SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2003-04

DATE: May 2, 2003

SUBJECT: **DEPARTMENT OF AIRPORTS**

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The Department of Airports is an enterprise fund of the City and does not receive any general fund revenue or subsidy. The proposed budget makes it possible for the Department of Airports to reduce airline rents and fees at a time of financial hardship for the airlines. Proposed capital projects are for increasing airport security in compliance with federal mandates, addressing customer service needs, and maintaining facilities. The proposed budget was reviewed and approved by airline representatives and the advisory board.

DEPARTMENT OF AIRPORTS
PROPOSED BUDGET

	2002-2003 Budget	2002-2003 Projected Actual	2003-2004 Proposed Budget	Difference from projected actual	Percent Change
Sources of funds					
Operating revenue	$ 93,755,300	$ 90,219,200	**$ 85,014,400**	$ (5,204,800)	(5.8%)
Other sources of funds (grants, interest and accumulated passenger facility charge revenue)	69,162,000	36,911,000	**166,335,700**	129,424,700	450.6%
Total funds available	$162,917,300	$127,130,200	**$251,350,100**	$124,219,900	97.7%
Uses of funds					
Operating expenses	$62,474,500	$61,597,600	**$ 65,581,600**	$ 3,984,000	6.5%
Capital outlay	80,157,000	26,801,000	**127,979,600**	101,178,600	377.5%
Debt service	13,347,700	13,480,400	**9,727,800**	(3,752,600)	(27.8%)
Buyout of bonds	-	848,000	**46,799,200**	45,951,200	
Increase of reserves	6,938,100	24,403,200	**1,261,900**	(23,141,300)	(94.8%)
Total uses of funds	**$162,917,300**	**$127,130,200**	**$251,350,100**	$124,219,900	97.7%

For fiscal year 2003-04, the Department of Airports is projecting an operating revenue decline of $5,204,800. Estimated operating expenses are proposed to increase by $3,984,000. A summary of estimated operating revenue and proposed expenses is on the following page.

DEPARTMENT OF AIRPORTS PROPOSED OPERATING BUDGET				
	Adopted 2002-2003	Proposed 2003-2004	Difference	Percent Change
Rent, leases, reimbursements				
Terminal rent	$24,472,500	**$23,742,900**	$ (729,600)	(3.0%)
Landing fees	17,805,200	**13,130,300**	(4,674,900)	(26.3%)
Other building & site leases	7,488,400	**7,345,900**	(142,500)	(1.9%)
Security changes to airlines	304,400	**854,100**	549,700	180.6%
Ground transportation	458,700	**588,700**	130,000	28.3%
General aviation hangars	828,200	**833,200**	5,000	0.6%
Fuel farm lease	1,005,400	**766,300**	(239,100)	(23.8%)
Tenant telephone/paging fees	576,800	**527,200**	(49,600)	(8.6%)
Extraordinary service charges	469,200	**456,200**	(13,000)	(2.8%)
Concessions				
Auto parking	17,435,500	**14,309,200**	(3,126,300)	(17.9%)
Car rental	10,729,500	**9,457,600**	(1,271,900)	(11.9%)
News & gifts	3,282,200	**3,379,400**	97,200	3.0%
Food service	2,033,300	**2,309,000**	275,700	13.6%
Advertising	1,704,200	**2,134,600**	430,400	25.3%
Flight kitchen	1,003,300	**1,140,200**	136,900	13.6%
Vending	320,600	**358,700**	38,100	11.9%
Public telephone	231,100	**200,000**	(31,100)	(13.5%)
Other revenue				
State aviation fuel tax	2,358,500	**2,329,000**	(29,500)	(1.3%)
Aircraft fire training revenue	457,000	**464,200**	7,200	1.6%
Fuel oil royalties (6% applicable to those not paying landing fees)	338,700	**374,900**	36,200	10.7%
Other operating revenue	452,600	**312,800**	(139,800)	(30.9%)
Total operating revenue	93,755,300	**85,014,400**	(8,740,900)	(9.3%)
Operating expenses				
Maintenance	29,144,800	**30,390,000**	1,245,100	4.3%
Operations	15,228,900	**17,484,400**	2,255,500	14.8%
Commercial Services	4,653,100	**5,034,200**	381,100	8.2%
Finance & Accounting	4,988,600	**4,947,400**	(41,200)	(0.8%)
Engineering	3,148,200	**3,102,100**	(46,100)	(1.5%)
Planning & Environmental Services	1,981,000	**2,545,100**	564,100	28.5%
Public Relations & Marketing	2,484,300	**1,147,500**	(1,336,800)	(53.8%)
Administration	845,600	**931,000**	85,400	10.1%
Total operating expenses	62,474,500	**65,581,600**	3,107,100	5.0%
Net operating income	$31,890,300	**$19,432,800**	$(12,457,500)	(39.1%)

POTENTIAL MATTERS AT ISSUE

- Airline rents and landing fees – The Department of Airports continues to work with and support the airline carriers by keeping rents and landing fees as low as possible. The Department determined that it could call and pay off the 1993A Series bonds saving substantial amounts for the airline carriers. Revenue from the passenger facility charge can be used to repay the bonds. Since the airline carriers reimburse the Department of Airports for actual costs including debt payments, the Department has been able to reduce airline rents and landing fees by about 8%. Landing fees are proposed to decrease from $1.23 to $0.89 per thousand pounds of weight. Terminal Unit 1 rents are proposed to decrease from $62.92 per square foot to $56.16, while Terminal Unit 2 rents are proposed to increase from $68.78 per square foot to $72.70. Average total cost to the airlines (rents and landing fees) per enplaned passenger is proposed to decrease from $4.26 to $3.76. *The Council may wish to ask representatives of the Airport about the other potential uses for the passenger facility charge funds to get an understanding of any opportunities that could be lost due to this approach.*

- Number of passengers – A down economy resulting in less business travel is one of the primary factors impacting passenger volumes. Total passengers decreased from a high of 21,280,800 in fiscal year 1996-97 to 18,372,400 in fiscal year 2001-02. The Department of Airports projects a flat trend in passenger volumes for fiscal year 2003-04 based on fiscal year 2002-03 forecast of 18,396,000.

- Operating expense increase – Operating expenses are proposed to increase by $3,107,100 over the fiscal year 2003 budget. Most of the increase is attributable to salary increases. The Airport employs 575 employees. The budget assumes the pay increases that are included in multiyear contracts with labor unions and a 3% general pay increase for unrepresented employees. This was the Department's assumption, but it will implement whatever pay levels are actually adopted by the City Council. If a salary increase is not adopted or if a lesser amount is approved, airline rents and fees will be adjusted downward accordingly.

  Pension and health insurance premiums are increasing for all City employees. The pension plan for airport police officers is proposed to be converted from a 30-year plan to a 20-year plan to be consistent with City police officers. This change will increase costs for the Department of Airports. The proposed budget does not include requests for additional personnel. Last fall, six public information officer positions were transferred from the Public Information & Marketing Division to the Operations Division to respond to passengers' needs in the terminal, to provide escorting of contractors on the airfield, and to provide assistance in the parking lots and roadways. In the past, the public information officers staffed an information booth in Terminal Unit 1 & 2 and conducted tours of the Airport for youth groups and others. *The Council may wish to ask whether the increased amount of staffing for these functions has proved necessary or whether it could be reduced for the coming year.*

  The Department of Airports reimburses the general fund for central services including accounting, payroll, purchasing, human resource management, legal, cash management, Mayor, and City Council. The proposed budget contains an increase of about 3% to pay the general fund for these services.

- Airline use agreement – The airline use agreement with the carriers will expire on June 30, 2003. The Department of Airports plans to extend agreements on a year-to-year basis or on terms as negotiated by the Department. A long-term agreement will be important when the Department begins construction of the new terminal or makes other long-term financial decisions.

- Capital improvement projects relating to new terminal – A $28.8 million project is proposed relating to the second phase of a $60 million project to reconfigure the access road to service the future terminal location. Parking and rental car fees are considered the funding source for these roadway improvements. The Department's budget booklet explains that the new terminal facilities have been reprogrammed and are ready for design when passenger traffic recovers and airline financial stability allow for a prudent development of new facilities. The roadway redesign will also allow for future light rail access to the terminal. *The Council may wish to discuss the potential timing of the new development program with representatives of the Department of Airports.*

- Capital improvement projects to existing terminal and concourses – Several major modifications and upgrades to the existing facilities are proposed including a $35 million project to install baggage explosive detection system equipment in-line with the airline baggage systems. The project will also expand the passenger circulation areas at the ticket counters and add permanent bag screening facilities along the terminal road for passengers using skycap services. Another project will reconfigure the bag claim areas in both terminals at a cost of $6.6 million. A $1.6 million project will replace exterior metal panels of Concourse D and the exterior panels on the connector between Concourses B and C. The membrane on the roof of Terminal Unit 2 will be replaced at a cost of $0.7 million. Now that the new terminal has been delayed, the Department is requesting some needed improvements to the existing facilities. *The Council may wish to ask about the investment amortization period of these improvements and about the level of support of the airlines regarding the proposed improvements.*

- Capital improvement projects relating to general aviation – The Department of Airports continues to develop Airport II and Tooele Valley airports. Improvements at these two airports will help to encourage flight training schools and general aviation to use these alternative airports reducing the overcrowding of the airspace around Salt Lake City International Airport.

Observations – Review of Budget Detail

Council staff reviewed the budget detail for revenue and expenses and met with Department representatives to obtain explanations of differences between fiscal year 2003 budget and the proposed budget. Fiscal year 2002 actual expenses and projected fiscal year 2003 expenses were also compared to the proposed budget. *The Council may wish to obtain additional explanations from Department representatives regarding the proposed budget. Council staff's understanding is that if the Council chooses to decrease some of the proposed operating expense budgets, landing fees and rents paid by the airlines would also be adjusted since the formula setting fees and rents depends initially on operating budgets and is later adjusted for actual costs. The Council may wish to discuss this understanding with representatives of the Airport.*

- <u>Auto parking revenue</u> – Revenue from auto parking is estimated to decrease from the fiscal year 2003 budget by $3,126,300. Prior to September 11th, those accompanying passengers to the airport or those greeting passengers would sometimes park and spend time with the passengers in the concourses. Now more passengers are just dropped off or picked up within the 30-minute free parking time since the concourses are limited to ticketed passengers.

- <u>Car rental revenue</u> – Revenue from car rental agencies is estimated to decrease from the fiscal year 2003 budget by $1,271,900. The Department believes that this decrease is due to less business travel.

- <u>Fuel farm lease</u> – Revenue from the lease of the refueling operation is proposed to decrease from $1,005,400 to $766,300. Some of the Airport's investment in the fuel farm is now fully amortized allowing base lease rates to decrease. Actual fuel use has decreased because of more efficient regional jets and fewer flights.

- <u>State aviation fuel tax</u> – Revenue from a state aviation fuel tax is estimated to decrease from the fiscal year 2003 budget by $29,500 because of less demand for aviation fuel (e.g., smaller planes, fewer flights).

- <u>Aircraft rescue fire fighting (ARFF) training revenue</u> – Several years ago, the Department of Airports received a grant to build an aircraft firefighting training facility. Training fees from other airports reimburse the Salt Lake City's Department of Airport for operating costs. The Department projects a 1.6% increase in revenue.

- <u>Extraordinary service charge revenue</u> – Sometimes an airline will request a facility modification that will be accomplished under a separate agreement rather than incorporating the costs in the overall use agreement that involves other airlines. Revenue from these separate agreements is expected to decrease $13,000.

- <u>Operations Division expenses</u> – Expenses of the Operations Division are proposed to increase by 14.8% over the budget for fiscal year 2003. The proposed budget includes the full-year costs of 11 positions authorized in a November 2002 budget amendment for security at terminal screening areas to be reimbursed by the Transportation Security Administration. The Operations Division picked up 6 positions from the Public Relations & Marketing Division relating to the public information officers previously mentioned. The Department is also budgeting for a change in retirement plans for airport police officers from a 30-year retirement plan to a 20-year retirement plan similar to the City's police officers.

- Commercial Services Division expenses – Expenses of the Commercial Services Division are proposed to increase by $381,100 over the budget for fiscal year 2003. This is primarily due to a $300,000 increase to liability and property insurance costs. Other requested increases are $40,000 for contractual services, $27,000 for data processing services, and $10,000 for communication equipment.

- Planning and Environmental Services Division expenses – Expenses of the Planning and Programming Division are proposed to increase by $564,100 over the budget for fiscal year 2003. The budget proposes a $399,500 increase in professional services for studies of the Federal Aviation Administration's proposal regarding airline flights over Salt Lake City (Northern Utah Airspace Initiative). The budget also includes $151,400 in utility charges relating to the deicing recycling plant that is expected to become operational in the next few months. The Airport is being required to remove the deicing chemicals before disposing water into the stormwater system. The recycled glycol can be sold for processing and reuse.

- Public Relations & Marketing Division expenses – Expenses of the Public Relations & Marketing Division are proposed to decrease by $1,336,600 over the budget for fiscal year 2003. In the past two years, the Department has budgeted $1,000,000 that could be used as incentives in cooperative advertising and promotion to help market new international service if an airline carrier qualifies for the incentive by opening a new international non-stop route. The proposed budget doesn't specifically budget for this incentive. The Department plans to use a portion of the $2,000,000 economic development reserve budgeted under capital projects for tenant requests (see page 9) if an airline carrier qualifies for the international service incentive. Some savings in the Public Relations & Marketing Division are the result of combining two divisions and eliminating one division director position.

- Administration Division expenses – Expenses of the Administration Division are proposed to increase by $85,400 over the budget for fiscal year 2003. Part of the increase is due to splitting out travel expenses to each division rather than budgeting all travel in the Finance Division. The budget for travel in the Administration Division is proposed to be $62,300.

- Operation supplies for computerized access security system (CASS) – The proposed budget in the Operating Division includes an increase in supplies for CASS from $38,500 to $66,300. Airport representatives explained that the increase is primarily due to additional fingerprinting and security supplies as a result of increased security measures.

- Police supplies – The proposed budget in the Operating Division includes an increase in police supplies from $14,100 to $42,500. This budget is for a one-time upgrade of police officer equipment.

- Carpentry supplies – The proposed budget in the Maintenance Division includes an increase in carpentry supplies from $50,600 to $66,600. Actual expenses in fiscal year 2002 were $38,400. Now that the timing for constructing a new terminal is further in the future, the budget proposes more durable maintenance to the existing terminals rather than just a temporary approach.

- Traffic signs and signals – The proposed budget in the Maintenance Division includes an increase in traffic signs and signals from $43,000 to $88,800. The budget proposes a one-time maintenance project to upgrade the roadway signage including signage in front of the terminals.

- Natural gas – The proposed budget in the Maintenance Division includes an increase in natural gas expense from $550,000 to $665,000 to reflect rate increases. Actual expenses in fiscal year 2002 were $613,600, and projected expenses for fiscal year 2003 are $656,700.

- Water – The proposed budget for water includes only a 7% increase from $448,500 to $479,900. The Department is planning to conserve water this summer by updating irrigation systems and by altering some of the landscaping.

- Cell phones – The proposed budget for cell phone expense contains an increase from $37,400 to $63,200. Security personnel are now carrying cell phones in addition to radios for redundancy.

- Maintenance and janitorial service contracts – The proposed budget in the Maintenance Division includes a 9.4% increase in janitorial service contracts from $5,793,800 to $6,336,000. The proposed budget includes 13.7% increase in maintenance service contracts from $452,700 to 514,700. The contracts reflect increased costs that the contractor's pay to their employees for salaries and benefits. No additional workers are included in the maintenance and janitorial contracts.

- Hazardous waste disposal – The proposed budget in the Planning & Programming Division includes an increase in hazardous waste disposal from $50,000 to $52,500. Actual expenses in fiscal year 2002 were $11,100. The budget includes a hazardous waste contingency in the event of the need for clean-up action. If the contingency is not needed, actual costs that go into the formula for determining airline rents and landing fees will result in slightly lower rents and fees.

- Meal expense – The proposed budget for meal expense contains an increase from $22,600 to $42,800. Actual expenses for fiscal year 2002 were $28,000. The Administration's gift policy doesn't allow a vendor or visiting official to pay for a business lunch for a City employee. The policy doesn't prevent the Airport from paying for business lunches. The Department is budgeting for the full meal cost of all participants when business is conducted over lunch, etc.

- Membership assessments – The proposed budget in the Finance Division includes an increase in membership assessments from $89,600 to $136,100. Projected expenses for fiscal year 2003 are $111,000. The Airport Council International is the primary membership. This worldwide organization provides lobbying, educational training, periodicals, bulletins, and other services relating to the airport industry.

- Travel, conferences, seminars – The proposed budget for travel expense contains an increase from $276,200 to $367,800. Projected expenses for fiscal year 2003 are $263,900. Department management emphasizes specialized training, which is usually not available locally. A detail listing of each anticipated meeting or conference is listed on pages 15-18 of the Department's budget booklet.

- Employee cost incentives – The proposed budget in the Operating Division contains an increase in employee cost incentives from $3,800 to $6,200. The budget is for the "always challenge everyone" program where small incentives, such as a free meal coupon, are provided to tenant employees and Airport employees that challenge someone whose identification badge is not readily visible. The budget is for the second year of the program.

- Property and liability insurance – The proposed budget in the Commercial Services Division includes a 30% increase in insurance costs from $986,300 to $1,285,900. Actual expenses in fiscal year 2002 were $789,800. The cost for insurance is significantly increasing as a result of September 11th.

- Workers compensation medical costs – The proposed budget in the Finance Division contains an increase in workers compensation payments for medical costs from $99,000 to $127,400. Actual expenses in fiscal year 2002 were $87,100. The Controller's Office provides projections of workers compensation costs to each department for budgeting purposes. The Department of Airports is budgeting for workers compensation based on information provided.

PROPOSED CAPITAL OUTLAY AND DEBT SERVICE BUDGET

The budget for capital outlay and debt service for the Department of Airports is proposed to increase by $77,958,700 over the 2002-2003 budget. Early retirement of bonds accounts for $46,799,200 of the increase. The funding sources and the proposed capital budget for fiscal years 2003-2004 are as follows:

DEPARTMENT OF AIRPORTS
PROPOSED CAPITAL BUDGET

	Adopted 2002-2003	Proposed 2003-2004	Difference	Percent Change
Sources of funds				
Revenue from operations	$ 31,890,300	**$ 19,432,800**	$(12,457,500)	(39.1%)
Use of passenger facility charge (PFC) revenue	37,694,000	**109,259,000**	71,565,000	189.9%
Federal grants	34,225,500	**56,076,700**	21,851,200	63.8%
Interest income	4,000,000	**1,000,000**	(3,000,000)	(75.0%)
Total funds available	$107,809,800	**$185,768,500**	$77,958,700	72.3%
Capital outlay & debt service				
Capital improvements	$ 78,065,100	**$122,158,400**	$44,093,300	56.5%
Equipment	2,091,900	**5,821,200**	3,729,300	178.3%
Early retirement of bonds	-	**46,799,200**	46,799,200	
Debt service	13,347,700	**9,727,800**	(3,619,900)	(27.1%)
Increase to reserves	14,305,100	**1,261,900**	(13,043,200)	(91.2%)
Total capital outlay, debt service & increased reserves	**$107,809,800**	**$185,768,500**	$77,958,700	72.3%

The following table summarizes the proposed capital improvement projects for fiscal year 2003-04.

CAPITAL IMPROVEMENT PROGRAM PROPOSED PROJECTS FISCAL YEAR 2003-2004			
Project Description	**Airport Funds**	**Passenger Facility Charge**	**Federal Grant**
Projects in progress **Re-appropriation of remaining budgets**			
Crossbar Relocation and Rental Car Access Road – first phase of project to reconfigure the access road to service future terminal location	$ 1,065,500	$ 5,000,000	
Terminal Roadway Security Improvements Phase II – widen sidewalks next to public unload lanes in front of terminals		3,687,000	
Taxiway H Rehabilitation – taxiway is rutting and cracking		277,000	$ 2,142,000
Taxiway P Extension – to improve airport capacity		230,000	2,070,000
East Apron Rehabilitation Phase II – strengthen for larger aircraft		140,000	1,260,000
Perimeter Patrol Road Phase I – pave existing or construct new roads		498,400	901,600
Airport II – Runway 16/34 Overlay – resurfacing will extend pavement life		100,000	900,000
Runway 16L-34R Storm Drain Improvements – fix flooding conditions		83,600	752,000
Security Equipment Detection Modifications – security cameras, motion sensors, security stations, expand control center		725,400	
Concourse A Apron Reconstruction Phase I – replace pavement		264,000	336,000
Tooele – Automated Weather Observing System & Taxilane – step toward future instrument landing system; taxilane for future growth		32,700	294,200
Security Gate Modifications – includes asphalt paving, fence relocation, hardware, software, modifications to electrical/communications systems		200,000	
Triturator Grinder Replacement – replace sewage dump stations	130,000		
Car Rental Lobby Expansion Phase II – expand from 6 to 10 agencies	100,000		
Proposed New Projects			
Terminal Modifications – increase passenger circulation areas at ticket counters; add centralized bag screening facilities and conveyor systems; install permanent bag screening along the terminal road for skycaps		3,500,000	31,500,000
Landside Road Reconfiguration (West) – second phase of project to reconfigure the access road to service future terminal location	19,447,100	9,363,900	
Runway 16L/34R Overlay – repair rutted and uneven surface		1,436,600	5,461,400
Bag Claim Modifications – reconfigure of bag claim devices		6,601,000	
East Apron Rehabilitation Phase III – replace pavement		718,600	2,839,400
Land Acquisition Phase II (Noise/Approach Protection) – In the event property owners north of runway desire to sell		250,000	2,418,000
Taxiway H Pavement Reconstruction – taxiway is deteriorating		528,700	2,038,300
Tooele Land Acquisition – establish runway protection zones		591,000	1,585,000
Airport Property Security Fencing Phase I – including TV cameras and automated security gates		2,049,000	
Exterior Metal Wall Panel Replacement – Concourse D & Connector B/C	1,608,000		
Concourse A Apron Reconstruction Phase II – replace pavement		288,700	1,216,300
Perimeter Patrol Road Phase II – pave existing or construct new roads		1,222,000	
Terminal Unit 2 Roof Replacements – there is possibility of roof failure	714,000		
North Support Tunnel Road Rehabilitation – repair pavement		497,000	
Lighting Upgrade – baggage handling rooms and Concourses A & B aprons	436,000		
East Side Oil/Water Separator – stormwater automated separator		411,000	
Airport Layout Plan/Environmental Update Phase I – support for the Airport's development program and for obtaining federal grants		37,500	362,500
Airport Wide Fire Alarm System Integration – upgrade existing systems	348,000		
Contingencies			
Economic Development Reserve Used – Tenant requests or other economic development projects that may require quick action to accomplish.	2,000,000		
Capital Improvement Program Committee Reserve - Unanticipated project costs due to field conditions or other unexpected circumstances.	1,500,000		
Total Capital Improvement Program Fiscal year 2003-2004	**$27,348,600**	**$38,733,100**	**$56,076,700**

Capital Improvement Program – The proposed budget includes $122,158,400 for capital improvement projects for fiscal year 2003-04. Some of these projects are contingent upon funding from the Federal Aviation Administration. Grant funded projects will not be started before the grants are awarded. The Airport can assess a passenger facility charge as long as a capital-improvement need can be shown. Capital improvement projects must meet certain criteria to be eligible to be funded with passenger facility charge revenue. The Airport currently charges $4.50 per enplaned passenger.

For the past several years, the Department of Airports budgeted $1,500,000 for capital improvement reserves for unanticipated project costs and $2,000,000 for economic development reserves for tenant requests that may require quick action. The Department of Airports is again requesting these contingencies to allow the Airport to respond quickly to changing demands of Airport tenants.

Equipment replacement - Capital equipment requests are based on a 5 to 10-year replacement schedule. Page 20 of the Department's budget booklet contained a detailed schedule of equipment proposed for replacement. The Department proposes to fund 81% of the equipment through passenger facility charge revenue or federal grants.

Additional Information

BACKGROUND

The Salt Lake International Airport is operated and managed by the Salt Lake City Department of Airports, a department of Salt Lake City. The airfield consists of three air carrier runways and a general aviation runway. There are two terminals, five concourses and 71 aircraft gates. The department also operates Tooele Valley Airport and Airport II in West Jordan. These two airports are general aviation/reliever facilities. The Department of Airports is an enterprise fund of Salt Lake City requiring no funding from property taxes or appropriations from the City's general fund. Capital requirements are met from earned surpluses, revenue bonds, passenger facility charges and Federal Aviation Administration grants under the Airport Improvement Program.

The Airport Board is a nine-member advisory board of citizen volunteers that gives advice and makes recommendations to management of the Department of Airports and to the Mayor and City Council regarding the affairs of the airport. The Mayor, each City Council Member, the Director of Airports, the City Attorney and the City Engineer, or their designees, are ex officio nonvoting board members. The Board may designate subcommittees as it desires to study, consider and make recommendations on matters that are presented to the Board.

FIVE-YEAR BUSINESS PLAN (Goals and measurable results)

The Department of Airports prepared a five-year business plan in fiscal year 2000-01 to help guide the budgeting process and provide a means for management to better evaluate overall Department performance. The business plan identifies goals and objectives of the Department of Airports for five fiscal years. In order to assist the Council in evaluating progress, Council staff summarized the goals and noted the results or steps taken by the Department during the first two years of the plan. These goals were set prior to the changes in the industry as a result of September 11, 2001.

1. Goal/Objective: Generate earnings of at least $125 million over five years for capital development programs.

   Results/steps taken: As of fiscal year 2002, Airport reserves for capital development were at $102 million and projected to be at about $126 million by the end of fiscal year 2004.

2. Goal/Objective: Implement the Development Program.

   Results/steps taken: The roadway component of the Development Program is being implemented with the first contract awarded in fiscal year 2003. Phase II will begin in fiscal year 2004, and Phase III will be completed in fiscal year 2005. New terminal facilities have been reprogrammed and are ready for design when traffic recovers and airline financial stability allow for a prudent development.

3. Goal/Objective: Implement the Information Technology Master Plan.

   Results/steps taken: The Information Technology Master Plan was developed in conjunction with the Development Program; therefore its implementation is also dependent on the schedule of the Development Program.

4. Goal/Objective: Expand international air service.

   Results/steps taken: AeroMexico started providing four weekly direct flights to Mexico beginning in December 2001.

5. Goal/Objective: Prepare and deliver a minimum of 20 presentations, route proposals, and hub analyses to air carriers over a 24-month period.

   Results/steps taken: Prior to September 11, seven route proposals were presented. Three were delivered after September 11, 2001.

6. Goal/Objective: Customer satisfaction survey results will meet or exceed 80%.

   Results/steps taken: Due to the events of September 11th, this goal was not undertaken.

7. Goal/Objective: Develop airport-wide customer service and safety awareness.

Results/steps taken: An on-going customer service training program has trained 100% of the Department's employees and some tenant employees. A recurrent training on customer service is also in-place with training conducted on a regular schedule.

8. Goal/Objective: Maintain an investment grade revenue bond rating.

   Results/steps taken: The Airports' last bond issue, Series 2001, was rated by Moody's as "Aa1/VMIG-1", while Standard & Poor's gave a rating of "AA+/A-1+" based on the letter of credit provided by the German financial institution, WestLB.

9. Goal/Objective: Establish baseline/benchmark customer awareness data to measure effectiveness of advertising campaign.

   Results/steps taken: As a result of the events of September 11th, this goal was deferred to future years.

10. Goal/Objective: Maximize airfield capacity 95% of the time within compliance and operating guidelines.

    Results/steps taken: Airfield capacity was maintained at 99.99% of the time within compliance.

11. Goal/Objective: Complete customer service development and training plans within the five-year planning period.

    Results/steps taken: Customer service programs designed for the 2002 Winter Olympics were implemented successfully. An on-going customer service training and recurrent training program is on-going.

12. Goal/Objective: Complete training needs analyses and implement results.

    Results/steps taken: Employee performance management using the City-wide Performance Impact software has been implemented with all employees and department management trained to its processes. Training needs analyses and its implementation will be part of the employees' semi-annual performance review cycle.

13. Goal/Objective: Survey ratings of employee job satisfaction are to be within 80%.

    Results/steps taken: The Department of Airports participated in the fiscal year 2003 employee survey conducted by the City. The Department results indicate that the Airport's employee job satisfaction is within 80%.

LEGISLATIVE INTENT STATEMENTS

No legislative intent statements are outstanding for the Department of Airports.

During the briefing on the proposed budget, the Council may wish to identify legislative intents relating to the Department of Airports.