto as Exhibit D, together with such changes thereto as the Authorized Authority Representative executing and delivering the same may require or approve upon the advice of counsel, such approval to be conclusively evidenced by the execution thereof.

SECTION 7. Credit Facility. An Authorized Authority Representative is authorized to (a) obtain one or more Credit Facilities with respect to the 2021 Bonds, including one or more Credit Facilities to meet all or a portion of Required Reserve for the 2021 Bonds, if such Authorized Authority Representative determines that obtaining any Credit Facility to be in the best interests of the Authority, and (b) execute and deliver any documents required to be executed and delivered in connection with such Credit Facilities, with such terms and provisions as the Authorized Authority Representative executing and delivering such documents may require or approve upon the advice of counsel, such requirement or approval to be conclusively evidenced by the execution and delivery thereof; and to execute and deliver any additional certificates or instruments related thereto; and to take such other actions as may be deemed necessary or desirable in order to effect the purposes of this resolution. Any such terms and provisions pertaining to Credit Facilities may be included in the Third Supplemental Resolution.

SECTION 8. Preliminary Official Statement and Final Official Statement. The form of the Preliminary Official Statement is hereby authorized and approved, in substantially the form attached hereto as Exhibit E, with such changes thereto as any Authorized Authority Representative may require or approve upon the advice of counsel (together with all supplements and amendments prior to the execution and delivery of the Bond Purchase Agreement, the “Preliminary Official Statement”), which requirement or approval shall be evidenced by the Authority's certification to the effect that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”) (except for the omission of certain information as permitted by said Rule). Further, each Authorized Authority Representative, acting individually, is hereby authorized, empowered and directed, for and in the name of and on behalf of the Authority, to deem final the Preliminary Official Statement within the meaning of the Rule, and to execute and deliver the final Official Statement, substantially in the form of the Preliminary Official Statement, with such changes thereto as any Authorized Authority Representative executing and delivering the final Official Statement, may require or approve upon the advice of counsel (the "Final Official Statement"), such requirement or approval to be conclusively evidenced by the execution and delivery thereof; and to execute and deliver any additional documents, certificates or instruments related thereto, and to take such other actions as may be deemed necessary or desirable in order to effect the purpose of this resolution. The Underwriter is hereby authorized to distribute printed or electronic copies of the Preliminary Official Statement and the Final Official Statement to persons who may be interested in the purchase of the 2021 Bonds, and to deliver the Final Official Statement to the purchasers of the 2021 Bonds.

SECTION 9. Refunding of Initial Bonds. A refunding with the proceeds of the 2021 Bonds of all or a portion of the Initial Bonds is hereby authorized for savings or restructuring purposes if an Authorized Authority Representative determines that such refunding to be in the best interests of the Authority. An Authorized Authority Representative is authorized to execute and deliver any documents required to be executed and delivered in connection with such refunding, including any required escrow agreements, with such terms and provisions as the Authorized Authority Representative executing and delivering such documents may require or approve upon the advice of counsel, such requirement or approval to be conclusively evidenced by the execution and delivery thereof; and to execute and deliver any additional certificates or instruments related thereto; and to take such other actions as may be deemed necessary or desirable in order to effect the purposes of this resolution, including, but not limited to, obtaining any required verification reports.

SECTION 10. Ratifications. The appointment of each Authorized Authority Representative and all actions heretofore or hereafter taken by any Authorized Authority Representative or officer or agent of the Authority in connection with or related to the issuance and sale of the 2021 Bonds or the matters set forth in this resolution are hereby approved, confirmed and ratified. The authorization, execution and delivery of the Master Indenture are hereby approved, confirmed and ratified.

SECTION 11. Additional Actions. Each Authorized Authority Representative, acting individually, is hereby authorized, empowered and directed, for and in the name of and on behalf of the Authority, to take any and all actions, to execute any and all documents, and to pay or cause to be paid all costs and expenses, as may be necessary or desirable to effectuate the purposes of this resolution and the documents and transactions herein authorized and to comply with the terms of the documents herein authorized. The Board has obtained from the Authority's municipal advisor the good faith estimates required by Government Code Section 5852.1 and such estimates are set forth in the staff report which shall be included and filed with the minutes of the meeting at which this resolution is adopted.

SECTION 12. Resolution Effective Immediately. This resolution shall take effect immediately.

PASSED, APPROVED, AND ADOPTED at a Regular Meeting this 28th day of January 2021.

ALAN D. WAPNER
OIAA PRESIDENT

ATTEST:

SECRETARY/ASSISTANT SECRETARY

APPROVED AS TO LEGAL FORM:

LORI D. BALLANCE
GENERAL COUNSEL

STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO)
CITY OF ONTARIO)

I, Natalie Gonzaga, Assistant Secretary of the Ontario International Airport Authority, DO HEREBY CERTIFY that foregoing Resolution No. 2021-_____ was duly passed and adopted by the Commission of the Ontario International Airport Authority at their regular meeting held on January 28, 2021 by the following roll call vote, to wit:

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSENT: COMMISSIONERS:

____
SECRETARY/ASSISTANT SECRETARY

(SEAL)

The foregoing is the original of Resolution No. 2021-_______ duly passed and adopted by the Commission of the Ontario International Airport Authority at their regular meeting held January 28, 2021.

____
SECRETARY/ASSISTANT SECRETARY

(SEAL)

ATTACHMENT B

GOOD FAITH ESTIMATES – 2021 BONDS

The good faith estimates set forth herein are provided with respect to the 2021 Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Authority by CSG Advisors Incorporated, the Authority's Municipal Advisor in consultation with Morgan Stanley & Co. LLC, the Underwriter of the 2021 Bonds. Such good faith estimates below do not assume any partial refunding of the Initial Bonds, but does not preclude the Authority from doing so.

Principal Amount. The Municipal Advisor has informed the Authority that, based on the Authority's financing plan and current market conditions, it's good faith estimate of the aggregate principal amount of the 2021 Bonds to be sold is **$115,070,000** (the "Estimated Principal Amount"), which excludes approximately **$16,488,000** of net premium estimated to be generated based on current market conditions, and which together provide **$131,558,000** of total proceeds of the 2021 Bonds. Net premium is generated when, on a net aggregate basis, the price paid for such bonds is higher than the face value of the bonds.

True Interest Cost of the 2021 Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2021 Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the 2021 Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the 2021 Bonds, is **2.85%**.

Finance Charge of the 2021 Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the 2021 Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the 2021 Bonds) but excluding assumptions about the cost of one or more Credit Facilities if applicable, is **$1,215,000**.

Amount of Proceeds to be Received. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2021 Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the 2021 Bonds, less the finance charge of the 2021 Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the 2021 Bonds, is **$122,262,000.**

Total Payment Amount. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2021 Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the 2021 Bonds, plus the finance charge for the 2021 Bonds, as described above, excluding capitalized interest paid with the proceeds of the 2021 Bonds, calculated to the final maturity of the 2021 Bonds, is **$201,481,000**.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the 2021 Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the 2021 Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of 2021 Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of the 2021 Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the 2021 Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the Authority's financing plan, delays in the financing, additional legal work, or a combination of such factors and additional finance charges, if any, attributable thereto. Market interest rates are affected by economic and other factors beyond the control of the Authority.

ONTARIO INTERNATIONAL AIRPORT

DATE: **JANUARY 28, 2021**

SECTION: **ADMINISTRATIVE DISCUSSION/ACTION/REPORT**

SUBJECT: **A RESOLUTION UPDATING AIR CARRIER INCENTIVE PROGRAM A (ACIP) TO ENCOURAGE AND PROMOTE THE OPERATION OF COMMERCIAL PASSENGER AIR SERVICE TO NEW NONSTOP DESTINATIONS IN THE UNITED STATES, CANADA, AND MEXICO**

RELEVANT STRATEGIC OBJECTIVE: **Expand Air Service; Reduce Airline Costs.**

RECOMMENDED ACTION(S): That the Ontario International Airport Authority (OIAA) Board of Commissioners (Board) adopt a resolution to update and approve the newly proposed ACIP (A), offering Qualified Air Carriers a waiver, up to 12 months, of landing fees and marketing incentives to 33 new nonstop destinations in the United States of America, 2 in Canada, and 3 in Mexico, to encourage and support the launch of new air service from the Ontario International Airport (ONT).

FISCAL IMPACT SUMMARY: If approved, the new ACIP will be provided to any airline offering new non-stop service to specified points in the United States, Mexico, and Canada, for up to the first 12 months from when an air carrier begins new service. Only the first qualifying airline offering such service in that market(s) will qualify for the incentive which shall be determined by the first date of service. These new services will result in incremental passenger traffic growth, with increases in non-aeronautical revenue (i.e. parking, food and beverage, retail, etc.), as well as real estate lease revenue. The amount of incremental revenue generated by such new services will depend on the frequency of flights, aircraft seat capacity, and the percentage of seats filled by passengers. However, OIAA management estimates that, in almost all instances, these incremental revenues will exceed the landing fees waived under the ACIP, several times over.

BACKGROUND: On April 24, 2018, the OIAA Board approved a resolution covering an incentive program for new nonstop passenger and cargo service between ONT and points in North America, including the

STAFF MEMBER PRESENTING: Chief Executive Officer, Mark A. Thorpe

Department:	Commercial	Submitted to OIAA:	January 28, 2021
		Approved:	
		Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

ITEM NO. 11

contiguous United States, Mexico, Central America and Canada. Such incentive was effective July 1, 2018 and has since expired on June 30, 2019 and was not extended by action of the OIAA Board. Unlike the previous program approved by the Board, which provided waivers of landing fees, terminal rents, and marketing incentives, this proposed action will offer only landing fee waivers and marketing incentives. This more fiscally responsible approach will help the OIAA continue to manage the financial challenges that it faces during the current SARS-COV-2 pandemic.

The OIAA has four major objectives in implementing this proposed action, if approved. They are:

- To restore connectivity to previously served markets
- To connect to major connecting hub and/or international gateway airports
- To connect to important business destinations
- To connect to major leisure markets

The 38 air travel markets/airport destinations in which air carriers may qualify for landing fee waivers if, among other requirements, they provide at least 3 weekly round-trip operations, are:

Connection to Major Connecting Hubs and/or International Gateways

- *New York City:* Newark Liberty (EWR)
- *Chicago:* Chicago O'Hare (ORD)
- *Washington, DC/Baltimore*: Washington Dulles (IAD)
- *South Florida*: Miami Dade County (MIA)
- Minneapolis/St. Paul (MSP)
- Detroit Wayne County (DTW)
- Philadelphia (PHL)
- Charlotte (CLT)
- Vancouver (YVR)
- Toronto Pearson (YYZ)

Restoration of Service Markets

- Austin (AUS)
- Nashville (BNA)
- San Antonio (SAT)
- Kansas City (MCI)
- Reno (RNO)
- St. Louis (STL)
- Boise (BOI)
- Albuquerque (ABQ)
- Spokane (GEG)
- El Paso (ELP)
- Oklahoma City (OKC)
- Eugene (EUG)
- Omaha (OMA)

- Tulsa (TUL)
- San José del Cabo (SJD)

Connection to Important Business Destinations
- *Washington, DC/ Baltimore*: Washington Reagan National (DCA); Baltimore Thurgood Marshall (BWI)
- Boston Logan (BOS)
- Indianapolis (IND)
- Cincinnati (CVG)
- Memphis (MEM)

Connection to Large Leisure Destinations
- Honolulu (HNL)
- *South Florida*: Fort Lauderdale/Hollywood (FLL)
- Maui Kahului (OGG)
- Kauai Lihue (LIH)
- Kona (KOA)
- Puerto Vallarta (PVR)
- Cancún (CUN)

OIAA staff is currently in discussions with multiple U.S. and foreign carriers, regarding the inauguration of nonstop service to each of these destinations. Staff is requesting to revise and replace the previously approved ACIP to clarify certain terms and eligibility and add to the destinations covered under the ACIP. This ACIP will incentivize airlines to introduce new nonstop service that will: (1) increase total passenger traffic at ONT, (2) encourage other carriers to enter the ONT market, and (3) increase non-aeronautical revenue generated at ONT including concessions, parking and other revenues (as well as aeronautical revenue once the incentivized period ends).

Every 12 months from the approval of this policy by the Board, OIAA staff will submit to the Board for approval a revised list of unserved markets for which incentives will be offered. This will allow the OIAA to regularly re-calibrate the effectiveness of this policy, by adjusting the incentives to match constantly changing market conditions and opportunities. At the discretion of OIAA staff, and with the approval of the Board, the destinations identified in this policy can modified more frequently.

The proposed Program conforms with Federal Aviation Administration (FAA) regulations and guidelines; the ACIP provides that the incentive may be terminated if it is determined to violate any applicable laws, regulations, or assurance made by the airport to the U.S. Government in connection with the receipt of federal grants-in-aid or the approval of Passenger Facility Charges. The ACIP also provides penalties and prohibitions for failure to comply with the terms and conditions of the Program, including, but not limited to, losing any and all operating privileges received under the Program, disqualification from further participation under the ACIP for a specified time period, and reimbursement to ONT for all credits, including monetary credits received under the ACIP.

PROCUREMENT: N/A

CEQA COMPLIANCE AND LAND USE APPROVALS: N/A

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: N/A

SCHEDULE: N/A

ATTACHMENTS: ATTACHMENT A – Resolution approving an Air Carriers Incentive Program A (ACIP)

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday, although these hours and review procedures may be modified due to COVID-19 precautions. In that case, the documents may be requested by email at clerk@flyontario.com.

This Agenda Report has been reviewed by OIAA General Counsel.

RESOLUTION NO. ______

A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY TO UPDATE AN EXISTING AIR CARRIER INCENTIVE PROGRAM FOR NEW NONSTOP PASSENGER SERVICE TO DESTINATIONS IN THE UNITED STATES, CANADA, AND MEXICO

WHEREAS, the Ontario International Airport Authority (OIAA) was established for the purpose of operating, maintaining, managing, and developing the Ontario International Airport ("ONT" or "Airport"), including developing air commerce and transportation; and

WHEREAS, the previous Air Carrier Incentives Program or Policy covering new nonstop passenger and cargo service between ONT and points in North America has previously terminated and expired on June 30, 2019; and

WHEREAS, the OIAA is currently in negotiation with U.S. and foreign-owned airlines, regarding the inauguration of new nonstop passenger service between ONT and points in the United States, Canada, and Mexico; and

WHEREAS, Resolution 2020-23 covering incentives for new nonstop passenger service to destinations in the State of Hawaiʻi was approved by the OIAA Board of Commissioners ("Board") on December 17tth, 2020; and

WHEREAS, the OIAA desires to update the previously approved ACIP under Resolution 2020-23, to amend certain eligibility requirements, and add additional destinations or markets to be covered under this ACIP.

NOW, THEREFORE, BE IT RESOLVED by the Ontario International Airport Authority as follows:

<u>SECTION 1.</u> The revised ACIP (A) is provided in Exhibit A attached to this Resolution and hereby incorporated by reference.

<u>SECTION 2.</u> This Resolution shall take effect immediately upon its adoption.

<u>SECTION 3.</u> The Commission Clerk of the OIAA shall certify as to the adoption of this Resolution.

PASSED, APPROVED, AND ADOPTED at a regular meeting this 28th day of January 2021.

____
ALAN D. WAPNER, OIAA PRESIDENT

ATTEST:

____
SECRETARY/ASSISTANT SECRETARY

APPROVED AS TO LEGAL FORM:

____
LORI D. BALLANCE
GENERAL COUNSEL

STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO)
CITY OF ONTARIO)

I, Natalie Gonzaga, Assistant Secretary of the Ontario International Airport Authority, DO HEREBY CERTIFY that foregoing Resolution No. 2021-__ was duly passed and adopted by the Commission of the Ontario International Airport Authority at their regular meeting held on January 28, 2021 by the following roll call vote, to wit:

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSENT: COMMISSIONERS:

SECRETARY/ASSISTANT SECRETARY

(SEAL)

The foregoing is the original of Resolution No. 2021-__ duly passed and adopted by the Commission of the Ontario International Airport Authority at their regular meeting held January 28, 2021.

SECRETARY/ASSISTANT SECRETARY

(SEAL)

Exhibit A

Ontario International Airport
Air Carrier Incentive Program (A)
United States, Canada, and Mexico

INTRODUCTION

This Air Carrier Incentive Program A ("ACIP") for Ontario International Airport ("ONT" or "Airport") is designed to encourage and promote the operation of nonstop commercial passenger service by new entrant and incumbent commercial air carriers to 38 currently unserved markets in the United States of America (including Alaska), Mexico, and Canada. This ACIP is consistent with and supports ONT's mission to connect people, places, and create experiences.

GOALS

The goals of the Program include:

- Restoration of nonstop service in previously served markets
- Connecting the Airport to major connecting hubs and/or international gateway airports
- Connecting the Airport to important business destinations
- Connecting the Airport to major leisure markets
- Provide new non-stop passenger air service (hereinafter referred to as "nonstop service") between ONT and multiple, unserved markets in the U.S., Mexico, and Canada
- Increase passenger traffic at ONT
- Promote competition at the airport

TERM

This ACIP shall be effective upon approval by the Ontario International Airport Authority's (OIAA) Board of Commissioners (Board) and will terminate on December 31st, 2023. For service(s) eligible under the ACIP, the Air Carrier providing the service will receive the incentive for twelve (12) months from the initiation of the eligible service(s) but such period shall conclude by December 31st, 2023.

Every 12 months from the approval of this policy by the Board, OIAA staff may submit to the Board for approval a revised list of unserved markets for which incentives will be offered. This will allow the OIAA to regularly re-calibrate the effectiveness of this policy, by adjusting the incentives to match constantly changing market conditions and opportunities. At the discretion of OIAA staff, and with the approval of the Board, the destinations identified in this policy can be modified more frequently. Upon approval by the Board, the revised list shall be attached to this Program A and take effect immediately.

DESCRIPTION OF INCENTIVES

This ACIP is subject to all federal, state, local laws, and all other rules, regulations, and written agreements between the OIAA and the Air Carrier(s).

The incentives shall be provided from the start of the eligible service as described in the following section, and include the following:

- A full waiver of Landing Fees
- Marketing incentives based on an annual budgeted amount agreed and outlined in the Commitment Letter (see Application For and Award of Incentives)

The duration of the incentive period shall be twelve (12) months immediately following the first day that qualifying nonstop service begins. "Qualifying nonstop service" shall consist of no less than three (3) roundtrip operations each seven (7)-day period.

The thirty-eight (38) destination airports from ONT for which incentives will be available, subject to revision by Board approval every 12 months, are:

Connection to Major Connecting Hubs and/or International Gateways
- *New York City:* Newark Liberty (EWR)
- *Chicago:* Chicago O'Hare (ORD)
- *Washington, DC/Baltimore*: Washington Dulles (IAD)
- *South Florida*: Miami Dade County (MIA)
- Minneapolis/St. Paul (MSP)
- Detroit Wayne County (DTW)
- Philadelphia (PHL)
- Charlotte (CLT)
- Vancouver (YVR)
- Toronto Pearson (YYZ)

Restoration of Service Markets
- Austin (AUS)
- Nashville (BNA)
- San Antonio (SAT)
- Kansas City (MCI)
- Reno (RNO)
- St. Louis (STL)
- Boise (BOI)
- Albuquerque (ABQ)
- Spokane (GEG)
- El Paso (ELP)
- Oklahoma City (OKC)
- Eugene (EUG)
- Omaha (OMA)

- Tulsa (TUL)
- San José del Cabo (SJD)

Connection to Important Business Destinations
- *Washington, DC/ Baltimore*: Washington Reagan National (DCA); Baltimore Thurgood Marshall (BWI)
- Boston Logan (BOS)
- Indianapolis (IND)
- Cincinnati (CVG)
- Memphis (MEM)

Connection to Large Leisure Destinations
- Honolulu (HNL)
- *South Florida*: Fort Lauderdale/Hollywood (FLL)
- Maui Kahului (OGG)
- Kauai Lihue (LIH)
- Kona (KOA)
- Puerto Vallarta (PVR)
- Cancún (CUN)

The incentive package(s) offered by the OIAA under this ACIP shall be in accordance with the FAA's Policy and Procedures Concerning the Use of Airport Revenue (64 Fed. Reg. 7696, February 16, 1999) (Revenue Use Policy), including Sections V.A.2 and V.A.3 of the Revenue Use Policy. The OIAA expenditure on advertising for the new qualifying service may be used to cover: (1) a share of promotional expenses such as marketing, advertising, and related activities designed to increase travel using the Airport; and (2) public and industry awareness of Airport facilities and the new qualifying service.

ELIGIBILITY

The incentives covered under this ACIP are available to both Incumbent and New Entrant Air Carrier(s). The Air Carrier must have executed an agreement with the OIAA permitting scheduled air service operations at ONT (such as an Operating Use and Terminal Lease Agreement, or Air Carrier Operating Permit) by the start of any air service in order to be eligible for this incentive package(s).

The incentivized service(s) must:

1. Be a new scheduled nonstop service to one of the thirty-eight (38) destinations in the United States of America, Canada, and Mexico identified above;
2. Not be currently be served by any Air Carrier at ONT (Subsequent market entrants will not receive incentives). If multiple Air Carriers announce new service to the same destination, only the Air Carrier initiating service the earliest shall be eligible for the incentive(s) for such destination;
3. Be operated continuously for the twelve (12) months from the date of initiation of service;

4. Be operated on a roundtrip basis at least three (3) times during each seven (7)-day period during the twelve (12) month period for which incentives are provided; and
5. Be initiated during the Term of this ACIP.

Repeated seasonal service, upgrade of equipment type, or increased number of seats on existing flights are not considered new service.

Application For and Award of Incentives

In order to receive the incentive package(s), the Air Carrier must sign the written application ("Commitment Letter") attached to the end of this ACIP, agreeing to the provisions and eligibility requirements outlined in this ACIP. The Commitment Letter must be signed by an Officer and countersigned by the OIAA, and sent to:

Ontario International Airport Authority
Attn: Chief Executive Officer
1923 East Avion Street
Ontario, CA 91761

or any other address as designated by the OIAA from time to time. Assuming that all eligibility criteria referenced above are met, the following conditions will apply to the award of the incentive package(s):

- An Air Carrier may receive more than one (1) incentive package provided that the Air Carrier separately meets all of the eligibility criteria referenced above for each package
- Waiver of any fees or charges will be awarded in the form of credits to the Air Carrier, resulting in a payable balance of $0.00 for such occurred charges

The allocation of the incentive package(s) shall not be transferable and no property rights are created by virtue of the allocation of incentive package(s).

The OIAA shall have no liability of any nature, or in any form, to an Air Carrier for any costs, expenses, harm, damages, or other claims which an Air Carrier might otherwise have against the OIAA, or which an Air Carrier might incur, in respect of, or arising from, incentive package allocation(s) and any capacity withdrawn due to failure to comply with the Airport rules or regulations or for any other reasons determined by ONT to be necessary and reasonable.

General Provisions

<u>Authority</u>

This ACIP is adopted by OIAA, acting in its capacity as the proprietor and certificated operator of ONT, and under the authority of federal law, and the laws of the State of California, which designate OIAA as the proper local entity to balance the needs of the community for adequate commercial air transportation facilities and services, including service to international destinations, and the desire of the local community for responsible air transportation operations at ONT. This

ACIP reflects consideration of and by OIAA of all of its state and federal obligations and responsibilities as the proprietor of ONT.

This ACIP is adopted by OIAA in recognition of its proprietary and governmental obligations under the STATE AERONAUTICS ACT (CALIFORNIA PUBLIC UTILITIES CODE 21001, et seq.) and is particularly made in recognition of the importance of the business, tourist and recreation industry to the economic health and well-being of the regional and local community. The region is a major business, tourist and resort destination center, and a substantial portion of the economy of the region depends upon tourism and resort activities. The ability of OIAA to encourage and promote passenger air service between ONT and currently unserved markets is indispensable to the continued economic vitality of the Airport and to the business, tourism and resort segments of the local and regional economy.

General Limitations and Qualifications

All operating privileges of any type made under this ACIP are made subject to all provisions, limitations and qualifications of the Airport and are privileges revocable by OIAA at will, do not constitute "property interests" of Air Carriers affected by this Program in any form, and are not transferable directly or indirectly, or by operation of law.

Relationship to Agreements

No Commercial Air Carrier may conduct operations at ONT until it has first received approval of an operating agreement further defining its obligations to OIAA in respect of its operations at ONT. Such agreement may be either an Operating Use and Terminal Lease Agreement or Air Carrier Operating Permit. The obligations of any Air Carrier servicing ONT under this Program are in addition to any and all obligations said Carrier has to the Airport under its agreement(s) with the OIAA.

Amendments, Termination or Suspension

Unless specifically provided, this ACIP may be amended, terminated, or suspended only by approval of the OIAA Board unless specifically provided herein. In the event this ACIP is amended by the Board, the Air Carrier receiving incentives under this Program shall be deemed to have accepted all terms and provisions of such amendment immediately.

Compliance with Federal Obligations

The terms and implementation of this ACIP shall be, at all times, subordinated to applicable federal, state, and local laws and regulations, and the provisions of any existing or future agreement between the OIAA and the U.S. Government or governmental authority, relating to the operation or maintenance of the Airport. This Program may be terminated, in whole or in part, if it is determined to violate applicable laws, regulations or any assurance made by OIAA to the U.S. Government in connection with the receipt of federal grants-in-aid or the approval of Passenger Facility Charges.

Non-Exclusivity of Sanctions, Penalties, and Remedies

The penalties of this ACIP are non-exclusive, and are in addition (and without prejudice) to any and all other remedies, at law or at equity, civil or criminal, by contract or otherwise, which may be available to OIAA with respect to the conduct or actions of any Air Carrier using ONT.

Funding

The incentives offered by the Airport in this ACIP shall not have any effects on the rentals, fees, or charges imposed on other users of the Airport.

Penalties and Prohibitions

If an Air Carrier provides qualifying nonstop service under this program and receives incentives for any portion of the twelve (12) month incentive period, but cancels such service, it will not be eligible for incentives again under this program for a period of thirty-six (36) months from the date of its termination of service.

For purposes of this program, a cancellation of service can be expressed, by an Air Carrier removing the service from its published schedule of services, or implied, by an Air Carrier suspending its service for any period of six (6) consecutive months, from the approval of this policy by the Board.

In the event any Air Carrier that has received, in whole or in part, an incentive offered under this ACIP, fails to comply with any Airport rules or regulations during the term of this Program, the Air Carrier shall be subject to the following penalties:

(a) The Air Carrier shall immediately be ineligible to continue receiving incentives under this Program for the incentive package(s) for which the violation(s) occurred; and
(b) The Air Carrier shall be required to reimburse ONT for all incentives received under the ACIP for the incentive package(s) for which the violation(s) occurred; and
(c) The repayment of any monetary credits and expenditures must be paid not later than thirty (30) days after the date of the CEO’s written notice of violation. Any Air Carrier who fails to make repayment as required by this Section within the thirty (30) day period shall be subject to an additional administrative penalty of $1,000 per day for each day the penalty payment is late; and
(d) The Air Carrier shall be disqualified from further participation under this ACIP, with the exception of any incentive package(s) already allocated to the Air Carrier that remains in compliance with the terms of the ACIP, until it establishes to the satisfaction of the OIAA that it is requalified for the Program. To requalify for participation in the ACIP, the Air Carrier must request, in writing, the requalification of its service under this ACIP. The request must identify the reason(s) for failing to comply with the terms of this Program, and include a statement that it has not re-qualified for the Program on more than one (1) occasion during the term of the Program. The Air Carrier’s requalification must be accepted in writing by the OIAA.

Any Air Carrier may submit a written request to the OIAA's Chief Executive Officer ("CEO") for modifications to the requirements of the ACIP. The CEO may deny, grant, or grant with conditions the requested modification(s). In considering any request made, the CEO shall consider the following: (i) the reasonableness of the request under the relevant circumstances; (ii) the interests of the air traveling public and the impact of the request, if any, on the ability of OIAA to realize its goals for the Program; and (iii) the effect of the request, if any, on the goals, policies, and regulations of OIAA in its management and operation of ONT.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SUBJECT: Commitment Letter Regarding Participation in the Ontario International Airport's Air Carrier Incentive Program (A)

Dear Enter Name Here:

By this letter, Enter Airline Here (the "Airline") would like to formally acknowledge our request to participate in the Ontario International Airport ("ONT" or "Airport") Air Carrier Incentive Program (A) ("Incentive Program"). We intend to initiate non-stop service to Enter Destination Here beginning on Enter Date Here.

Consistent with the ACIP, the Airline understands that prior to commencing commercial service at the Airport, the Airline must execute an agreement with OIAA permitting scheduled air services operations at ONT. In addition, we understand that the Airline must comply with all applicable Airport rules and regulations.

This letter is intended to memorialize the Agreement between OIAA, the owner and operator of ONT, and the Airline under the terms of the Incentive Program. The OIAA and the Airline, by their respective signatures to this letter, acknowledge their understanding and agreement that:

i.) The terms of incentives for Airline's air service to the Airport (the "Incentives") are governed by the Incentive Program.

ii.) The service that the Airline is offering at ONT falls within all eligibility criteria described in the Incentive Program.

iii.) The Airline commits to maintain such service for a period of twelve (12) consecutive months from the date of initiation of service.

iv.) The incentive package will provide an OIAA expenditure on a share of advertising for the new qualifying service, in an amount of __________ [OIAA to enter amount here]. The Airline and OIAA will work together to develop an advertising campaign to raise awareness of the new qualifying service in accordance with all applicable statutes and the FAA's Policy and Procedures Concerning the Use of Airport Revenue (64 Fed.Reg. 7696). The ONT brand shall be prominently, and at least equally, represented in the creative, regardless of which entity develops the creative. All advertising shall be approved by OIAA in writing, in its sole discretion, before any public dissemination or use.

v.) The Airline shall share with OIAA all data and key performance indicators (KPIs) associated with the Incentive Program advertising campaign on a quarterly basis throughout the term of the incentive(s), as well as at the termination of the incentive(s).

In the event the Airline ceases or abandons flight operations to the proposed destination prior to twelve (12) months after the date of initiation of service or fails to comply with any rule or regulation of ONT during the term of the Incentive Program, by this letter we acknowledge that the Airline will be subject to the penalties as specified in the Incentive Program including, but not limited to, disqualification from further participation under the Incentive Program, and reimbursement to OIAA for all credits, including monetary credits, and expenditures offered pursuant to the Incentive Program.

The Airline understands that this Agreement is subordinate to the provisions of any and all existing and future agreements between OIAA and the United States of America relative to the operation, maintenance, or development of the Airport, the execution of which may be required as a condition precedent to the expenditure of funds for the development of the Airport, or any part thereof. The Airline further understands that, in the event the Federal Aviation Administration of the United States of America or its successor requires modifications or changes in the Incentive Program or to this Agreement, the Airline consents to any and all such modifications and changes as may be required; and the Airline agrees to execute an amendment to this Agreement with OIAA reflecting such modifications or changes.

If the Airline is awarded an incentive package(s) under the terms of the Incentive Program, the Airport will sign a duplicate original of this correspondence and return it to the Airline indicating that it concurs in the above.

ONTARIO INTERNATIONAL
AIRPORT AUTHORITY

By:____________________________________

Mark A. Thorpe
Chief Executive Officer

Date:__________________________________

ENTER AIRLINE NAME HERE

By:____________________________________

Printed Name:____________________________

Title:___________________________________

ONTARIO INTERNATIONAL AIRPORT

DATE: **JANUARY 28, 2021**

SECTION: **ADMINISTRATIVE DISCUSSION/ACTION/REPORT**

SUBJECT: **A RESOLUTION UPDATING AIR CARRIER INCENTIVE PROGRAM B (ACIP) TO ENCOURAGE AND PROMOTE THE OPERATION OF COMMERCIAL PASSENGER AIR SERVICE TO NEW NONSTOP INTERNATIONAL DESTINATIONS**

RELEVANT STRATEGIC OBJECTIVE: **Expand Air Service; Reduce Airline Costs.**

RECOMMENDED ACTION(S): That the Ontario International Airport Authority (OIAA) Board of Commissioners (Board) adopt a resolution to update and approve the newly proposed ACIP (B), offering qualifying Air Carriers a waiver of certain fees to 10 new nonstop international destinations in Asia, Europe and Central America, to encourage and support the launch of new air service from the Ontario International Airport (ONT).

FISCAL IMPACT SUMMARY: If approved, the ACIP will be provided to any airline offering new non-stop service to 10 high priority markets in Asia, Europe, and Central America. Airlines that launch a minimum of 3 flights each week to any of these destinations will receive up to 12 months of landing fee waivers, terminal rent rebates, and marketing incentives. Only the first qualifying airline launching service to that particular market(s) will receive these benefits during that 12-month period. These new services will result in incremental passenger traffic growth, with increases in non-aeronautical revenue (i.e. parking, food and beverage, retail, etc.), as well as real estate lease revenue. The amount of incremental revenue generated by such new services will depend on the frequency of flights, aircraft seat capacity, and the percentage of seats filled by passengers. However, OIAA management estimates that, in almost all instances, these incremental revenues will exceed the landing fees waived under the ACIP, several times over.

BACKGROUND: On September 26, 2017, the OIAA Board approved a resolution covering an incentive program for new nonstop international passenger and cargo service between ONT and points Asia,

STAFF MEMBER PRESENTING: Chief Executive Officer, Mark A. Thorpe

Department: Commercial

Submitted to OIAA: January 28, 2021

Approved:

Continued to:

Denied:

Chief Executive Officer Approval: Mark A. Thorpe

ITEM NO. 12

Europe and the South Pacific. Such incentive was amended on September 25, 2018 to reflect an extended duration of the incentives offered from 12 months to the earlier of 24 months or the completion of the replacement United States Customs and Border Protection (USCBP) Federal Inspection Services (FIS) Facility. Currently, the ACIP expires on June 30, 2021.

The revised incentive policy proposed in this action will replace the current policy with a more limited 12-month incentive period, reflecting the OIAA's need to exercise financial prudence during the current SARS-COV-2 pandemic, while still providing a competitive offer to airlines as they rebuild their global networks.

The OIAA has three major objectives in implementing this proposed action, if approved. They are:

- To connect to major global connecting hubs and gateways
- To connect to important international business markets
- To connect to large leisure and visiting-friends-and-relatives (VFR) markets

The ten (10) air travel markets in Asia, Europe and Central America in which air carriers may qualify for landing fee waivers and terminal rent rebates for a 12-month period if, among other requirements, they provide at least three (3) weekly round-trip operations, are:

Connection to Major Global Connecting Hubs and Gateways

- *London*: London Heathrow (LHR); London Gatwick (LGW)
- Seoul Incheon (ICN)
- *Beijing:* Beijing Capital (PEK); Beijing Daxing (PKX)
- Frankfurt (FRA)
- Dublin (DUB)

Connection to Important International Business Markets

- Shanghai PuDong (PVG)
- *Tokyo*: Tokyo Narita (NRT); Tokyo Haneda (HND)
- Manila (MNL)

Connection to Large Leisure and VFR Markets

- San Salvador (SAL)
- Guatemala City (GUA)

OIAA staff is currently in discussions with multiple U.S. and foreign carriers, regarding the inauguration of nonstop international service to points not covered in the original incentive. Staff is requesting to revise and replace the current ACIP, to clarify certain terms and eligibility outlined in the original ACIP, clarifying and adding to the destinations covered under the ACIP, and extending the program term. This will help the airport: (1) increase total passenger traffic at ONT, (2) encourage other carriers to enter the ONT market, and (3) increase non-aeronautical revenue generated at ONT including concessions, parking and other revenues (as well as aeronautical revenue once the incentivized period ends).

The proposed Program is conformed with Federal Aviation Administration (FAA) regulations and guidelines; the ACIP provides that the incentive may be terminated if it is determined to violate any applicable laws, regulations, or assurance made by the airport to the U.S. Government in connection with the receipt of federal grants-in-aid or the approval of Passenger Facility Charges. The ACIP also provides penalties and prohibitions for failure to comply with the terms and conditions of the Program, including, but not limited to, losing any and all operating privileges received under the Program, disqualification from further participation under the ACIP for a specified time period, and reimbursement to ONT for all credits, including monetary credits received under the ACIP.

PROCUREMENT: N/A.

CEQA COMPLIANCE AND LAND USE APPROVALS: N/A

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: N/A

SCHEDULE: N/A

ATTACHMENTS: ATTACHMENT A – Resolution approving an Air Carriers Incentive Program B (ACIP)

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday, although these hours and review procedures may be modified due to COVID-19 precautions. In that case, the documents may be requested by email at clerk@flyontario.com.

This Agenda Report has been reviewed by OIAA General Counsel.

RESOLUTION NO. 2021-__

A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY TO UPDATE AN EXISTING AIR CARRIER INCENTIVE PROGRAM COVERING MULTIPLE INTERNATIONAL DESTINATIONS

WHEREAS, the Ontario International Airport Authority (OIAA) was established for the purpose of operating, maintaining, managing, and developing the Ontario International Airport ("ONT" or "Airport"), including developing air commerce and transportation; and

WHEREAS, on September 26, 2017, the OIAA Board of Commissioners (Board) approved a resolution establishing an Air Carrier Incentive Program (ACIP); and

WHEREAS, on September 25, 2018, the OIAA Board approved a resolution extending the duration of incentives under such International ACIP, increasing the period from 12 months to the earlier of completion of the Airport's U.S. Customs and Border Protection Facility Inspection Service (FIS) at Terminal 2 for international arrivals or twenty-four (24) months; and

WHEREAS, the OIAA is currently in negotiation with U.S. and foreign-owned airlines regarding the inauguration of new international nonstop passenger service; and

WHEREAS, the OIAA desires to update the previously approved ACIP to amend certain eligibility requirements, revise the incentive period, and add additional international destinations or markets to be covered under this ACIP.

NOW, THEREFORE, BE IT RESOLVED by the Ontario International Airport Authority as follows:

SECTION 1. The revised ACIP (B) is provided in Exhibit A attached to this Resolution and hereby incorporated by reference.

SECTION 2. This Resolution shall take effect immediately upon its adoption.

SECTION 3. The Commission Clerk of the OIAA shall certify as to the adoption of this Resolution.

PASSED, APPROVED, AND ADOPTED at a regular meeting this 28th day of January 2021.

____
ALAN D. WAPNER
OIAA PRESIDENT

ATTEST:

____
SECRETARY/ASSISTANT SECRETARY

APPROVED AS TO LEGAL FORM:

____
LORI D. BALLANCE
GENERAL COUNSEL

STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO)
CITY OF ONTARIO)

I, Natalie Gonzaga, Assistant Secretary of the Ontario International Airport Authority, DO HEREBY CERTIFY that foregoing Resolution No. 2021-__ was duly passed and adopted by the Commission of the Ontario International Airport Authority at their regular meeting held on January 28, 2021 by the following roll call vote, to wit:

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSENT: COMMISSIONERS:

____
SECRETARY/ASSISTANT SECRETARY

(SEAL)

The foregoing is the original of Resolution No. 2021-__ duly passed and adopted by the Commission of the Ontario International Airport Authority at their regular meeting held January 28, 2021.

____
SECRETARY/ASSISTANT SECRETARY

(SEAL)

Exhibit A

Ontario International Airport
Air Carrier Incentive Program (B)
Asia, Europe, and Central America

INTRODUCTION

This Air Carrier Incentive Program ("ACIP") for Ontario International Airport ("ONT" or "Airport") is designed to encourage and promote the operation of commercial passenger service by new entrant and incumbent commercial air carriers to 10 markets in Asia, Europe, and Central America that are currently unserved from the Airport. This ACIP is consistent with and supports the Airport's mission to connect people, places, and create experiences.

GOALS

The goals of the Program include:

- Connect to major global connecting hubs and gateways
- Connect to important international business markets
- Connect to large leisure and visiting-friends-and-relatives (VFR) markets
- Provide new non-stop passenger air service (hereinafter referred to as "nonstop service") between ONT and multiple, unserved markets in Asia, Europe, and Central America
- Increase passenger traffic and revenue at ONT
- Promote competition at the Airport

TERM

This ACIP shall be effective upon approval by the Ontario International Airport Authority's (OIAA) Board of Commissioners (Board) and will terminate on December 31st, 2023. For service(s) eligible under the ACIP, the Air Carrier providing the service will receive the incentive for 12 months from the initiation of the eligible service(s) but such period shall conclude by December 31st, 2023.

Every 12 months from the approval of this policy by the Board, OIAA staff may submit to the Board for approval a revised list of unserved markets for which incentives will be offered. This will allow the OIAA to regularly re-calibrate the effectiveness of this policy, by adjusting the incentives to match constantly changing market conditions and opportunities. At the discretion of OIAA staff, and with the approval of the Board, the destinations identified in this policy can modified more frequently. Upon approval by the Board, the revised list shall be attached to this Program A and take effect immediately.

DESCRIPTION OF INCENTIVES

This ACIP is subject to all federal, state, local laws, and all other rules, regulations, and written agreements between the OIAA and the Air Carrier(s).

The incentives shall be provided from the start of the eligible service as described in the following section and include:

- A waiver of certain rates and charges incurred relating to the eligible service(s) in accordance with the OIAA's then current fiscal year Airport System Rates and Charges as listed below:
    - Landing Fees
    - Terminal Rental Rates for Terminal Space, such as offices, ticket counter/queuing spaces, preferential gate leases, etc.
        - If the Carrier is an Incumbent Air Carrier adding additional eligible service, the waiver of Terminal Rental Rates shall be calculated based on the percentage of total weekly service frequencies. The waiver for preferential gate leases shall not be included if the carrier uses a non-preferential gate for its new service
    - Terminal Use Fees (Gate Use Charges) including Non-Preferential Gate Use Fee and Jet Bridge Utility Fee on Non-Preferential Gate(s)
    - Aircraft Parking Charges
- Marketing incentives based on an annual budgeted amount agreed and outlined in the Commitment Letter (see Application For and Award of Incentives)

The duration of the incentive period shall be twelve (12) months immediately following the first day that qualifying nonstop service begins. "Qualifying nonstop service" shall consist of no less than three (3) roundtrip operations each seven (7)-day weekly period, and must be flown from the Airport to one of ten (10) destinations identified below.

The ten (10) destinations from ONT for which incentives will be available during the first twelve (12) months of this policy, subject to revision every 12 months by Board action, are:

- London, England
    - London Heathrow Airport ("LHR")
    - London Gatwick Airport ("LGW")

- Seoul, South Korea
    - Incheon International Airport ("ICN")

- Shanghai, China
    - Shanghai PuDong International Airport ("PVG")

- Beijing, China
    - Beijing Capital International Airport ("PEK")
    - Beijing Daxing International Airport ("PKX")

- San Salvador, El Salvador
  - El Salvador International Airport (“SAL”)

- Frankfurt, Germany
  - Frankfurt Airport (“FRA”)

- Tokyo, Japan
  - Tokyo Narita International Airport (“NRT”)
  - Tokyo Haneda Airport (“HND”)

- Guatemala City, Guatemala
  - La Aurora International Airport (“GUA”)

- Dublin, Ireland
  - Dublin Airport (“DUB”)

- Manila, Philippines
  - Ninoy Aquino International Airport (“MNL”)

The incentive package(s) offered by the OIAA under this ACIP shall be in accordance with the FAA’s Policy and Procedures Concerning the Use of Airport Revenue (64 Fed. Reg. 7696, February 16, 1999) (Revenue Use Policy), including Sections V.A.2 and V.A.3 of the Revenue Use Policy. The OIAA expenditure on advertising for the new qualifying service may be used to cover: (1) a share of promotional expenses such as marketing, advertising, and related activities designed to increase travel using the Airport; and (2) public and industry awareness of Airport facilities and the new qualifying service.

ELIGIBILITY

The incentives covered under this ACIP are available to both Incumbent and New Entrant Air Carrier(s). The Air Carrier must have executed an agreement with the OIAA permitting scheduled air service operations at ONT (such as an Operating Use and Terminal Lease Agreement, or Air Carrier Operating Permit) by the start of any air service in order to be eligible for this incentive package(s).

The incentivized service(s) must:

1. Be a new scheduled nonstop service to one of the ten (10) destinations in Asia, Europe, and Central America identified above;
2. Not be currently be served by any Air Carrier at ONT (Subsequent market entrants will not receive incentives). If multiple Air Carriers announce new service to the same destination, only the Air Carrier initiating service the earliest shall be eligible for the incentive(s) for such destination;
3. Be operated continuously for the twelve (12) months from the date of initiation of service;
4. Be operated on a roundtrip basis at least three (3) times during each seven (7)-day period during the twelve (12) month period for which incentives are provided; and

5. Be initiated during the Term of this ACIP.

Repeated seasonal service, upgrade of equipment type, or increased number of seats on existing flights are not considered new service.

Application For and Award of Incentives

In order to receive the incentive package(s), the Air Carrier must sign the written application ("Commitment Letter") attached to the end of this ACIP, agreeing to the provisions and eligibility requirements outlined in this ACIP. The Commitment Letter must be signed by an Officer and countersigned by the OIAA, and sent to:

Ontario International Airport Authority
Attn: Chief Executive Officer
1923 East Avion Street
Ontario, CA 91761

or any other address as designated by the OIAA from time to time. Assuming that all eligibility criteria referenced above are met, the following conditions will apply to the award of the incentive package(s):

- An Air Carrier may receive more than one (1) incentive package, provided that the Air Carrier separately meets all of the eligibility criteria referenced above for each package
- Waiver of any fees or charges will be awarded in the form of credits to the Air Carrier, resulting in a payable balance of $0.00 for such occurred charges

The allocation of the incentive package(s) shall not be transferable and no property rights are created by virtue of the allocation of incentive package(s).

The OIAA shall have no liability of any nature, or in any form, to an Air Carrier for any costs, expenses, harm, damages, or other claims which an Air Carrier might otherwise have against the OIAA, or which an Air Carrier might incur, in respect of, or arising from, incentive package allocation(s) and any capacity withdrawn due to failure to comply with the Airport rules or regulations or for any other reasons determined by ONT to be necessary and reasonable.

General Provisions

<u>Authority</u>

This ACIP is adopted by OIAA, acting in its capacity as the proprietor and certificated operator of ONT, and under the authority of federal law, and the laws of the State of California, which designate OIAA as the proper local entity to balance the needs of the community for adequate commercial air transportation facilities and services, including service to international destinations, and the desire of the local community for responsible air transportation operations at ONT. This ACIP reflects consideration of and by OIAA of all of its state and federal obligations and responsibilities as the proprietor of ONT.

This ACIP is adopted by OIAA in recognition of its proprietary and governmental obligations under the STATE AERONAUTICS ACT (CALIFORNIA PUBLIC UTILITIES CODE 21001, et seq.) and is particularly made in recognition of the importance of the business, tourist and recreation industry to the economic health and well-being of the regional and local community. The region is a major business, tourist and resort destination center, and a substantial portion of the economy of the region depends upon tourism and resort activities. The ability of OIAA to encourage and promote passenger air service between ONT and currently unserved markets is indispensable to the continued economic vitality of the Airport and to the business, tourism and resort segments of the local and regional economy.

General Limitations and Qualifications

All operating privileges of any type made under this ACIP are made subject to all provisions, limitations and qualifications of the Airport and are privileges revocable by OIAA at will, do not constitute "property interests" of Air Carriers affected by this Program in any form, and are not transferable directly or indirectly, or by operation of law.

Relationship to Agreements

No Commercial Air Carrier may conduct operations at ONT until it has first received approval of an operating agreement further defining its obligations to OIAA in respect of its operations at ONT. Such agreement may be either an Operating Use and Terminal Lease Agreement or Air Carrier Operating Permit. The obligations of any Air Carrier servicing ONT under this Program are in addition to any and all obligations said Carrier has to the Airport under its agreement(s) with the OIAA.

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Unless specifically provided, this ACIP may be amended, terminated, or suspended only by approval of the OIAA Board unless specifically provided herein. In the event this ACIP is amended by the Board, the Air Carrier receiving incentives under this Program shall be deemed to have accepted all terms and provisions of such amendment immediately.

Compliance with Federal Obligations

The terms and implementation of this ACIP shall be, at all times, subordinated to applicable federal, state, and local laws and regulations, and the provisions of any existing or future agreement between the OIAA and the U.S. Government or governmental authority, relating to the operation or maintenance of the Airport. This Program may be terminated, in whole or in part, if it is determined to violate applicable laws, regulations or any assurance made by OIAA to the U.S. Government in connection with the receipt of federal grants-in-aid or the approval of Passenger Facility Charges.

Non-Exclusivity of Sanctions, Penalties, and Remedies

The penalties of this ACIP are non-exclusive, and are in addition (and without prejudice) to any and all other remedies, at law or at equity, civil or criminal, by contract or otherwise, which may be available to OIAA with respect to the conduct or actions of any Air Carrier using ONT.

Funding

The incentives offered by the Airport in this ACIP shall not have any effects on the rentals, fees, or charges imposed on other users of the Airport.

Penalties and Prohibitions

If an Air Carrier provides qualifying nonstop service under this policy and receives incentives for any portion of the twelve (12) month incentive period, but cancels such service, it will not be eligible for incentives again under this policy for a period of thirty-six (36) months from the date of its termination of service.

For purposes of this policy, a cancellation of service can be express, by an Air Carrier removing the service from its published schedule of services, or implied, by an air carrier suspending its service for any period of six (6) consecutive months, from the approval of this policy by the Board.

In the event any Air Carrier that has received, in whole or in part, an incentive offered under this ACIP, fails to comply with any Airport rules or regulations during the term of this Program, the Air Carrier shall be subject to the following penalties:

(a) The Air Carrier shall immediately lose any and all operating privileges received under the incentive package(s) for which the violation(s) occurred; and
(b) The Air Carrier shall immediately be ineligible to continue receiving incentives under this Program for the incentive package(s) for which the violation(s) occurred; and
(c) The Air Carrier shall be required to reimburse ONT for all incentives received under the ACIP for the incentive package(s) for which the violation(s) occurred; and
(d) The repayment of any monetary credits and expenditures must be paid not later than thirty (30) days after the date of the CEO’s written notice of violation. Any Air Carrier who fails to make repayment as required by this Section within the thirty (30) day period shall be subject to an additional administrative penalty of $1,000 per day for each day the penalty payment is late; and
(e) The Air Carrier shall be disqualified from further participation under this ACIP, with the exception of any incentive package(s) already allocated to the Air Carrier that remains in compliance with the terms of the ACIP, until it establishes to the satisfaction of the OIAA that it is requalified for the Program. To requalify for participation in the ACIP, the Air Carrier must request, in writing, the requalification of its service under this ACIP. The request must identify the reason(s) for failing to comply with the terms of this Program, and include a statement that it has not re-qualified for the Program on more than one (1) occasion during the term of the Program. The Air Carrier’s requalification must be accepted in writing by the OIAA.

Any Air Carrier may submit a written request to the OIAA's Chief Executive Officer ("CEO") for modifications to the requirements of the ACIP. The CEO may deny, grant, or grant with conditions the requested modification(s). In considering any request made, the CEO shall consider the following: (i) the reasonableness of the request under the relevant circumstances; (ii) the interests of the air traveling public and the impact of the request, if any, on the ability of OIAA to realize its goals for the Program; and (iii) the effect of the request, if any, on the goals, policies, and regulations of OIAA in its management and operation of ONT.

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SUBJECT: Commitment Letter Regarding Participation in the Ontario International Airport's Air Carrier Incentive Program (A)

Dear Enter Name Here:

By this letter, Enter Airline Here (the "Airline") would like to formally acknowledge our request to participate in the Ontario International Airport ("ONT" or "Airport") Air Carrier Incentive Program (A) ("Incentive Program"). We intend to initiate non-stop service to Enter Destination Here beginning on Enter Date Here.

Consistent with the ACIP, the Airline understands that prior to commencing commercial service at the Airport, the Airline must execute an agreement with OIAA permitting scheduled air services operations at ONT. In addition, we understand that the Airline must comply with all applicable Airport rules and regulations.

This letter is intended to memorialize the Agreement between OIAA, the owner and operator of ONT, and the Airline under the terms of the Incentive Program. The OIAA and the Airline, by their respective signatures to this letter, acknowledge their understanding and agreement that:

i.) The terms of incentives for Airline's air service to the Airport (the "Incentives") are governed by the Incentive Program.

ii.) The service that the Airline is offering at ONT falls within all eligibility criteria described in the Incentive Program.

iii.) The Airline commits to maintain such service for a period of OIAA: Enter Duration Here consecutive months from the date of initiation of service.

iv.) The incentive package will provide an OIAA expenditure on a share of advertising for the new qualifying service, in an amount of OIAA: Enter Amount Here. The Airline and OIAA will work together to develop an advertising campaign to raise awareness of the new qualifying service in accordance with all applicable statutes and the FAA's Policy and Procedures Concerning the Use of Airport Revenue (64 Fed.Reg. 7696). The ONT brand shall be prominently, and at least equally, represented in the creative, regardless of which entity develops the creative. All advertising shall be approved by OIAA in writing, in its sole discretion, before any public dissemination or use.

v.) The Airline shall share with OIAA all data and key performance indicators (KPIs) associated with the Incentive Program advertising campaign on a quarterly basis throughout the term of the incentive(s), as well as at the termination of the incentive(s).

In the event the Airline ceases or abandons flight operations to the proposed destination prior to twelve (12) months after the date of initiation of service or fails to comply with any rule or regulation of ONT during the term of the Incentive Program, by this letter we acknowledge that the Airline will be subject to the penalties as specified in the Incentive Program including, but not limited to, losing any and all operating privileges received under the Incentive Program (for the incentive package for which the violation occurred), disqualification from further participation under the Incentive Program, and reimbursement to OIAA for all credits, including monetary credits, and expenditures offered pursuant to the Incentive Program.

The Airline understands that this Agreement is subordinate to the provisions of any and all existing and future agreements between OIAA and the United States of America relative to the operation, maintenance, or development of the Airport, the execution of which may be required as a condition precedent to the expenditure of funds for the development of the Airport, or any part thereof. The Airline further understands that, in the event the Federal Aviation Administration of the United States of America or its successor requires modifications or changes in the Incentive Program or to this Agreement, the Airline consents to any and all such modifications and changes as may be required; and the Airline agrees to execute an amendment to this Agreement with OIAA reflecting such modifications or changes.

If the Airline is awarded an incentive package(s) under the terms of the Incentive Program, the Airport will sign a duplicate original of this correspondence and return it to the Airline indicating that it concurs in the above.

ONTARIO INTERNATIONAL
AIRPORT AUTHORITY

By:____________________________________
Mark A. Thorpe
Chief Executive Officer

Date:__________________________________

ENTER AIRLINE NAME HERE

By:____________________________________

Printed Name:___________________________

Title:__________________________________

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

DATE: **JANUARY 28, 2021**

CLOSED SESSION REPORT
OIAA// *(GC 54957)*
Page 1 of 1

ROLL CALL: Gouw ___, Bowman __, Hagman __, Loveridge __, President Wapner __.

STAFF: CEO __, General Counsel __

- **GC 54957, PUBLIC EMPLOYEE PERFORMANCE EVALUATION**
  Title: Chief Executive Officer

No Reportable Action	Continue	Approved
/ /	/ /	/ /

Disposition: ____

Reported by:

____
General Legal Counsel / Chief Executive Officer