

# KING COUNTY INTERNATIONAL AIRPORT DRAFT STRATEGIC PLAN 2014-2020

August 2014



# INTRODUCTION AND OVERVIEW

**Goal of the plan:** To develop a strategic vision for what KCIA should be and to identify appropriate goals and implementing actions that realize this vision

## **Key Questions:**

1. What is or should be the role of KCIA over the next 6 years?
2. What should be the strategic focus over the next 6 years?
3. What are the strategic challenges and opportunities facing KCIA as it seeks to fulfill its role(s)?
4. How best can KCIA focus its policies, decisions, and resources to maximize the potential for long-term success?

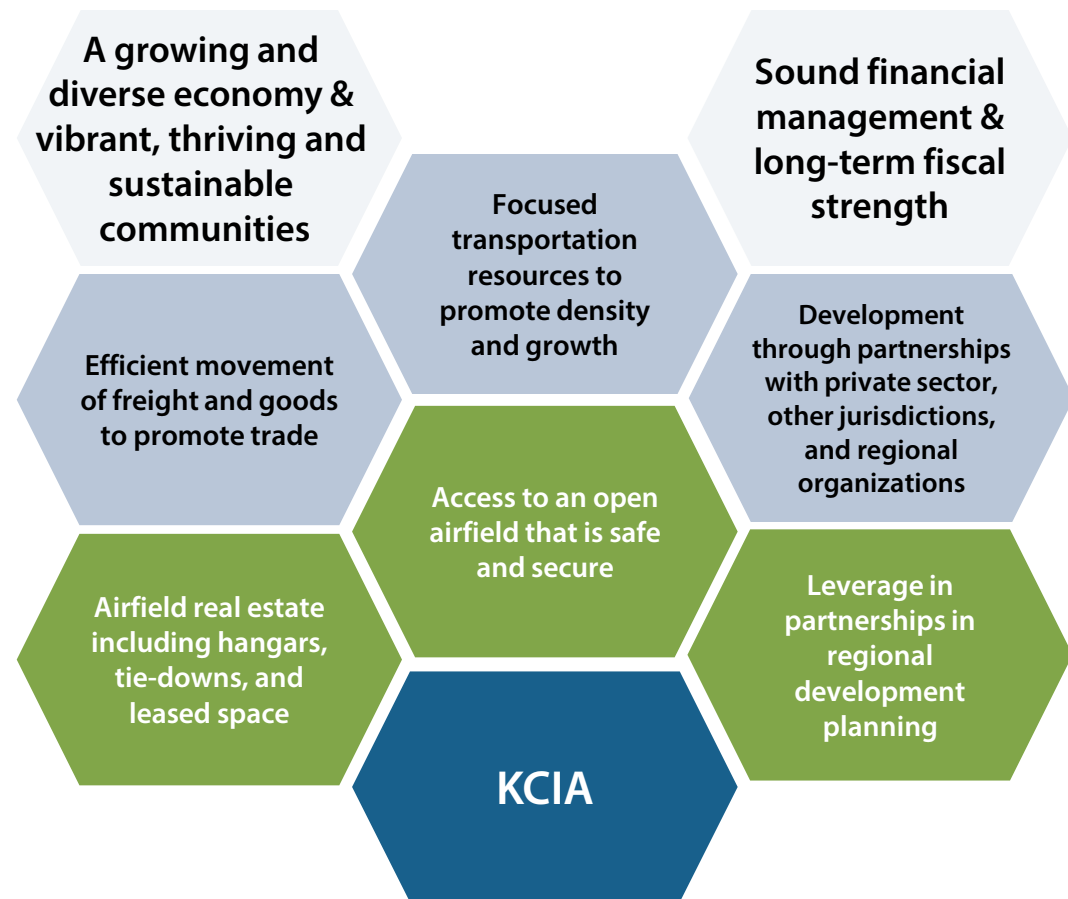
# OVERVIEW

## Role in the County

**KCIA has a dual role:**

- (1) it is an enterprise function that is self financing; and**
- (2) it is a public operation that plays a critical component in King County's overall Strategic Plan.**

KCIA supports \$3.5 billion of economic activity, 5,209 direct and 16,336 indirect jobs and more than \$1 Billion in labor income.



# SITUATION ASSESSMENT

## Markets & Products

KCIA serves several markets and provides two core products.

**KCIA**

### PRODUCTS

**Airfield Operations**

**Property Management**

### MARKETS

Aircraft  
Manufacturing  
(Boeing)

General  
Aviation and  
Corporate  
Aircraft

Passenger  
Services

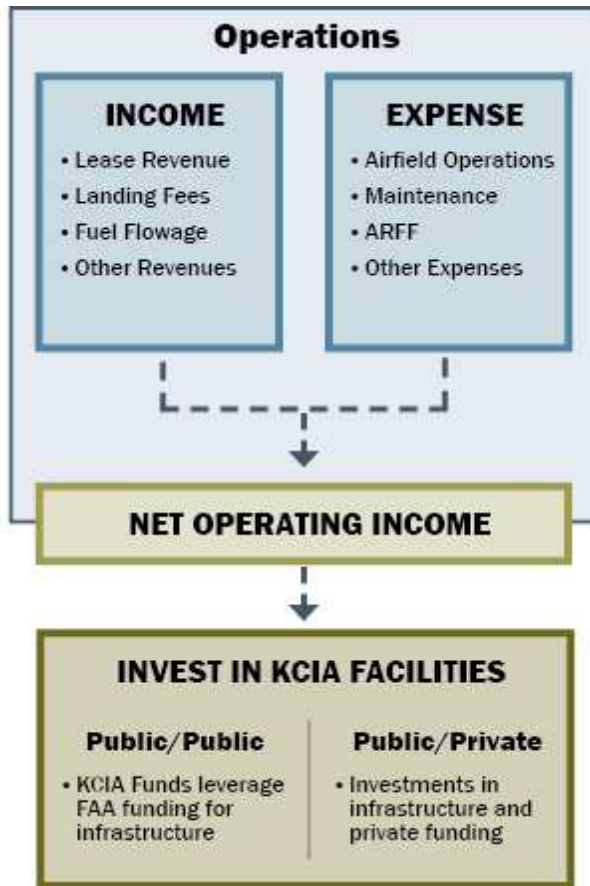
Air Cargo

Fixed Base  
Operators (FBOs)

# SITUATION ASSESSMENT

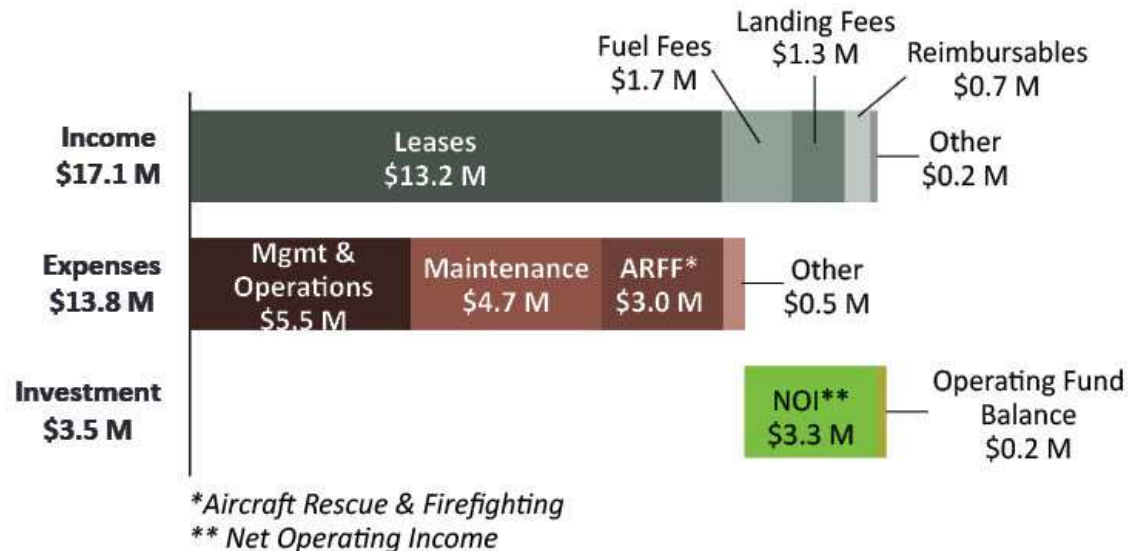
## Business Model

The Airport business model hinges on the generation of net operating income to build up capital for critical facilities investments and updates.



In 2013, KCIA generated \$3.3M in net operating income to support the capital program.

Leases generate the lion's share of income.



# SITUATION ASSESSMENT

# DRAFT

## Financial Outlook

Assuming current rates and policies, KCIA is facing declining operating margins and net operating income which affects both the operating fund and funds available for transfer to the capital investment program.



# SITUATION ASSESSMENT

# DRAFT

## Financial Outlook

Capital investments necessary to maintain a state of good repair are outpacing capital revenues, depleting the investment fund balance by 2020, resulting in unmet investment needs.

In addition, there are major runway reinvestment needs emerging just beyond 2020.





# SITUATION ASSESSMENT

## Capital Investment

Investment capital determines an Airport's quality, capacity and security, and can be used to leverage federal funding and private tenant investment.

To meet critical investment needs, KCIA will need to improve its operating performance by returning its operating margins closer to those achieved prior to 2010.

### KCIA Financial Performance in the 2000's

	2001-05	2006-10	% Chg
Operating revenues	50,756,257	81,503,159	61%
Operating expenses	51,117,482	62,500,537	22%
Net operating income	(361,225)	19,002,622	
Operating margin	-0.7%	23.3%	
Transfers to capital	4,262,911	14,770,000	246%

### Improved Performance Drivers

- **2004** – Began eliminating discretionary discounts in lease rates
- **2006** – Successful arbitration ruling giving KCIA greater flexibility to charge market rates
- Implemented landing fee and fuel flowage rate increases, the first in 12 and 15 years respectively



# SITUATION ASSESSMENT

## KCIA at a Critical Juncture

### Pre-War

The region's first municipal airport

### Wartime

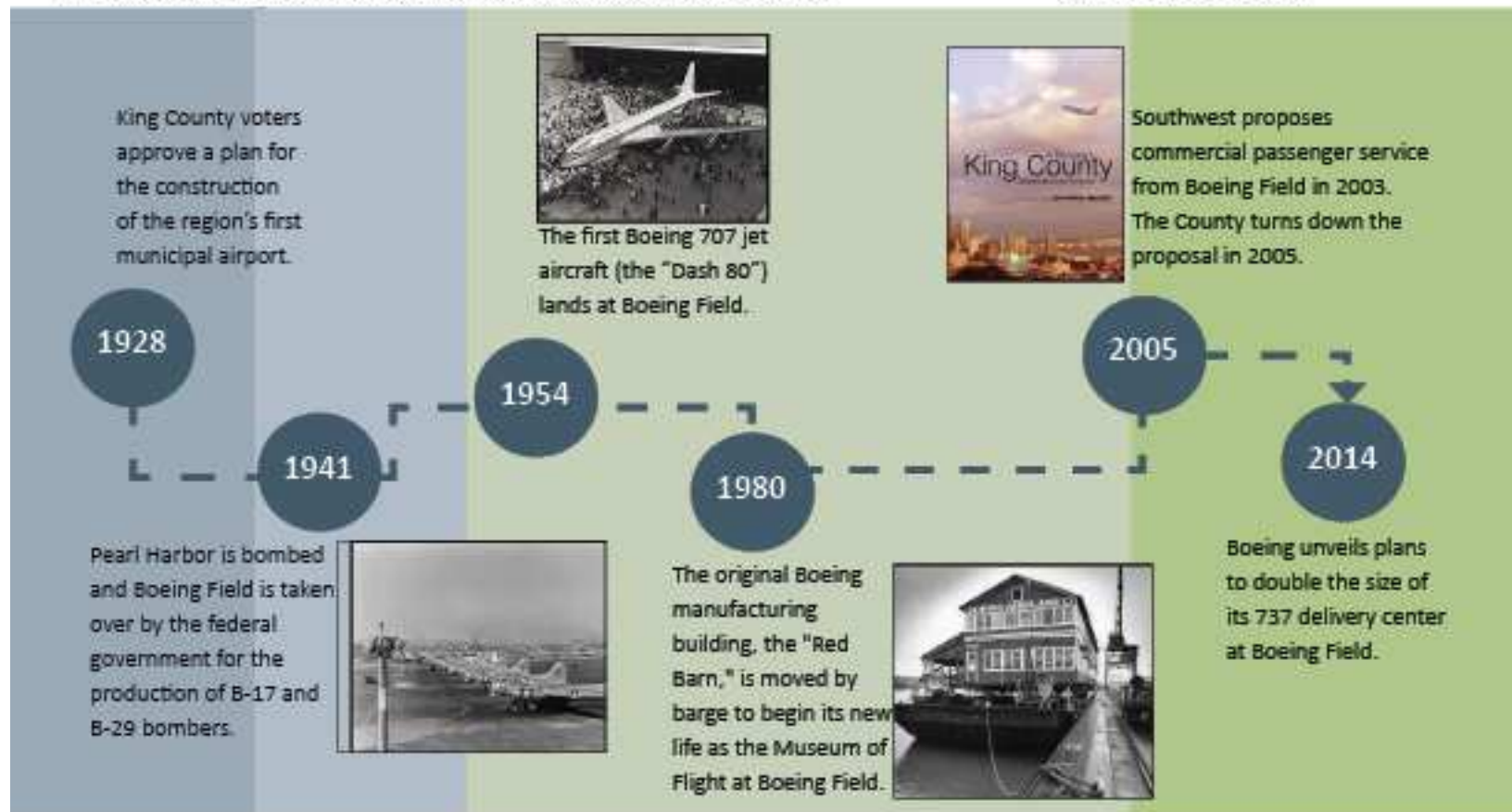
A national defense production facility

### Post-War. Steady home for the Boeing Company

and general aviation -- operate on a break-even basis with limited opportunities

### 21st Century. Shift to a business

model that leverages KCIA's location and role in the region.



## Identifying Strategic Issues: SWOT Analysis

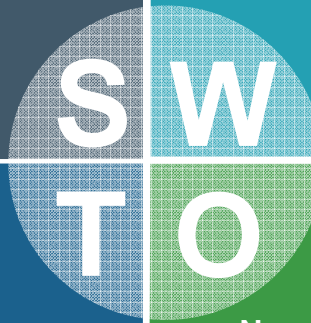
- **Location & Access**
  - » *5 miles from Downtown Seattle*
  - » *SR-99, I-5, railway and the Port*
- **Facilities**
- **Operational management**
- **Relatively low operating costs**
- **Tenants**
  - » *Boeing, UPS, FBOs*
- **Weather**
- **Demand**
  - » *Air cargo, corporate*

- **Property management**
  - » *Environmental issues*
- **Competition**
  - » *Air cargo relocation*
- **Financial outlook**
- **Policy environment**
  - » *Cost of regulatory compliance*
  - » *Urban encroachment*
  - » *Noise complaints*
  - » *Security needs*
- **General economic stagnation**

- **Geographic factors**
  - » *Land constrained*
  - » *Existing airport geometry*
- **NAVAIDs**
  - » *High Instrument Approach Minimums*
    - **Financial position**
      - » *Organizational competencies in marketing and business development*
      - » *Legacy environmental issues*

- **Governance**
  - » *County Code revisions*
  - » *Zoning Changes*

- **New partnerships**
  - » *“Through the fence”*
  - » *Public-private*
  - » *Commercial service*
- **Expiring leases and on-airport site re-development**
- **Value pricing for property and services**
- **NEXTGEN technologies**



# STRATEGIC FOCUS

2014-2020

KCIA can address several of the identified strategic issues by focusing attention on two key performance metrics for the next six years.

## Financial capacity

How to contend with declining operating margins?

## Property redevelopment

How to optimize emerging opportunities as parcels come available through lease expirations?

## Boeing retention

How to keep Boeing in the region?

## Cost management

How to rein in costs and maximize net operating income for future investment?

## Facility needs

How to maintain a world-class airport with capital reinvestment?

## Organizational capacity

How to meet challenges and deliver world-class services?

## Focus on Key Performance Metrics

1. Maximize **economic contribution** in terms of jobs support, high wages and economic activity
2. Improve **operating margins** and maximize **financial return** on current assets and future investments

# STRATEGIC PLAN

# DRAFT

2014-2020

These Strategic Goals will guide the Airport's decision-making over the next six years and position it to capture its full economic value and provide unparalleled service to the communities and businesses of King County.

Each Strategic Goal is supported by specific objectives that will help focus efforts.

## GOAL 1: SUPPORT ECONOMIC VITALITY IN THE REGION

- a. Boeing retention
- b. Property development
- c. Decision tools
- d. Economic development

## GOAL 2: FINANCIAL PERFORMANCE

- a. Value pricing
- b. Cost containment
- c. Cost recovery
- d. Financial targets

## GOAL 3: MAINTAIN A WORLD CLASS FACILITY

- a. Facility investment
- b. Customer service
- c. Security and safety

## GOAL 4: ORGANIZATIONAL DEVELOPMENT & CAPACITY

- a. Invest in organizational capacity
- b. Align structure with goals
- c. Focus on continuous improvement

## GOAL 5: ENVIRONMENTAL STEWARDSHIP

- a. Noise impacts and mitigation
- b. Climate change
- c. Environmentally sensitive design

## GOAL 6: COMMUNICATIONS & COMMUNITY PARTNERSHIPS

- a. Transparency
- b. Stakeholder engagement
- c. Participation in airport industry groups
- d. Neighborhood and community

# ACTION PLAN

2014-2015

To implement this Strategic Vision, KCIA will focus on several key projects and initiatives in 2014 and 2015, including:

- Budget proposals to address financial outlook
- Master Plan update
- Financial policies and decision tools

Actions	Goal/Objective	2014				2015				
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Line of Business Plan/ Budget	Goal 2	■		■						
Fair Market Appraisals	Goal 2	■	■							
Master Plan Update	Objective 1b									
	Objective 3a			■	■					
	Objective 5									
Value Pricing	Objective 2a		■	■		■				
Updated Lease Framework	Objective 2a			■	■		■			
Strategic Assessment of Property Opportunities	Objective 1b		■	■		■				
Cost Containment Strategy	Objective 2b			■	■		■			
Policy-level Financial and Performance Targets	Objective 2c			■	■		■			
Enhanced Decision Tools	Objective 1c				■	■		■		
Review Organizational Structure and Capacity	Objective 4a				■	■		■		
	Objective 4b				■	■		■		
PSRC NextGen Airspace Optimization Study	Objective 6c			■	■					



THANK YOU &  
QUESTIONS?

