

Item No. 9a supp  
Meeting Date: June 26, 2018

# Aviation Division

2019 Business Plan and  
Budget Preview  
June 26, 2018

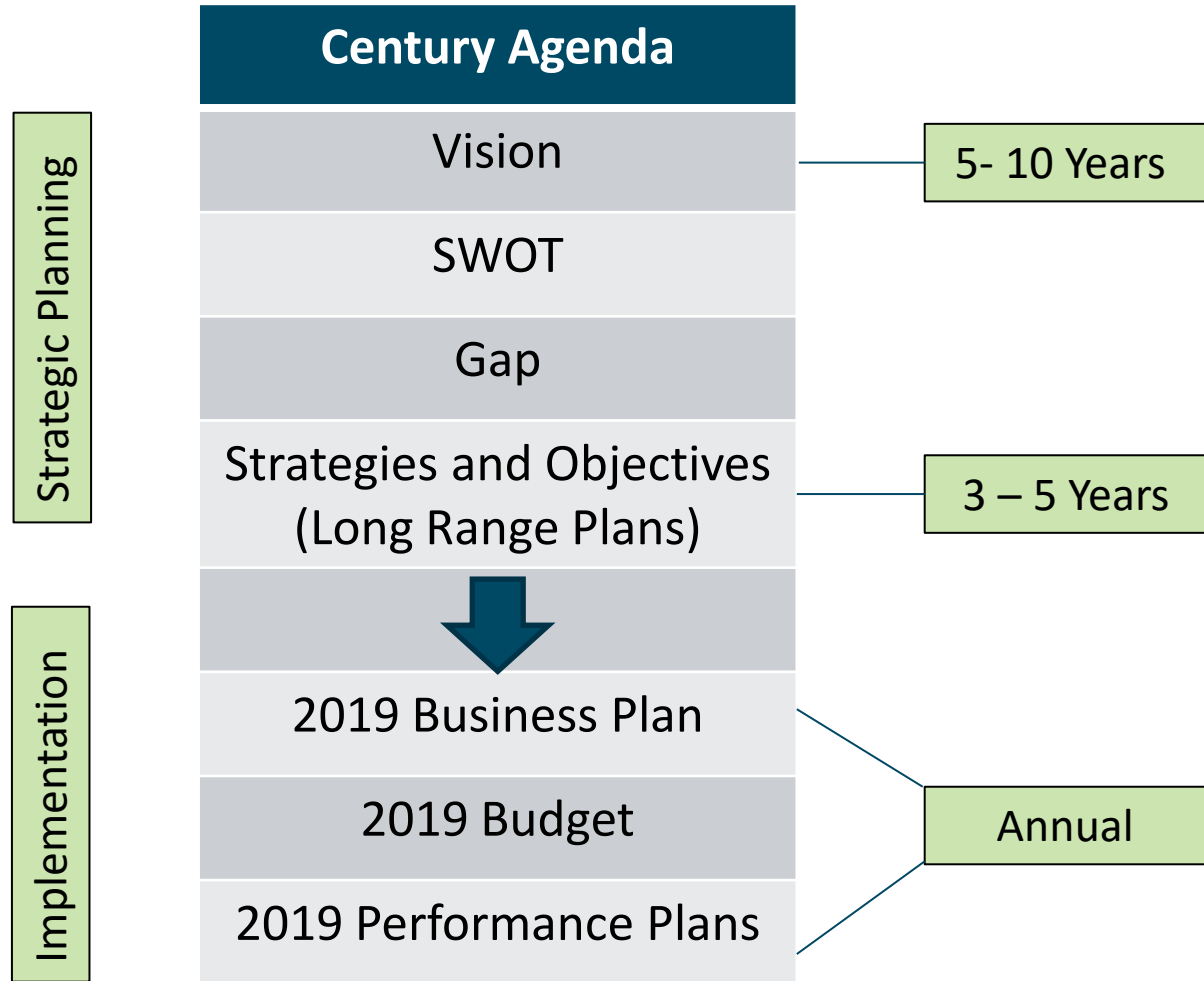


# Outline

---

- STRATEGY TO BUDGET PROCESS
- STRATEGIC PRIORITIES
- ANTICIPATED 2019 BUDGET NEEDS
- ANTICIPATED 2019 STAFFING NEEDS

# Strategy To Budget Process



# Industry/Business Context

---

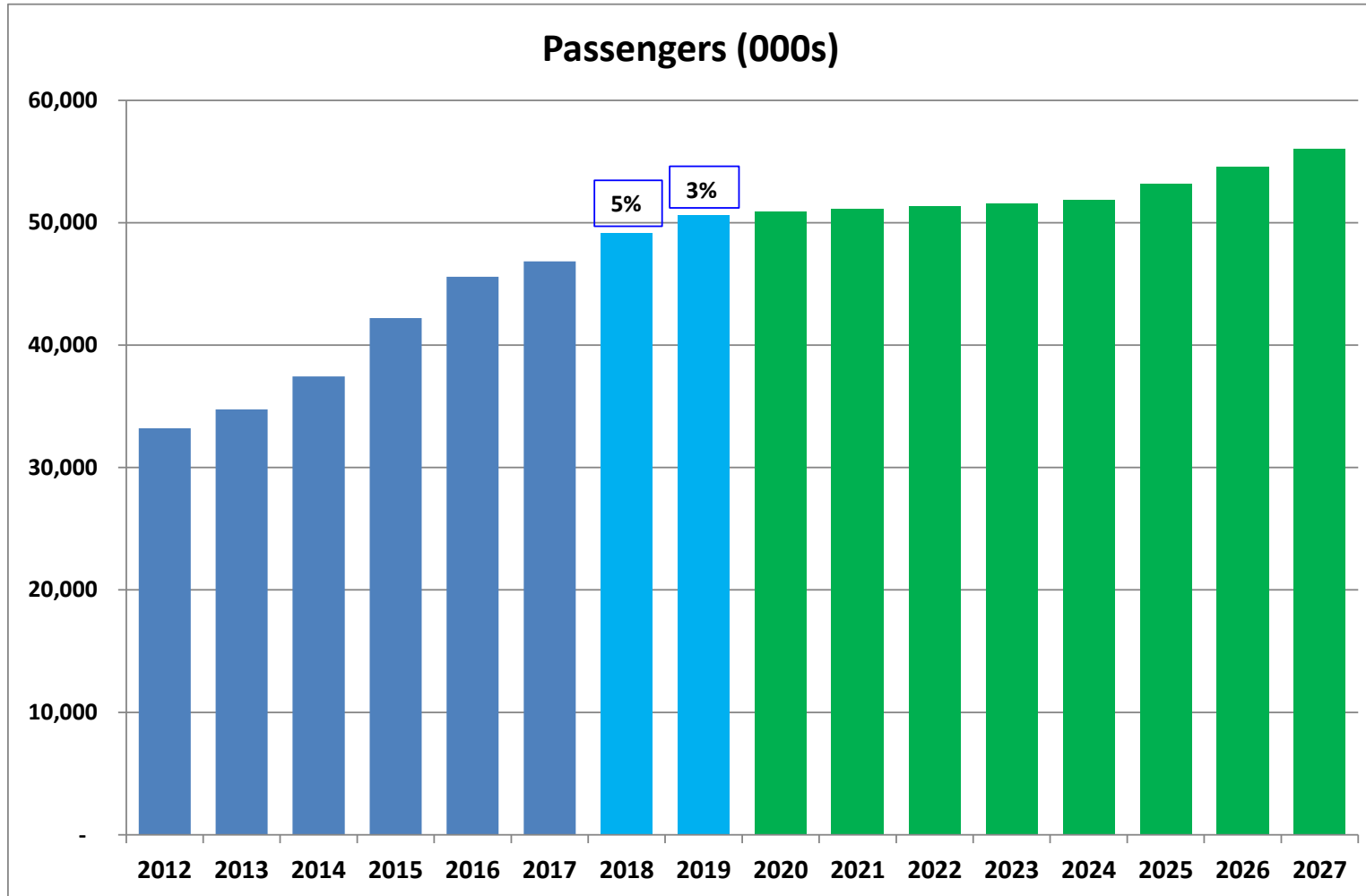
- Strong regional economy
- Airlines profitable, but rising oil price
- Ground Transportation mode shifts
- Alaska and Delta account for over 70% of passengers at SEA
- Paine Field starting commercial service

# Challenges

---

- **FACILITIES**
  - Gate shortage
  - Future gate capacity 10 years away
- **CUSTOMER SERVICE**
  - Intensive use of facilities
  - Congestion on drives
  - Security checkpoint times increasing
- **SUSTAINABLE AIRPORT MASTER PLAN (SAMP)**
  - Port debt level and airport cost to airlines (CPE) will increase

# Projecting Growth in Passengers



- 5% growth in 2018
- 3% growth for 2019
- SAMP Phased Approach

# Century Agenda Drives Aviation Division Priorities

AV Priorities	Century Agenda - High Performance Organization
Employees	HPO 2: Eliminate workplace injuries HPO 3: Act as one Port HPO 4: Foster employee development and leverage talent
Customer Service	HPO 1: Increase customer satisfaction CA 2 Obj 6: Make Sea-Tac "Gateway of Choice"
Facilities/Capacity	CA 2 Obj 8: Meet the regions air transportation needs
Financial	CA 2 Obj 8: Meet the regions air transportation needs
Safety	HPO 2: Eliminate workplace injuries HPO 3: Public safety and Security
Security	HPO 3: Public safety and Security
Community	HPO 1: Customer Service and Public Engagement
Diversity	CA 3: Promote small business HPO 4: Model for Workplace Equity, Diversity and Inclusion
Sustainability	CA 4: Be the greenest and most energy efficient Port
Partners	HPO 1: Improve customer service and public engagement

# Key Priorities for 2019

---

CUSTOMER  
SERVICE

FACILITIES/CAPACITY

FINANCIAL

EMPLOYEES

STRATEGY



# Customer Service

---

- **OBJECTIVES:**

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

- Improve Airport Service Quality (ASQ) scores
- Achieve Skytrax 5 Star Rating

- **DEPARTING PASSENGERS**

- Roadway to through security checkpoints < 45 minutes
- Aircraft taxi time < 20 minutes

- **ARRIVING INTERNATIONAL PASSENGERS**

- Minimum Connect Time < 75 Minutes

# Customer Service

---

- **STRATEGIES**

- Realtime info and engagement with customers
- Lean techniques to improve movement processes
- Data driven approach to prioritization
- Targeted facility investments for capacity, efficiency and appearance
- Technology: more and better information

# Facilities/Capacity

---

- **OBJECTIVES**

- Maintain functionality of existing facilities
- Add needed capacity to facilitate growth

- **STRATEGIES**

- Interim improvements for SSAT - delay full renovation
- Address life safety issues for main terminal
- Complete environmental review and permitting of SAMP
- Integrate sustainable practices
- Stakeholder partnership to reduce noise impacts

# Financial

---

- **OBJECTIVES**

- Grow non-aeronautical revenues to \$299 million by 2023
- Maintain competitive airline costs (CPE)
- Achieve debt service coverage >1.25x

- **STRATEGIES**

- Expand duty free offerings
- Implement new parking products and innovative concessions program
- Develop alternatives for vehicles access fees
- Manage within + or – 5% of capital budget

# Employees

---

- **OBJECTIVE:**

- Increase employee engagement by 3%
- Baseline and Improve Net Promoter Score (NPS)
- Annual Employee turnover rate < 10%

- **STRATEGIES:**

- Develop systematic approach to behavior based safety
- Talent Management
- Complete Lean training for all AV leaders in 2019
- Implement 20% of Shark Tank innovation ideas

# Other Priorities

---

- **SUSTAINABILITY:**

- Achieve Sustainable Aviation Fuel (SAF) targets
- Evaluate options to convert use of natural gas to lower carbon emissions
- Continue Airfield emissions reduction initiatives
- Continue terminal and Landside emissions reduction initiatives
- Ongoing compliance: federal pollution control permits (NPDES), other
- Continue and expand Social Responsibilities programs

# Other Priorities (Cont.)

---

- **AIRFIELD SAFETY**
  - Achieve annual airfield composite safety score >30
  - Plan and build second fire station to continue to achieve 3 minute response time requirement
- **NEW EMPLOYEE CONSOLIDATED SERVICE CENTER**
- **ONGOING SOUND INSULATION, PART 150 PROGRAM**
- **ADDRESS ISSUES RELATING TO FIREFIGHTING FOAM**

# 2019 Budget

- Aero revenues driven by new assets
- Non-aero revenue challenges
- O&M growth reflects resources needed to support strategies
- Peak capital spending
- CPE growing – as anticipated

\$ in millions	2017	Fcst 2018	Fcst 2019	Percent Change
<b>Revenues</b>				
Aero	264	309	370	20%
Non-aero	237	244	246	1%
<b>Total</b>	<b>501</b>	<b>553</b>	<b>616</b>	<b>11%</b>
<b>O&amp;M</b>	<b>299</b>	<b>334</b>	<b>353</b>	<b>6%</b>
<b>NOI</b>	<b>202</b>	<b>219</b>	<b>263</b>	<b>20%</b>
<b>Capital Spending</b>	<b>294</b>	<b>699</b>	<b>745</b>	<b>7%</b>
<b>CPE (\$)</b>	<b>10.52</b>	<b>11.63</b>	<b>13.90</b>	<b>20%</b>



# Staffing Resource Needs

---

- Airport is continuing to grow
- Intense utilization of existing facilities
- New and expanded facilities and equipment
- Staffing study anticipated the need for 45 additional FTEs in 2019
- New requests will be reviewed against strategic priorities
- Intention is to stay within the planned increase for 2019