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John Wayne Airport Business Plan



Airport Director
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EXECUTIVE SUMMARY

Safety, security and customer service continue to be priorities for, and the hallmark of, John Wayne Airport (JWA). In a successful partnership with both federal security and local law enforcement officials, the Airport remains committed to providing safe and secure facilities for commercial and general aviation operations. The Thomas F. Riley Terminal continues to provide travelers with an attractive and efficient airport experience. Valet parking, quality restaurants, expanded news and gift concessions, efficient passenger screening checkpoints, and superior general aviation facilities offer travelers the amenities they look for most in an airport.

In order to meet these high standards of safety, security, and efficiency, the Airport plans prudently and proactively. JWA's reputation as a sound financial manager and a safe investment is hard won and greatly valued by Airport management. The Airport's success in managing its resources wisely provides a firm foundation upon which facilities are constructed and improved.

Sound planning and fiscal management are not the only contributors to John Wayne Airport's success. JWA benefits greatly from the fact that Orange County provides a strong base of commercial passenger, cargo, and general aviation demand. JWA is fortunate that those who provide service here, the airlines, terminal tenants, and general aviation enterprises, are dedicated to working in partnership with the Airport to provide quality aviation services. Lastly, the landmark "Settlement Agreement" that balances the needs of the traveling public for air service with the needs of the local community for environmental sensitivity would not be possible without the support of the Airport's neighbors.

While the Airport is optimistic that the Strategic Goals and Performance Measures presented in this Fiscal Year 2010-2011 Business Plan are achievable, a number of significant challenges are anticipated:

- JWA continues to work closely with the Transportation Security Administration (TSA), Federal Aviation Administration (FAA), and Airport Police Services (Orange County Sheriff's Department) to ensure the smooth implementation of federally mandated security regulations and to identify additional steps that can be taken to provide for the safety of travelers in and around JWA. The sheer number of these regulations and the complexity of integrating them into the Airport Security Plan will continue to present challenges, from both an operational and a financial perspective. This is especially true with the Improvement Plan construction well underway.
- The financial position of the airline industry, the number and complexity of security mandates, and implementation of the Airport Improvement Program will all present financial challenges to John Wayne Airport. In the coming fiscal year, JWA must ensure and protect the health and diversity of its revenue stream and carefully implement its financial plan to support the Airport Improvement Program.
- The size and scope of the Airport Improvement Program will require close and careful coordination between the Airport and its many contractors to ensure that the project proceeds on budget, on schedule, and with as limited an impact as possible on our passengers, tenants, and neighbors.

In preparing its Fiscal Year 2010-2011 Business Plan, JWA considered its broad client base, its varied responsibilities, and anticipated service issues and challenges. Discussion of these issues led to the definition of Strategic Goals, Strategies and Performance Measures which will guide preparation of the Airport's Fiscal Year 2010-2011 budget and staff's continuing efforts to support the County's Vision and to achieve JWA's Vision and Mission.



The following Strategic Goals will guide John Wayne Airport in the coming Fiscal Year:

1. Maintain a safe and secure environment for aviation and the traveling public.
2. Provide a positive aviation experience to travelers and tenants.
3. Operate in an environmentally responsible manner.
4. Operate as a financially efficient and self-supporting aviation facility.
5. Continue to implement the Airport Improvement Program.

In addition to identifying plans and projects for the coming year, this 2010-2011 Business Plan includes a review of JWA's most significant accomplishments from the past year. This review demonstrates the Airport's ability to identify and accomplish realistic and worthwhile goals that support its overall Mission, and that are consistent with the County's Budget and Strategic Financial Plan. Some of the Airport's most notable accomplishments during the last year include:

- JWA served 8.7 million passengers in 2009.
- The Airport successfully passed its annual FAA Part 139 Certification Inspection.
- TSA security regulations were integrated into the Airport's Aviation Security Plan and full compliance with required security measures was achieved.
- JWA's investor relations program resulted in the retention of the Airport's existing high ratings assigned to JWA by Moody's (Aa3) and Fitch (AA-). The Airport was able to achieve a ratings upgrade from Standard and Poor's from A+ to AA-.
- The County completed the successful sale of General Airport Revenue Bonds to support the Airport Improvement Program in the amount of \$233 million.
- The Airport completed construction of the South Remain-Over-Night aircraft parking apron, the Airside Dock Access ramp, and the new north trash compactor.
- JWA began construction of Terminal C, Parking Structure C, and the Central Utility Plant.

The Airport is proud to have achieved the Strategic Goals defined for Fiscal Year 2009-10. JWA is equally committed to accomplishing its Mission and Goals in the coming fiscal year and is looking forward to providing Orange County with safe, secure, and efficient aviation services and facilities. ✈



I. AGENCY OVERVIEW

A. Vision and Mission Statements

John Wayne Airport plays a unique and crucial role in the Orange County community. It is the only airport in Orange County that provides commercial passenger and air-cargo service and is the primary provider of general aviation services and facilities in the county. It is home to local law enforcement air operations and to medical/mercy flights. JWA is the gateway through which millions of passengers travel each year to their homes, their families, their vacations, and their businesses.

The Vision of John Wayne Airport is to be a world-class aviation gateway for business and leisure travel.

The Mission of John Wayne Airport is to plan, direct and provide high quality aviation services and facilities for Orange County in a safe, secure and efficient manner.

JWA's Vision and Mission Statements clearly reflect that the Airport's value to the community lies in its role as a provider of air transportation services for Orange County.

B. Core Services

Airfield and Terminal Operations

John Wayne Airport's Airfield and Terminal Operations are undoubtedly the most publicly visible of the Airport's core services and focus on the operation and maintenance of existing facilities. JWA operates on just 500 acres – a relative postage stamp compared to airfields with a comparable number of operations and passengers served. The Airport's two runways, one for commercial operations and one used primarily for general aviation, are among the busiest in the nation. The airfield must be maintained and operated consistent with stringent federal facility and safety standards.



The Thomas F. Riley Terminal served about 8.7 million passengers in CY 2009 and made the most of its 400,000+ square feet of space to do so. With just 14 commercial gates, JWA continues to post the highest gate utilization in the country – that means the Airport serves more people per gate than any other airport in the United States. Because the Terminal complex operates above its design capacity, the Airport must work closely with our air carriers to ensure that the facility continues to operate efficiently for both them and their customers. In addition, the Airport works closely with its Terminal tenants to ensure that a variety of high quality goods and services are provided to passengers and visitors. Not surprisingly, with the sheer volume of passengers (and employees) using the Terminal complex, the effort necessary to keep the facilities looking and operating well is substantial.

The Airport also supports a significant general aviation community and provides a home to Fixed Base Operators (FBOs), hangars, tie-downs, fueling and other services for this segment of the traveling public. The Airport must, and does, coordinate with our general aviation tenants to ensure their facilities and ours are operating safely and efficiently.

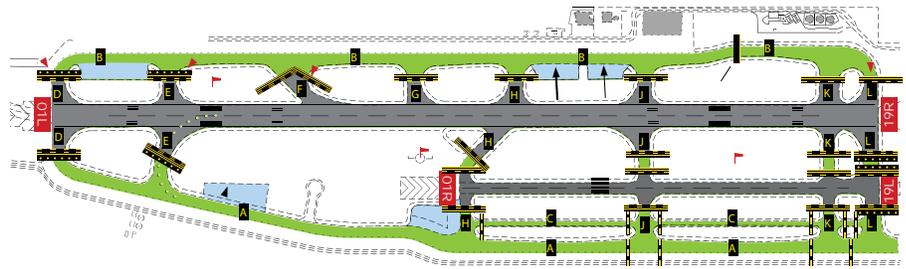
John Wayne Airport is sometimes described as a city unto itself. To ensure the safety and security of those who use the facility, the Airport provides both law enforcement and fire fighting services. Through separate contracts with the Airport, the Orange County Sheriff's Department serves as the Airport's Police Services and the Orange County Fire Authority provides Aircraft Rescue and Fire Fighting services. In addition, the Airport provides the Transportation Security Administration (TSA) with substantial infrastructure needed for TSA's operation.



Aviation Infrastructure

John Wayne Airport's second core service is Aviation Infrastructure. This group of services focuses on the planning and development of infrastructure on the Airport. In addition to keeping its current facilities operating safely and efficiently, the Airport is constantly improving and updating both airfield and Terminal facilities. From small projects, like updating the baggage carousel landscaping, to our \$543 million Airport Improvement Program, the Airport is always working to ensure that our facilities meet federal safety standards, operate efficiently, and provide a positive travel experience to our customers. The Airport maintains both in-house and contract professionals to support our planning, design, and construction needs. JWA has long had a reputation for operating one of the most aesthetically pleasing terminals in the country and the Project Team is working hard to retain that position in the eyes of passengers and tenants alike.

Consistent with the County's stated Business Values, the Airport is focusing a great deal on incorporating the latest technology into its infrastructure. Both Airport tenants and users alike have come to expect world-class facilities from JWA, including the introduction of new technologies to enhance efficiency and convenience. From upgrading Flight Information Displays (FIDs) and Baggage Information Displays (BIDs), to



Map of JWA runway and taxiway system.

moving ahead with plans to bring wireless capability into the Riley Terminal, the Airport is constantly looking for ways to improve both the passenger experience and day-to-day operations through technology.

With respect to the Airport Improvement Program, JWA is the first airport in the country to utilize a fully computerized design tool, the Building Information Model (BIM), in preparing the new terminal design. New technology is also being incorporated into the terminal design through new Common Use Passenger Processing Systems (CUPPS) for passenger and baggage check-in.



Noise monitor located south of JWA.

Environmental Stewardship

Environmental Stewardship was a core service long before it was popular or trendy. There are two key elements within this service category: (i) Access and Noise and (ii) Environmental Compliance. A third area of focus, related to the prior core service, is the design and construction of "green" projects as part of the ongoing operation of the Airport as well as the development of the Airport Improvement Program.

The Airport's Access and Noise Program is regarded as one of the most stringent in the world. Through this Program, the Airport ensures compliance with its two key operational regulations: the Settlement Agreement (and corresponding Phase 2 Commercial Airline Access Plan and Regulation) and the General Aviation Noise Ordinance (GANO). This function involves the monitoring of every aircraft operation, 24 hours per day, seven days per week. This core service is of particular importance to the Airport's neighbors and requires a great deal of vigilance and communication with air carriers, pilots, and the local community.



The Airport also operates a stringent environmental compliance program which addresses a variety of local, regional, state, and federal regulations governing a myriad of topics, including, but not limited to: air quality, water quality, and hazardous materials. This function is particularly challenging due to the changing nature of regulation in these areas and the fact that the Airport must coordinate those areas for which it is responsible as well as those for which its tenants have some degree of responsibility. The Board of Supervisors, as the policy-making body for the Airport, expects that JWA will meet all permitting requirements, as well as all environmental compliance requirements including those found in the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA).

Fiscal Management

JWA's fourth core service is Fiscal Management. By direction of the Board of Supervisors and the Federal Aviation Administration (FAA), from whom the Airport receives federal grant monies, the Airport must operate as a self-supporting enterprise fund. As a department of the County of Orange, the Airport must prepare an annual budget that is consistent with the County's Strategic Financial Plan and earns the approval of the Board of Supervisors. The Airport is subject to the County's accounting standards and retains out stationed Auditor-Controller staff to perform these specific functions.

As a recipient of FAA grant funding, JWA must comply with federal standards for grant receipt and expenditure – among them the requirement that the airport cannot discriminate against specific aviation users or aviation types and cannot use airport revenues for anything other than airport purposes. The Airport works closely with the FAA to ensure that we receive our “fair share” of both entitlement and discretionary grant funding to support JWA projects.

Because the Airport has outstanding bond debt and recently assumed substantial new bond debt in conjunction with the Airport Improvement Program, JWA maintains a strong and frank relationship with the investment community, including the rating agencies. The value of this program is reflected in the very positive ratings JWA has been able to maintain over the last few years. Our investors expect the Airport to manage its resources prudently and the Airport works extremely hard to diversify revenue sources and to maintain conservative, but realistic budgets for both current operations as well as planned infrastructure development. ✈



II. OPERATIONAL PLAN

During the next fiscal year, the Airport will continue to implement the Airport Improvement Program. Built upon the approval of the Settlement Agreement amendments by the Board of Supervisors and community signators, certification of EIR 582, and approval of a comprehensive plan of finance, John Wayne Airport plans to make substantial progress on new facilities that will solidify and extend its reputation as one of the country's most efficient and passenger-friendly airports.

While the construction of Terminal C, Parking Structure C, and the Central Utility Plant will be a primary focus for JWA in the coming fiscal year, the Airport will continue its strong commitment to safety, security, environmental responsibility, and sound financial management. This section of JWA's Fiscal Year 2010-2011 Business Plan defines the environment within which the Airport operates and a series of Strategic Goals, Strategies and Performance Measures to guide the Airport as it endeavors to serve Orange County's aviation users today and in the future.

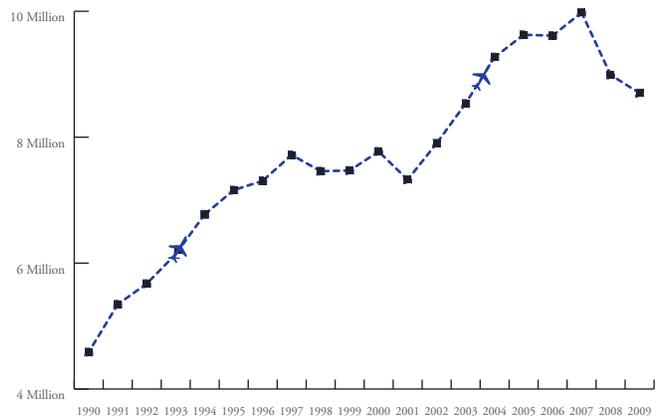
A. Environment

Clients

JWA serves a wide variety of clients including: (i) the traveling and shipping public; (ii) commercial passenger carriers, commuter passenger carriers, and cargo carriers; (iii) general aviation aircraft operators; (iv) Airport concessionaires and tenants; (v) surrounding communities; (vi) the business community; and (vii) bondholders.

The Traveling and Shipping Public The results of JWA's 2009 "Passenger Survey" indicate that JWA maintains a high overall approval rating from its passengers. A total of 95 percent of telephone participants and 98 percent of intercept respondents (people responding at the Airport) found Airport services to be "Excellent" or "Very Good" with over 60% of each group rating JWA's services "excellent."

In the 2009 survey, the typical user of JWA was a male business professional, between the ages of 45 and 54, with an annual household income between \$50,000 and \$99,999. The survey also indicated that the largest percentage of JWA users are traveling mainly for pleasure or leisure (56%), followed closely by trips for business (37%).



JWA Annual Passengers

While a concern for secure aviation services and facilities remains, travelers continue to express their desire for a reasonable balance between security measures, including screening, and an efficient, enjoyable traveling experience. JWA's 2009 Passenger Survey indicates that travelers feel safe and secure in the Thomas F. Riley Terminal and have an overall satisfaction with the security screening process.



Commercial Passenger, Commuter Passenger, and Cargo Carriers In Calendar Year 2009, 8.7 million passengers were served at JWA by 11 commercial passenger carriers. This represents a decrease of 3.3% from Calendar Year 2008's total of 9.5 million passengers served. According to data published for Calendar Year 2008 by the FAA, among the nation's 427 passenger airports, JWA was the 41st busiest airport in terms of passengers served.



Commercial passenger carriers currently serving JWA are: Alaska, American, Continental, Delta, Frontier, Mesa, Northwest, Southwest, United, US Airways, and Virgin America. Commuter carriers now serving the Airport are: Skywest (Delta Connection and United Express). Air Canada will initiate a service to Toronto in April 2010. JWA currently maintains a waiting list of three (3) commercial carriers that have indicated a desire to initiate service at the Airport.

Air carriers provide service to various short, medium, and long-haul destinations to meet the needs of both business and leisure travelers. A total of 19 markets are served from JWA. The most popular destinations are: Phoenix, Dallas/Fort Worth, Las Vegas, Chicago and San Jose.

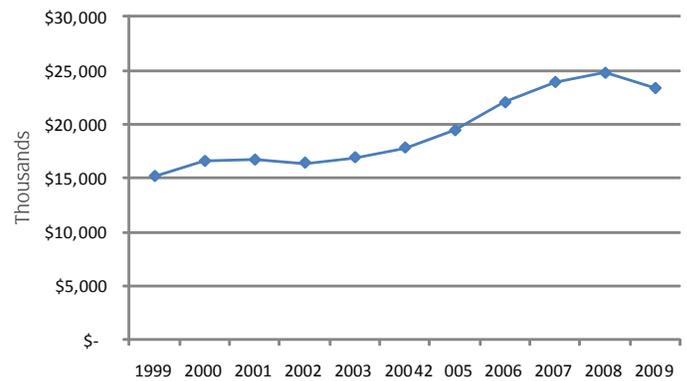
Over 15,000 tons of air cargo were processed through JWA in Calendar Year 2009. This represents a decrease of approximately 10% over the previous year. Two all-cargo carriers, FedEx and UPS, operate between JWA and their respective sorting facilities. FedEx and UPS primarily process "next day" and "second day" cargo through JWA.

General Aviation Aircraft Operators JWA is home to a variety of general aviation aircraft and services. Of the 218,000 total air operations at JWA in Calendar Year 2009, about 57% were general aviation. According to data published by the FAA, JWA was the 30th busiest airport in the country in 2008 in terms of total aircraft operations.

JWA supports a variety of general aviation activities, including charter, instructional, recreational, business, law enforcement, fire fighting, media, and medical/mercy flights (air ambulance). Approximately 600 general aviation aircraft are currently based at JWA, ranging from vintage biplanes and helicopters to corporate jets.

Airport Concessionaires and Tenants JWA has over 200 contracts with service providers located on the Airport. The contracts relate to services provided in the Thomas F. Riley Terminal and those related to general aviation operations. Tenants focusing on serving the needs of passengers in the Riley Terminal include food and beverage providers, news and gift concessions, commercial ground transportation providers, valet parking, and rental car companies.

In Fiscal Year 2008-09, revenues received by retail concessionaires in the Riley Terminal decreased by 3.2% over the prior fiscal year. Tenants focusing on general aviation include full service Fixed Base Operators (FBOs), hangar operators, aircraft maintenance, and flight instruction. Strong demand for tiedowns also continues, as evidenced by the substantial waiting list for tiedown and hangar space at the Airport. JWA currently monitors over 350 licenses with tiedown tenants.



Concessions Operating Revenue



Surrounding Communities Communities surrounding the Airport are frequently interested in the operation of JWA, particularly with respect to aircraft noise and automobile traffic. JWA uses a variety of tools to communicate with interested residents about ongoing operations and projects at the Airport. Those communication tools include brochures, a Web site, and participation of Airport staff in community meetings and forums. Regular public meetings of the Orange County Airport Commission also provide opportunities for interested parties to learn about and comment on Airport proposals and projects.

The Business Community Orange County, once known as a bedroom community with beautiful beaches, has grown into a powerful economic engine with a population that ranks it the third largest county in the state and the fifth largest county in the country. The 2009 Orange County Community Indicators Report cited “Trade, Transportation and Utilities, Business and Professional Services, and Manufacturing” as the three largest Orange County labor markets.

Tourism has traditionally been a cornerstone of Orange County’s economy and John Wayne Airport plays an important role as the conduit through which travelers reach this area’s many amusement parks, shopping venues, theatres, resorts, and beaches. The 2009 Community Indicators Report indicates Orange County is second among California peers in total visitor spending, with an average annual growth rate of 7% between 2002 and 2006.

Bondholders Under the bond indenture requirements, JWA has an obligation to ensure repayment of its bonds and to maintain a net revenue rate covenant of at least 125 percent. Financial institutions and private mutual funds hold a majority of the Airport bonds as part of their fixed income portfolios. Since 1987, all Airport bonds have been rated at investment grade and have enjoyed a low turnover of bondholders. Moody’s, Standard and Poor’s, and Fitch currently rate JWA’s bonds Aa3, AA-, and AA- respectively.

In Fiscal Year 2008-09, \$18.4 million was paid to bondholders for regularly scheduled payments and \$32.8 million for defeasance of Series 1997 bonds.

JWA’s bondholders have a right to expect sound management of the Airport’s revenues and assets; the Airport continues to make such prudent management a high priority for the benefit of the bondholders, tenants, and the traveling public. When JWA is compared to other airports, its rating agencies and major bondholders indicate a high level of confidence in the Airport’s financial health. ✈



Aa3



AA-



AA-

JWA Bond Ratings



Challenges



Security Issues – Operational The Airport works closely with the Transportation Security Administration (TSA), Airport Police Services, Air Carriers, and other Airport tenants to ensure full compliance with the Airport's Security Plan and all federally mandated security regulations. The environment within which security regulations are promulgated and implemented by the federal government, primarily via TSA, is extremely dynamic.

Security Issues – Financial JWA continues to monitor the long-term financial ramifications of federal security regulations. The Airport has substantial utility and maintenance costs associated with the operation of the in-line baggage and passenger systems and passes these costs on to the airlines

through airline rates and charges. While airport costs remain a relatively small percentage of overall airline costs, airport charges are important to airlines, especially during times of financial difficulty in the industry.

Security assessments have resulted in a multitude of facility enhancements to ensure the security and safety of air travelers. To date, JWA has been successful in securing federal funding to offset significant portions of these costs. However, funding for security projects has been, and continues to be, challenging for the industry. While FAA entitlement grant funds, FAA discretionary grant funds, and TSA grant funds have been offered, there are more funding needs throughout the industry than there are funds available.

In addition to security costs associated with federal mandates, JWA also funds a substantial local law enforcement presence, "Airport Police Services" through its contract with the Orange County Sheriff's Department. Since September 11, 2001, costs associated with Airport Police Services have risen dramatically from about \$4 million to nearly \$14 million budgeted in Fiscal Year 2009-10. The Airport will continue to make the safety and security of our operators a top priority, but it will also need to carefully monitor current, and plan for future, security costs.

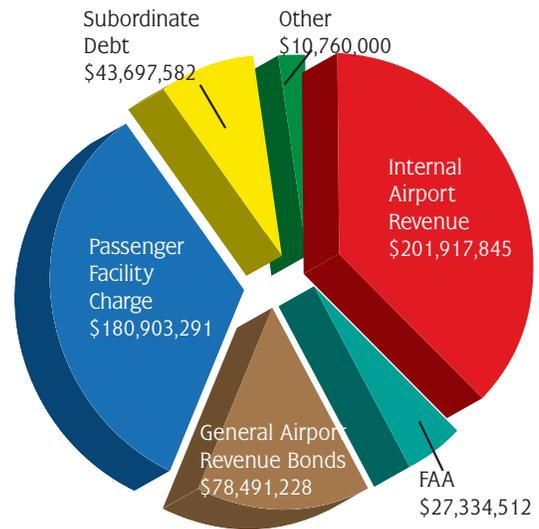
Airport Improvement Program – Operational As is the case with any substantial capital improvement program, the Airport expects to encounter many challenges in balancing our current level of operation and our high standards for customer service during the substantial construction activity contemplated in the Airport Improvement Program. Impacts to both airside and landside operations are already occurring with the demolition of Parking Structure B1, temporary relocation of the South Remain-Over-Night aircraft parking area, opening of temporary Parking Lot C, construction of a barricade along the east wall of the Terminal B concourse, and various lane closures on the Airport's roadways. The Airport is working to minimize the impacts by coordinating closely with contractors and by communicating fully and clearly with passengers, tenants, and the Airport's neighbors about construction activities that may impact them. JWA staff and contractors are also working closely with Airport Police Services and TSA to ensure that all construction activity and access is undertaken in full compliance with all applicable safety and security regulations.



Airport Improvement Program – Financial JWA has begun its overall Capital Improvement Program, which is estimated to cost approximately \$543 million during the next three years. A comprehensive financial program was approved by the Board of Supervisors in December 2005 and updated in mid-2007. In June 2009, the Board of Supervisors approved of the issuance of General Airport Revenue Bonds (GARBs).

The Capital Improvement Program will be funded from various sources, including (i) Series 2009 General Airport Revenue Bonds; (ii) Airport available funds; (iii) FAA grants; (iv) the airlines (the cost of the hydrant fuel system); (v) future subordinated debt; and (vi) pay-as-you-go Passenger Facility Charges.

The Airport has committed to implementing the Capital Improvement Program in a financially prudent manner and has taken steps to do so. A project cost accounting system, based on both County financial system records and the Airport's project management system, has been implemented to track capital expenditures by category and funding source.



As a result of an extraordinarily competitive construction market, the Airport was fortunate to receive multiple bids that were substantially lower than original estimates. The lower construction contract award amounts allowed the Airport to reduce the overall Capital Improvement Program budget from about \$650 million to \$543 million - a dramatic and welcome savings. The Airport fully expects that these construction contracts reflect a very thin profit margin for the firms ultimately selected to perform the specified work and that such margins provide some incentive for these firms to pursue construction change orders, thus increasing the ultimate size and scope of their contracts. Processes have been put into place both in the financial and the project management divisions of the Airport to ensure a thorough and objective review of any such proposals. Clearly, based on the size, scope, and duration of the Capital Improvement Program it will be imperative that the Airport continue its focus on full and accurate accounting of revenues and expenditures.

Airline Industry Uncertainties The Air Transport Association reports that, by the end of 2008, “the U.S. airline industry was markedly smaller and financially weaker, incurring a net loss of \$9 billion to \$24 billion, depending on which “one-time” charges or gains were included.” Domestic passenger traffic fell 3.9%. Utilization of seat capacity declined. Air cargo traffic decreased. Available seat miles (ASMs) dropped. Volatile fuel costs, combined with an increasingly bleak global economy, plunged the airline industry into its worst decline in recent memory. As a result of these “perfect storm” conditions, the air carriers have cancelled or deferred aircraft orders, reduced system-wide capacity, dropped markets, and renegotiated labor agreements.

Because airline revenue constitutes approximately 40% of the Airport's total operating revenues, JWA will continue to closely monitor the airline industry's financial condition and its corresponding impact to the Airport. While JWA has fared better than many domestic airports, there has been a decrease in passenger and cargo levels as well as a reduction in total destinations served. Fortunately, Orange County continues to be viewed as a desirable and profitable market as evidenced by the addition of new service to Hawaii and Canada.

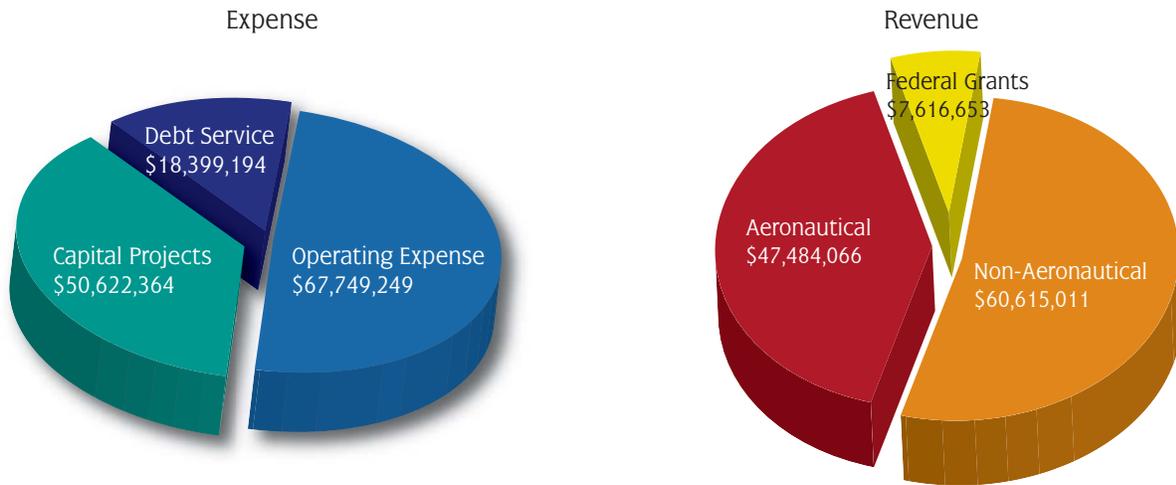
John Wayne Airport, like other airports which may be contemplating facility improvements, expects continued pressure from airlines concerned about any increases in their rates and charges that could increase airline payments and further strain the airlines' already limited resources. JWA has worked hard with our air carriers to build a rates and charges structure that is responsible and defensible. ✈



Resources

Financial Resources The Airport is operated as a department of the County of Orange and is accounted for as a self-supporting enterprise fund in the government-wide financial statements of the County. The Airport derives revenues primarily from non-aeronautical users and aeronautical users, represented by landing fees, terminal space rental, parking, concessions, and general aviation tiedown fees. Federal grants provide an additional, but limited source of annual revenue.

The Airport's major expenses include operating costs, capital projects, and debt service. The charts below identify major revenue and expense segments for FY 2008-09.



As of July 1, 2009 the total outstanding Airport debt was \$266,305,000. Airport bonds are secured by a pledge of net revenues of the Airport Enterprise Fund. The Bond Indenture also imposes a rate covenant on the County to produce net revenues in each fiscal year equal to at least 125 percent of the long-term debt service requirement.

Human Resources JWA operates under the direction of the Airport Director and Assistant Airport Director, and is comprised of five Divisions, each managed by a Deputy Airport Director: Business Development, Facilities, Finance and Administration, Operations, and Public Affairs. In addition to 179 JWA budgeted positions, the Airport is supported by out stationed, contract employees from the Auditor-Controller (9), County Counsel (1), Orange County Fire Authority (21 Aircraft Rescue and Fire Fighting personnel), and the Sheriff's Department (110).

JWA staff also provides support to the Orange County Airport Commission, the John Wayne Airport Arts Commission, and the Airport Land Use Commission for Orange County. Airport staff work in close cooperation with thousands of employees from a variety of private and public airport-related entities to provide safe, secure, and efficient aviation services and facilities around the clock, 365 days a year.

A current departmental organization chart is presented in Appendix A . ✈



B. Action Plan

John Wayne Airport has identified five Strategic Goals and a series of Strategies that will support the implementation of the goals. This Business Plan also presents six Performance Measures designed to identify progress made toward achieving these goals.

Strategic Goals, Strategies and Key Performance Measures

JWA's Strategic Goals for Fiscal Year 2010-2011 are consistent with those of the previous year. Increasing focus and resources, however, will be dedicated to the Airport Improvement Program.

Strategic Goal #1: Maintain a safe and secure environment for aviation and the traveling public.

Strategies:

- 1.1 Implement TSA security regulations and the Airport Security Plan.
- 1.2 Ensure that all Security Identification Display Area (SIDA) and Sterile Area employees have completed and passed a Criminal History Records Check (CHRC) as well as the TSA Security Threat Assessment (STA) prior to receiving airport identification.
- 1.3 Ensure that all general aviation tenants also complete the TSA Security Threat Assessment prior to receiving airport identification.
- 1.4 Update the Airport Security Plan (ASP) to reflect significant changes required by TSA. The Improvement Program will significantly alter the physical layout of JWA to include new and existing access control and closed circuit television (CCTV) systems that will all need to be documented and formally recognized by TSA through changes to the ASP.
- 1.5 Update the Airport Emergency Operations Plan (EOP) when and as needed.
- 1.6 Meet regularly with Airport employees, tenants, users, FAA, and TSA to address and resolve issues pertaining to safety and security.
- 1.7 Conduct a "table-top" emergency exercise in compliance with Part 139 requirements.
- 1.8 Conduct a "table-top" review of the Airport's Aviation Security Plan (AVSEC) in compliance with TSA requirements.
- 1.9 Continue frequent and routine "safety check" walks conducted by the Airport Safety Officer and the Environmental Manager to ensure a hazard-free and clean terminal complex facility.

Key Performance Measure #1:

Performance Measure: FAA Annual Part 139 Airport Certification Inspection.
 What: Each year, the FAA conducts a comprehensive inspection to ensure that the Airport is being operated in a safe manner.
 Why: Failure to pass the Part 139 Inspection could result in decertification as an air carrier airport and subsequent closure.

FY 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 Plan	How are we doing?
Pass with no correctable items.	JWA is taking all steps necessary to continue to achieve a full pass, with no correctable items.			



Strategic Goal #2: Provide a positive aviation experience to travelers and tenants.

Strategies:

- 2.1 Closely monitor concession operations to ensure passengers are being adequately served as new concession operators construct their space to minimize any passenger disruption.
- 2.2 Hold regular tenant-specific meetings for general aviation and terminal tenants that focus on unique needs and issues.
- 2.3 Present recommendations to the Board of Supervisors for Terminal C concession contracts that will provide passengers with a diverse and appealing range of dining and retail choices.
- 2.4 Closely manage the major support contracts that provide custodial services, baggage system maintenance, and passenger loading bridge maintenance.
- 2.5 Continue ongoing assessment of Airport collateral materials to ensure circulation of current and accurate information to assist the traveling public.
- 2.6 Review, and where appropriate, update JWA's Web site to provide timely, accurate, and user-friendly information.
- 2.7 Manage the JWA Volunteer Ambassador and Tour Programs through ongoing recruitment and training, program awareness, and volunteer appreciation.
- 2.8 Manage the JWA Arts Program to continue providing an intellectually enriching travel experience that represents Orange County as a regional, cultural center and cultural tourism destination.
- 2.9 Provide WiFi service in the Riley Terminal.

Key Performance Measure #2:

Performance Measure: Tenant Survey Results.

What: John Wayne Airport regularly surveys both Airport tenants and passengers to learn their views of the Airport facilities and services. In 2010, JWA will conduct the Tenant Survey.

Why: Direct input from those served by the Airport helps identify and prioritize facility and service improvements that passengers and tenants desire.

FY 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 Plan	How are we doing?
N/A	90% of respondents in Passenger Survey rate JWA "Excellent" or "Good" overall.	Results from 2009 Passenger Survey: 95% (telephone) and 98% (intercept),	85% of respondents in Tenant Survey Rate JWA "Excellent" or "Good" overall.	The 2010 Tenant Survey has not yet been conducted.



Strategic Goal #3: Operate in an environmentally responsible manner.

Strategies:

- 3.1 Allocate Commercial, Commuter, and Cargo operating capacity in accordance with the requirements of the Phase 2 Commercial Airline Access Plan and Regulation.
- 3.2 Monitor all General Aviation, Commercial, Cargo, and Commuter aircraft operations for compliance with the maximum permitted noise levels, and all other capacity utilization provisions.
- 3.3 Publicly report Commercial, Commuter and Cargo Carrier aircraft operations, single event noise exposure levels, and passenger counts on a regular basis.
- 3.4 Where possible, and as appropriate, incorporate environmental, health, and safety regulations into contracts, leases, and licenses.
- 3.5 Require Airport tenants to submit an annual report on operating permits that confirms compliance with, and the status of, all required permits including those required by: Orange County Fire Authority, Air Quality Management District, Health Care Agency and Weights and Measures.
- 3.6 Participate in the Orange County Stormwater Quality Task Force.
- 3.7 Create an Environmental Management System (EMS) based on International Organization for Standardization (ISO) 14000 as described in FAA Advisory Circular 150/5050-8.

Key Performance Measure #3:

Performance Measure: Required environmental permits.
 What: John Wayne Airport is subject to a number of local, regional, state, and federal environmental regulations- many of which require permits on the part of the airport itself and/or its tenants.
 Why: Ensure compliance with all applicable regulations and that the airport is operating in an environmentally sensitive and appropriate manner.

FY 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 Plan	How are we doing?
100% of all required environmental permits in place.	100% of all required environmental permits in place.	100% of all required environmental permits in place.	100% of all required environmental permits in place.	The Airport anticipates that 100% of all required environmental permits will be in place.



Strategic Goal #4: Operate as a financially efficient and self-supporting aviation facility.

Strategies:

- 4.1 Follow the aviation industry's financial performance and provide appropriate resources to providing service, based on airline and customer demand.
- 4.2 Sustain a diverse base of revenue, drawing from both aeronautical and non-aeronautical sources.
- 4.3 Maintain an investor relations program directed toward rating agencies in accordance with CEO practice.
- 4.4 Exercise fiscal prudence when developing JWA's future budget, closely monitor actual expenditures and revenues against the budget, and implement any actions necessary to maintain at least 175% debt service coverage.
- 4.5 Maintain operating efficiencies and effective cost structure without compromising superior customer service.
- 4.6 Meet post-2010 Improvement Program and post-Improvement Program requirements for funding capital improvements with minimal issuance of debt.
- 4.7 Increase the Airport contingency budget to \$50 million in response to prolonged weakness of the economy.

Key Performance Measure #4a:

Performance Measure: Maintain a debt service covenant of at least 175%.
 What: John Wayne Airport's bond indenture imposes a rate covenant on the County to produce Airport net revenues in each fiscal year which are equal to at least 125% of the long term debt service requirement for the fiscal year.
 Why: Maintaining the debt service covenant at this level or higher demonstrates both prudent fiscal management and the ability to repay bonded debt, both of which are critical to JWA's ability to fund future projects.

FY 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 Plan	How are we doing?
248%	844%	844%	529%	The Airport expects to continue to exceed the 175% debt service goal for FY 2009-10. (Debt service covenant percentages reflect capitalized interest that continues through FY 11-12.)

Key Performance Measure #4b:

Performance Measure: Maintain an Airport contingency budget of \$50 million.
 What: A contingency budget is established to fund capital improvements and unforeseen operating emergencies/events.
 Why: Contingency budgets are a key component to sound fiscal management. These unrestricted funds act as a cushion to absorb costs for unknown future events.

FY 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 Plan	How are we doing?
The Airport maintained a contingency budget of \$35 million.	The Airport maintained a contingency budget of \$35 million.	The Airport anticipates maintenance of the \$35 million contingency budget for FY 2009-10.	Maintain a contingency budget of \$50 million.	The Airport anticipates maintenance of the \$35 million contingency budget for FY 2009-10.



Strategic Goal #5: Continue to implement the Airport Improvement Program.

Strategies:

- 5.1 Continue construction of Terminal C.
- 5.2 Complete construction of Parking Structure C.
- 5.3 Complete construction of Central Utility Plant.
- 5.4 Complete construction of Baggage Handling System Improvements in Terminals A and B.
- 5.5 Continue to utilize the Change Order Review Board to evaluate and recommend action on change orders submitted by Airport Improvement Program contractors.
- 5.6 Incorporate, when and where appropriate, Leadership in Energy and Environmental Design (LEED) standards in the proposed new facilities.
- 5.7 Monitor the job cost structure to ensure that all Airport Improvement Program financial activity is properly captured.
- 5.8 Account for the collection of PFCs to ensure all funds are properly recorded and applied to PFC-eligible project costs.
- 5.9 Continue to implement a public information program to educate Orange County residents and JWA users regarding the Airport Improvement Program.
- 5.10 Continue regular communication with local and corporate representatives of the air carriers, concessionaires, ground transportation operators, and other tenants serving JWA regarding the nature, scheduled construction, and financing of proposed facility improvements.

Key Performance Measure #5:

Performance Measure: Airport Improvement Program schedule.
What: The Airport has initiated a multi-year Airport Improvement Program that will result in the construction of substantial new facilities to provide improved air service in Orange County. The Thomas F. Riley Terminal complex is currently operating substantially over its design capacity. The Airport Improvement Program will add much-needed terminal and parking facilities to the travelling public.
Why:

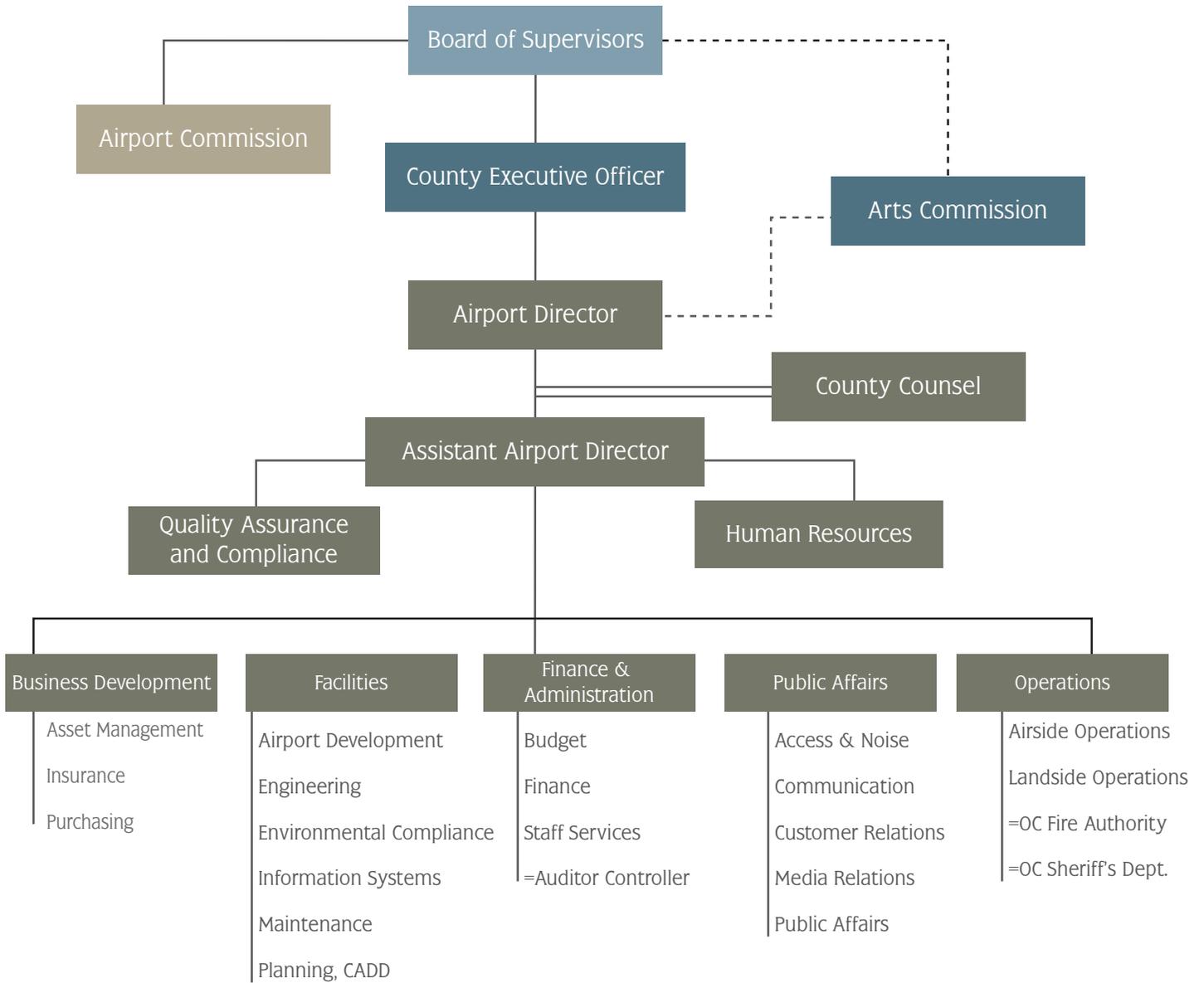
FY 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 Plan	How are we doing?
Maintained a schedule for a late-2011 opening of Terminal C & Parking Structure C.	Maintained a schedule for a late-2011 opening of Terminal C & Parking Structure C.	The Airport is currently on schedule to meet the late-2011 opening date.	Maintain a current schedule for a late-2011 opening of Terminal C & Parking Structure C.	The Airport is currently on schedule to meet the late-2011 opening date.



✈ APPENDICES ✈



APPENDIX A: JWA ORGANIZATION CHART



Double Line = represents outstationed/contract staff



APPENDIX B: ACCOMPLISHMENTS

1. John Wayne Airport successfully passed its annual Part 139 Airport Certification Inspection in January 2009.
2. The Airport processed over 1,300 Security Threat Assessments (STA's) and new security badges for general aviation tenants per TSA Security Directive .
3. JWA's investor relations program resulted in the retention of the Airport's existing high ratings assigned to JWA by Moody's (Aa3) and Fitch (AA-). The Airport was able to achieve a ratings upgrade from Standard and Poor's from A+ to AA-. The rating agencies reported a high level of confidence in JWA's financial position due to the Airport's strong management, good liquidity position, low debt burden, strong debt service coverage, strong local economy, and favorable demand for aviation services. JWA's ratings continue to be among the highest in the nation when compared to airports of similar size.
4. The County completed the successful sale of General Airport Revenue Bonds to support the Airport Improvement Program in the amount of \$233 million.
5. The Airport completed construction of the South Remain-Over-Night aircraft parking apron, the Airside Dock Access ramp, and the new north trash compactor.
6. JWA began construction of Terminal C, Parking Structure C, and the Central Utility Plant.
7. The Airport developed concession tenant improvement standards for the existing and planned facilities in conjunction with the terminal design team.
8. The Airport began to implement a multi-tier public information program designed to educate Orange County residents and the traveling public about the Airport Improvement Program. Elements include an updated Web site, a construction hotline, construction updates, a new electronic newsletter, signage in and around the Riley Terminal complex, outreach to local businesses, hotels and Visitors and Convention Bureaus, and a speakers bureau.
9. The Airport conducted its biannual Passenger Survey. Passengers continue to express high levels of satisfaction with JWA's facilities and services. ✈