

Item No. 9a supp  
Meeting Date: June 11, 2019

# Aviation Division

2020 – 2024 Long Range Plan  
2020 Business Plan &  
Budget Preview

June 11, 2019

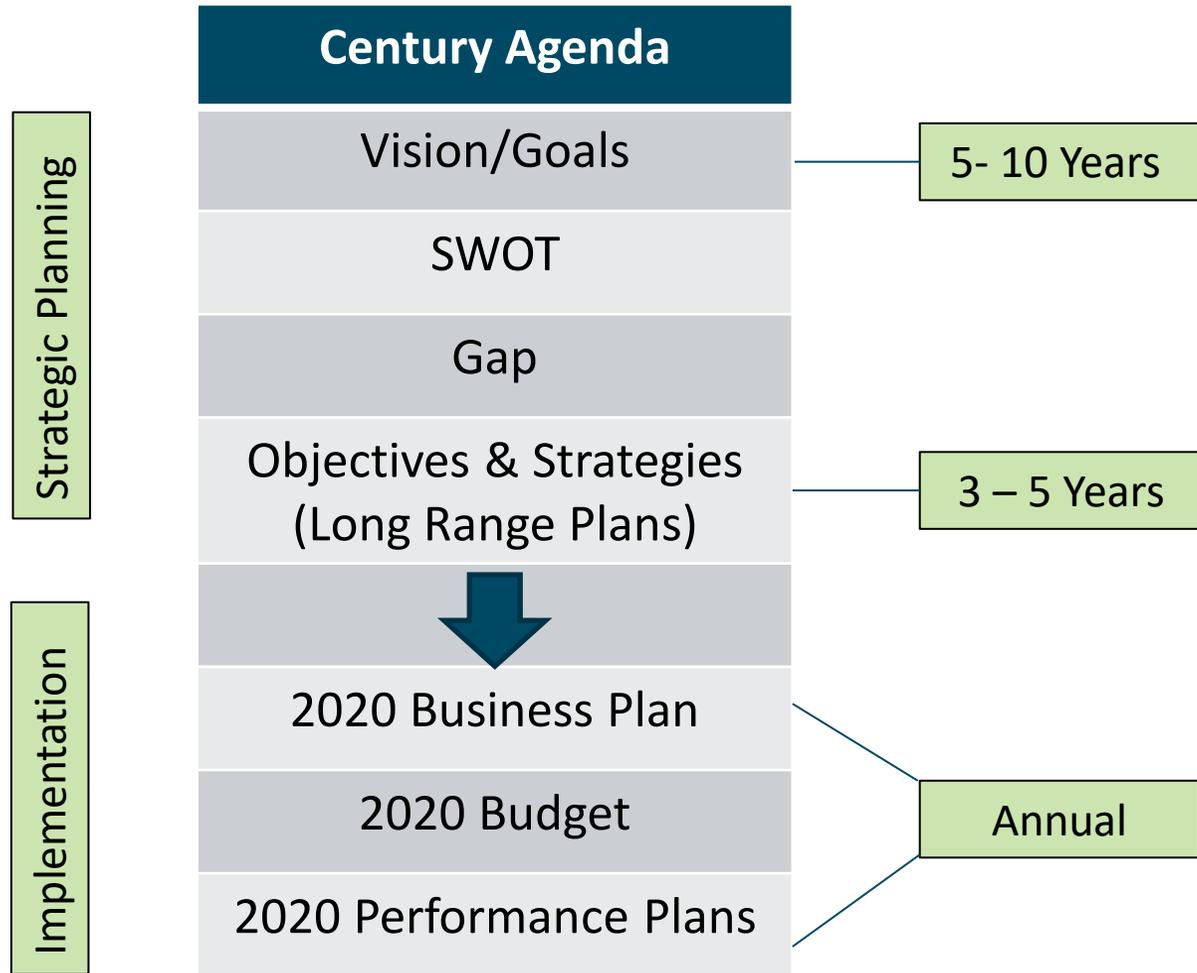


# Outline

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- Strategy to Budget process
- Vision/Goals
- SWOT: strengths, weaknesses, opportunities & threats
- 2024 objectives & strategies
- 2020 Budget preview
- Preliminary 2020 – 2024 forecast

# Strategy To Budget Process



# Strategic Priorities: Vision/Goals

AV Priorities	Vision/Long-term Goals
Safety	Airfield Composite Safety Score = 35 100% of employees go home safely
Security	Zero discrepancies on TSA audit Zero breaches Zero incidents of intentional harm
Employees	Be a high performance organization 100% of staff understands how their work contributes to success of Airport and Port
Innovation & Efficiencies	Lean process improvements and innovation ingrained in Port's culture
Asset Management	Achieve critical asset uptime of 99%
Social Responsibility	Sustainable share of Port economic opportunities go to disadvantaged businesses
Customer Service	Skytrax 5-Star ranking ASQ index score in top 5 of large hub airports
Environment & Sustainability	All Part 150 noise study commitments met, innovative noise reduction techniques explored Achieve Port goals for GHG emission for 2030 and 2050
Financial Performance	Port can operate, maintain and upgrade facilities to accommodate regional demand while maintaining competitive CPE, manageable debt levels, and adequate debt service coverage
Facility Planning & Capital Projects	Provide facilities to meet demand for passenger and cargo service. Provide optimum level of service (at peak times).

# SWOT: Industry/Business Context

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## **Opportunities:**

- Regional economy remains strong, driving demand for air service
- U.S. Airlines remain profitable, but 2018 down from 2017
- Technology, facial recognition, AI

## **Threats:**

- Trade war/tariffs with China
- Ground Transportation mode shifts
- Delays to airport expansion
- Construction costs remain high

# SWOT: Sea-Tac Airport

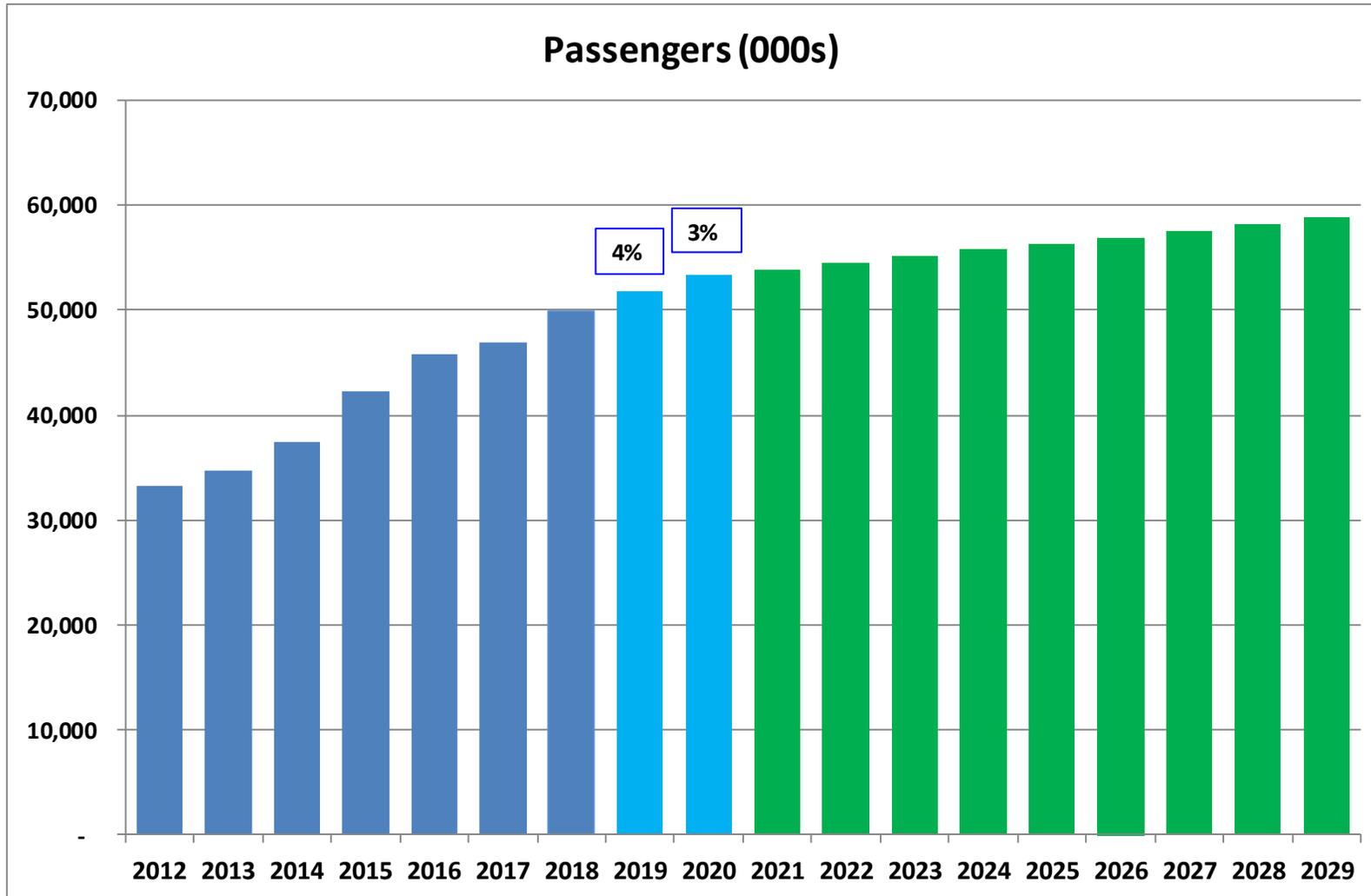
## Strengths:

- Two hub airlines: Alaska and Delta account for 71% of passengers
- Growing international service: 4 new services in 2019
- IAF will open in 2020, NSAT complete in 2021, ADR program
- Port of Seattle staff

## Weaknesses:

- Current facilities not designed for passenger/traffic levels
- Construction impacts customer service
- Port processes: hiring, procurement, commission review & approval
- Employees approaching retirement age, challenges filling key positions

# Projecting Growth in Passengers



- 6.2% growth in 2018
- 50% growth from 2012 - 2018
- 4% growth in 2019
- 3% growth for 2020
- SAMP growth assumptions through 2029

# Strategic Challenges

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- Optimize use of terminal space/facilities
- Improve customer service in congested facilities, during construction
- Improve airfield safety in spite of increased traffic/utilization
- Add future terminal/gate capacity
- Balance investment in existing facilities while preserving capital capacity for facility growth
- Maintain debt service coverage levels: increase non-aeronautical revenues and manage cost growth

# Key Priorities for 2020-2024

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CUSTOMER  
SERVICE

FACILITIES/CAPACITY

FINANCIAL

EMPLOYEES

# Customer Service

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- **2024 OBJECTIVES:**

- **IMPROVE OVERALL CUSTOMER SATISFACTION SCORE EACH YEAR**

- Achieve Skytrax 4-Star Ranking
- Exceed 5-year average ASQ score for all six key service attributes

- **DEPARTING PASSENGERS**

- Roadway to through security checkpoints < 45 minutes (security checkpoint wait < 20 minutes)
- Aircraft taxi wait time < 20 minutes

- **ARRIVING INTERNATIONAL PASSENGERS**

- Minimum Connect Time < 75 Minutes

# Customer Service

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- **STRATEGIES**

- Improve customer communication tools
- Train all airport employees (POS and others): WE ARE SEA
- Lean techniques to improve movement processes
- Data driven approach to prioritization
- Targeted facility investments for capacity, efficiency, safety and appearance
- Technology: more and better information

# Facilities/Capacity

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- **2024 OBJECTIVES**

- Achieve Optimum level of service for all facilities
- Maintain functionality of existing facilities
- Add needed capacity to facilitate growth

- **STRATEGIES**

- Expand Checkpoint capacity – move checkpoint 1 to bag claim
- Evaluate other main terminal optimization proposals
- Expand C-1 building
- Move United off of Concourse A
- Complete environmental review and permitting of SAMP Near-Term Projects
- Develop critical asset uptime measures
- Complete asset condition assessments
- Review and prioritize projects to meet needs and preserve capital capacity
- Integrate sustainable practices

# Financial

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- **2024 OBJECTIVES**

- Grow non-aeronautical revenues to \$317 million
- Maintain competitive airline costs (CPE) vs. western gateway hubs
- Maintain debt service coverage >1.4x
- Sufficient capital capacity to maintain/improve existing facilities and implement SAMP near-term projects

- **STRATEGIES**

- Add dining, retail and lounge space at C-1 Building
- Develop additional duty free space
- Market based rates for non-aeronautical businesses
- Develop alternatives for future vehicles access fees

# Employees

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- **2024 OBJECTIVES:**

- Increase employee engagement by 3% annually
- 100% of staff have talent development plans
- Annual Employee turnover rate < 10%

- **STRATEGIES:**

- Each department develops work plans based on employee engagement survey results
- Talent development/management
- Implement 20% of Shark Tank innovation ideas

# Other 2024 Objectives

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- **Environment & Sustainability:**

- Noise:

- Existing Part 150 commitments 90% complete
- Updated Part 150 underway
- Innovative noise reduction techniques explored
- Implement StART recommendations

- Sustainability:

- Scope 1 GHG reduction by 50%
- Energy conservation of at least 10%
- Implement Scope 3 GHG measures

- Compliance:

- Meet or exceed agency requirements for stormwater leaving Port-owned or operated facilities

# Other 2024 Objectives (Cont.)

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- **Safety:**
  - Achieve airfield composite safety score of 28.5
  - Achieve 90% safety evaluation score annually
  - 5% annual improvement in employees going home safely
- **Security:** Zero discrepancies on annual TSA audit
- **Innovation & Efficiency:**
  - 30% of employees submit ideas
  - 10 high priority Shark Tank innovation ideas implemented
  - Achieve annual goal of  $\geq 10$  efficiencies implemented

# Other 2024 Objectives (Cont.)

- **Social Responsibility – refine and achieve goals for:**
  - DBE, eliminate disparities, if any
  - ACDBE, eliminate disparities, if any
  - WMBE
- **Cargo:** Meet regional demand, develop L-Shaped property

# 2020 Capital Budget Preview

## Major New Projects:

- Address seismic deficiencies of SSAT to permit upgrades/reuse (~\$260 million)
- Add checkpoint lane capacity - new Checkpoint 1 at bag claim level to add additional lanes (\$TBD)
- Add ADR, lounge and office space – vertically expand C-1 (+~\$200 million)
- Airline realignment (\$TBD) – move United off of Concourse A
- Include all existing Part 150 noise projects (\$TBD)
- Designate reserve/allowance for renewal and replacement (~\$300 million)
- Refine overall CIP reserve/allowance consistent with long-term capital capacity
- Evaluating/prioritizing ~50 new project requests and ~30 existing projects

# 2020 Operating Budget Preview

## **New costs:**

- Taxi curbside contract (~\$2 million) + FTEs
- O&M for IAF (~\$1.5 – 2.0 million) + FTEs
- Maintenance for cargo buildings (~1.0 million) +FTEs
- New FTES (Maintenance, Operations, Customer Service, other)

## **Ongoing multi-year non-baseline initiatives:**

- Advanced planning (~\$5 million)
- Infrastructure master plan (~\$3 million)
- Asset management (~\$2 million)
- Airfield/airspace study (~\$1 million)
- Complete SAMP Environmental review (\$TBD)

# Staffing Resource Needs

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- Airport is continuing to grow
- Intense utilization of existing facilities
- New and expanded facilities and equipment: IAF, cargo buildings
- 2017 Staffing study anticipated the need for 151 FTEs for 2018 – 2021.
  - 109 added 2018 – 2019, 42 remaining from recommended additions
  - New needs have emerged
  - 2020 proposed FTEs still under review
- New requests will be reviewed against strategic priorities

# 2020 Budget Preview

- Aero revenues driven by new assets: IAF, O&M costs
- Non-aero revenue growth driven by parking, ADR
- O&M growth:
  - New Facilities
  - New FTEs
  - Ongoing planning, studies
  - \$11 million ERL reduction
- Peak capital spending
- CPE growing – as anticipated

In \$ millions	2018	Fcst 2019	Fcst 2020	Percent Change
<b>Revenues</b>				
Aero	291	368	400	9%
Non-aero	258	265	282	6%
<b>Total</b>	549	633	682	8%
<b>O&amp;M</b>	319	369	377	2%
<b>NOI</b>	230	264	305	16%
<b>Capital Spending</b>	579	704	830	18%
<b>CPE (\$)</b>	10.79	13.22	13.96	6%
<b>Passengers (Mil)</b>	49.8	51.8	53.3	3%

# 2020 Operating Budget Risks/Issues

- Potential for Sea-Tac Consortium to take over employee busing function
- Limited space available at Airport Office Building may trigger need to densify or lease space
- Security checkpoint staffing challenges
- Timing/scope of airline realignment (move UA off of Concourse A) and impact on expense & capital budget
- IAF costs recovered in FIS rate – use of PFCs to manage rate increase

# Financial Forecast: 2020 - 2024

- CPE will rise as expected
- Capital budget does not include SAMP
- Key measures indicate considerable capital capacity

In \$ millions	2018	Fcst 2019	Preliminary Forecast				
			2020	2021	2022	2023	2024
<b>Revenues</b>							
Aero	291	368	400	466	509	528	561
Non-aero	258	265	282	291	300	310	317
<b>Total</b>	<b>549</b>	<b>633</b>	<b>682</b>	<b>757</b>	<b>809</b>	<b>838</b>	<b>878</b>
<b>O&amp;M</b>	<b>319</b>	<b>369</b>	<b>377</b>	<b>395</b>	<b>413</b>	<b>432</b>	<b>453</b>
<b>NOI</b>	<b>230</b>	<b>264</b>	<b>305</b>	<b>362</b>	<b>396</b>	<b>406</b>	<b>425</b>
<b>Capital Spending</b>	<b>579</b>	<b>704</b>	<b>830</b>	<b>618</b>	<b>493</b>	<b>377</b>	<b>336</b>
<b>CPE (\$)</b>	10.79	13.22	13.96	16.22	17.58	18.04	19.00
<b>Debt Service Cov</b>		1.65	1.68	1.56	1.50	1.54	1.51
<b>Debt/Enplane.</b>		117	130	143	149	150	149
<b>Passengers (Mil)</b>	49.8	51.8	53.3	53.9	54.5	55.1	55.7