

Aviation Department
Strategic Operating Plan
FY09

Aviation Department
FY 2009 Strategic Operating Plan

I. Executive Summary

Introduction

Charlotte Douglas International Airport is the largest airport between Philadelphia and Atlanta. It is served by seven major airlines, American, Continental, Delta, Midwest Airlines, Northwest, United and US Airways; two foreign flag carriers, Air Canada Jazz and Lufthansa German Airlines; and 14 regional carriers, America Eagle, American Connection operated by Trans State Airlines, Continental Express, Delta Connection operated by Atlantic Southeast Airlines, ComAir, Freedom and Shuttle America, Northwest JetLink operated by Pinnacle Airlines, United Express operated by Mesa Airlines and Shuttle America and US Airways Express operated by Air Midwest, Chautauqua Airlines, Mesa Airlines, Piedmont Airlines, and Republic Airlines. It is also served by low fare airlines, Air Tran and Jet Blue.

The Airport serves as the largest passenger hub for US Airways. Passenger traffic at the Airport grew from 2.9 million enplanements in 1982 when the current passenger terminal opened, to over 15.5 million domestic and 1 million international enplanements in 2007. Currently, the passenger airlines operate over 600 flights per day to 123 non-stop destinations in the United States, Canada, Mexico, Europe and the Caribbean. By virtue of the Airport and the passenger airlines that serve it, citizens of the Charlotte Region have access to one-stop service to most anywhere in the United States.

The airport is also home to significant military, cargo and corporate aviation operations. Many of the corporate aircraft are stored and maintained at one of the 15 corporate aviation facilities on the Airport. The remaining corporate and private aircraft are accommodated by the fixed based operator, Wilson Air Center, which operates this facility on behalf of the airport. The Charlotte Air Cargo Center is home to more than 20 operators and supports the center of the Carolina's air cargo operations. The NC Air National Guard and NC National Guard both have facilities on airport premises.

The Airport is operated financially on a fully self-sustaining basis – no general fund revenues have been or are appropriated to the cost of facilities or operations. Rather, Airport revenues defray all capital and operating costs, including the cost of City furnished services.

Summary of needs

	FY2006 Actual	FY2007 Actual	FY2008 Actual	FY 2009 Request
Budget	\$122,176,895	\$136,060,640	\$139,980,590	\$162,189,637
Positions	268	268	268	268

Vision

We will serve as an economic engine of the Carolinas, facilitating the movement of people and goods, creating jobs and enterprise and sustaining a higher quality of life.

Mission

We will be the preferred transportation center and airline hub by providing the highest quality product for the lowest possible cost.

Key Issues and Challenges

In the past year, the airline industry has tumbled to an economic low point, operating far beyond the point that experts previously deemed viable. Prior to FY08 we were concerned about the proposed merger of US Airways and Delta. That merger is off the table and since that time Delta has talked with Northwest (yet to be determined) and US Airways entered into discussions with United (not moving forward). Due to the state of the economy, the airlines are hemorrhaging. Fuel costs have doubled. Bankruptcies are looming. Consolidations are being proposed for sheer survival.

There is no certainty in our environment. The traditional airline business model is changing on a daily basis, by the minute. Maintaining and improving the customer experience, in a time of decreased airline services, is a huge challenge and will continue to be in the forefront for the coming year. This is a time when the airline model that we know is evolving into something very different, not only because of circumstance but out of necessity. Previous services provided by the airline are changing, with some of them going away. This past year we spent a lot of time discussing how we “pick up the slack” from the airlines and how do we make facility and operational changes to accommodate these changes. It is unclear all of the future impacts that the airport will experience due to this.

The state of the economy and the unpredictable airline industry is causing us to approach all financial decisions cautiously. The financial markets are in disarray with interest rates on our existing debt increasing rapidly, in turn raising questions about our ability to sell additional debt. These are trying times and we must proceed carefully.

Like most other businesses, the economic downturn is impacting our daily operation. Our costs are increasing and we are forced to determine what services are critical. The most prominent cost increase is fuel costs. We operate a significant busing operation - 48 shuttles for our parking operation. In FY08 our fuel costs were \$1.1 million, which were twice the FY07 costs. We have implemented fuel conservation efforts and operational changes throughout our entire fleet, in an effort to make up some of the cost increases.

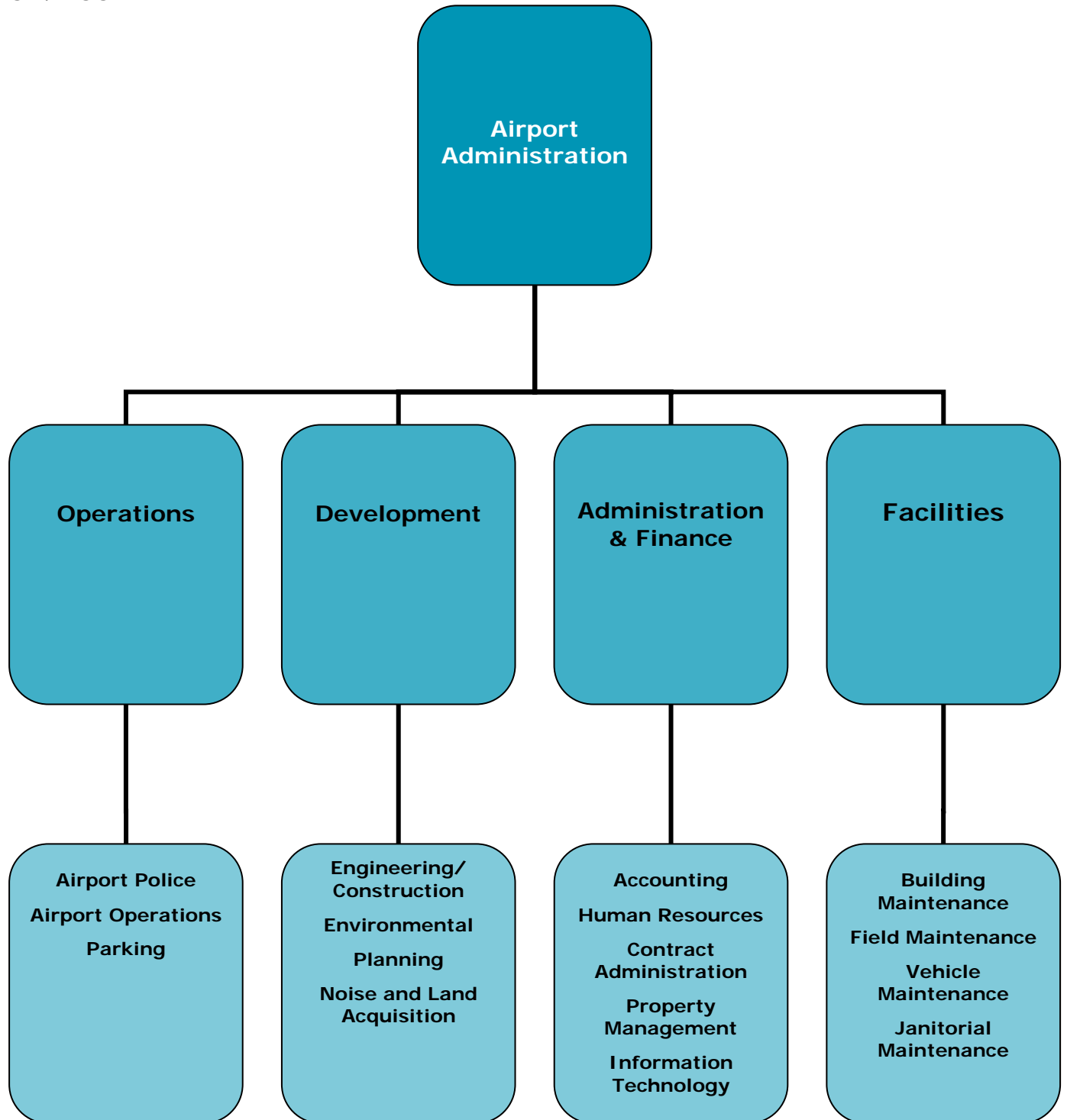
Last calendar year, we experienced a significant passenger increase – 12%. To date, we are trending at 5% for the year. Construction is underway or about to be started on several significant construction projects – new runway, new parking deck and consolidated rental car

facility. All of these are progressing, based on previous demands, without complete certainty of future demands.

It is impossible to predict what the economy will look like a year from now. We will watch every financial decision closely in order to guarantee the Airport's financial security. We will continue to look for additional revenue streams and create business practices that allow us to make the most of our finances.

Organizational Chart

**Revised
02/2007**

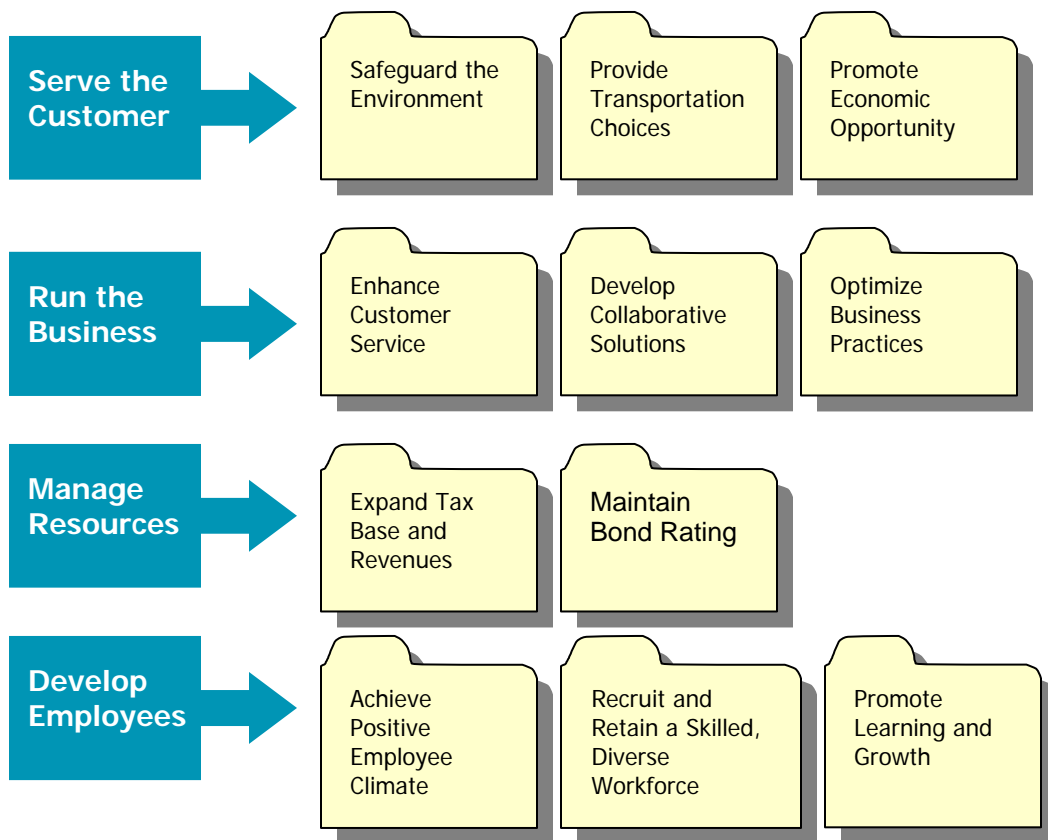


II. Strategy and KBU Planning

Recent Accomplishments

- Increase in all three bond ratings
- Lead the industry in operating cost per passenger to airlines
- Decrease of more than ??? in airline ticket costs
- Expansion of parking facilities, including a state of the art deck

Links to Corporate Strategy



Links to Corporate Strategy

Serve the Customer

Each day at the Airport, there are more than 600 aircraft departures and approximately 90,000 people passing through the terminal. Additionally, there are cargo operations, military operations (with on-site facilities for the North Carolina Air National Guard and North Carolina National Guard), corporate aviation operations, general aviation and trucking facilities. The Airport has a passenger terminal, which is over 1.7 million square feet of space, 500,000 square feet of cargo facilities and 23,500 public and employee parking spaces. With nearly 67 percent of North Carolina's air travelers flying in and out of Charlotte Douglas, the facility is the premier transportation center of the Carolinas.

Run the Business

Charlotte Douglas is one of the nation's busiest airfields with an average of 522,000 operations annually, and a Level 5 air traffic control facility that tracks over 100 flights per hour. The technologically advanced airfield consists of three runways and can handle all types of aircraft. The day-to-day operation is focused on delivery of the highest quality product for the lowest possible cost to all customers – internal and external. Supplying airport customers with a quality, state-of-the-art facility while meeting all safety and security requirements is fundamental to all functions. The organization is always looking to the future to insure we are on the leading edge of our industry. Infrastructure enhancements, technological advancements and capital improvements are tools used to put Charlotte Douglas in the top tier of the country's airports.

Manage Resources

The Airport is an enterprise fund and uses no local tax dollars. We have a pro-business attitude and provide an infrastructure platform for the private sector. We pride ourselves on exceptional bond ratings and our ability to maintain those in a tumultuous industry. The Airport's financial self-sufficiency is a benefit to the community and is often modeled throughout the country. Additionally, the efficient operating philosophy practiced by the airport produces some of the lowest operating costs to airlines in the country. Charlotte Douglas is recognized as an economic engine of the Carolinas and contributes \$10 billion to the local economy annually while employing 100,000 people.

Develop employees

The Aviation Department employs 268 in varying positions including skilled crafts, technical and general labor, office personnel, law enforcement, administrative and professional classifications. Investing resources (financial and otherwise), training and development opportunities, and team building experiences in employees is important to the success of organization. A communications program, including a bi-monthly newsletter and quarterly employee meetings, contribute to successful employee communication and interaction.

Strategic Initiatives

Provide Transportation Choices

- Design and construct state-of-the art airport facilities to meet the demands of all areas of the airport operation.

Promote Economic Opportunity

- To enhance cargo operations, develop Airport and contiguous areas into an intermodal facility that connects air, sea, highway and rail.*

Enhance Customer Service

- Provide public parking capacity and convenient parking services.

Maintain Bond Rating

- Maintain status as an airport in the A Category

Expand Revenues

- Maintain financial self-sufficiency of the Airport without use of General Fund revenues.

*Focus Area Plan Initiative

III. Service Delivery

Core Service Areas

Operations: Includes Airport Parking including Ground Transportation, Airport Police and Airport Operations

BSC Links: Safeguard the Environment, Enhance Customer Service, Optimize Business Practices, Expand Revenues, Achieve Positive Employee Climate, Recruit and Retain a Skilled, Diverse Workforce, Promote Learning and Growth

Development: Includes Engineering/Construction, Environmental, Planning, Noise & Land Acquisition

BSC Link: Provide Transportation Choices, Promote Economic Opportunity, Enhance Customer Service, Optimize Business Practices, Expand Revenues, Achieve Positive Employee Climate, Recruit and Retain a Skilled, Diverse Workforce, Promote Learning and Growth

Administration & Finance: Includes Accounting, Human Resources, Contract Administration, Property Management, Information Technology

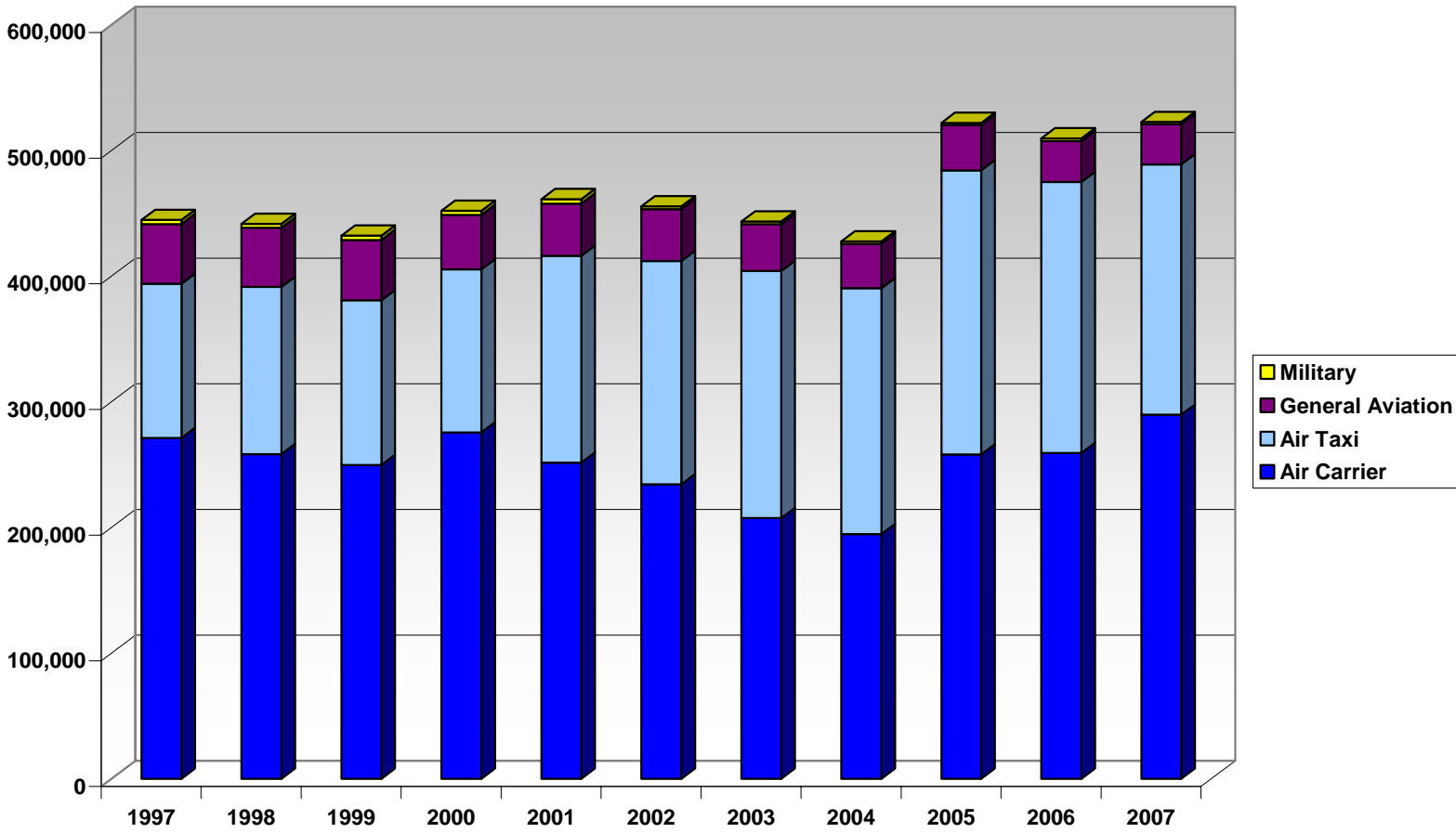
BSC Link: Enhance Customer Service, Maintain Bond Rating, Optimize Business Practices, Expand Revenues, Achieve Positive Employee Climate, Recruit & Retain Skilled Diverse Workforce, Promote Learning & Growth

Facilities and Maintenance: Includes Building Maintenance, Field Maintenance, Vehicle Maintenance, Janitorial Maintenance

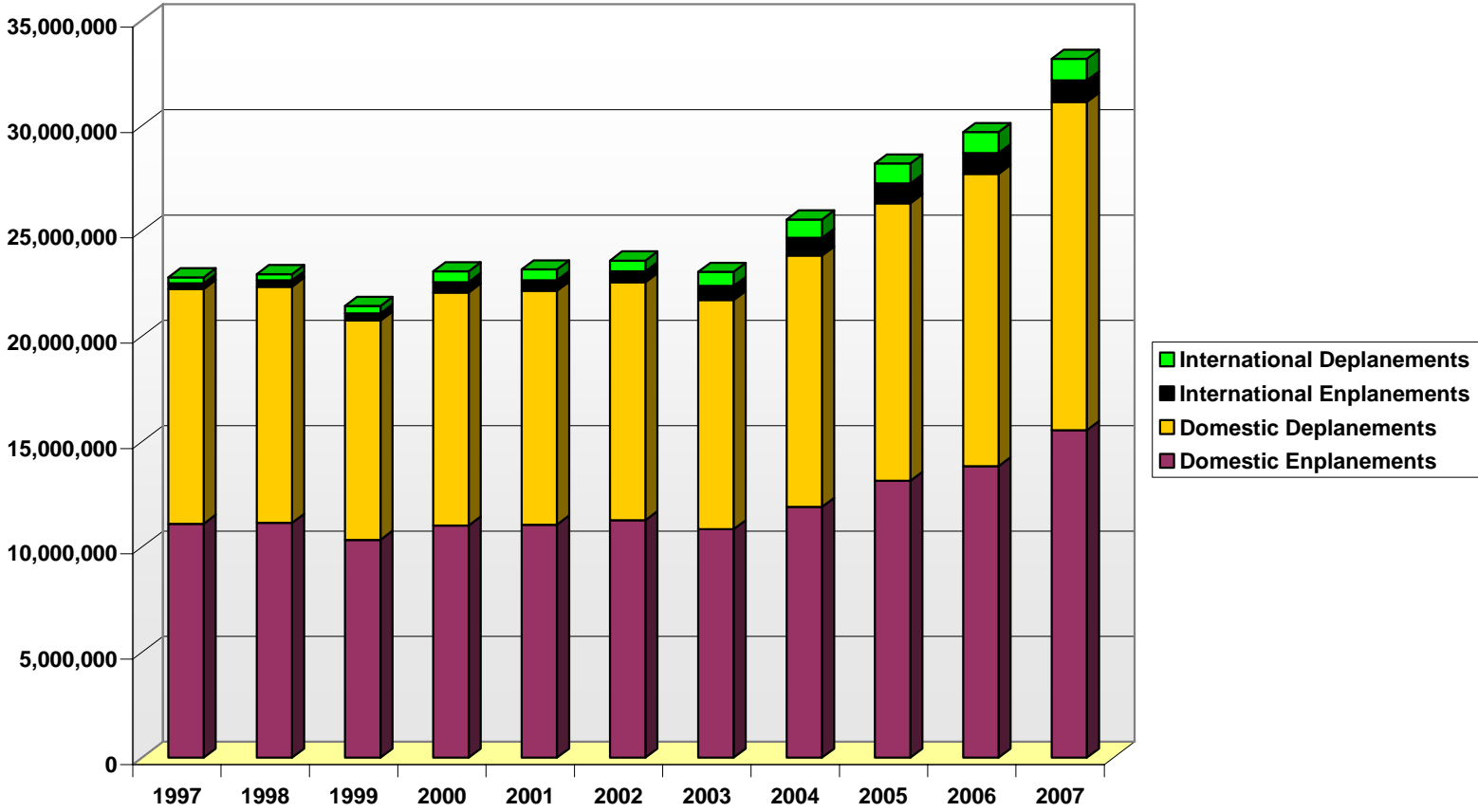
BSC Link: Safeguard the Environment, Enhance Customer Service, Develop Collaborative Solutions, Optimize Business Practices, Achieve Positive Employee Climate, Recruit & Retain Skilled Diverse Workforce, Promote Learning & Growth

Service History and Trends

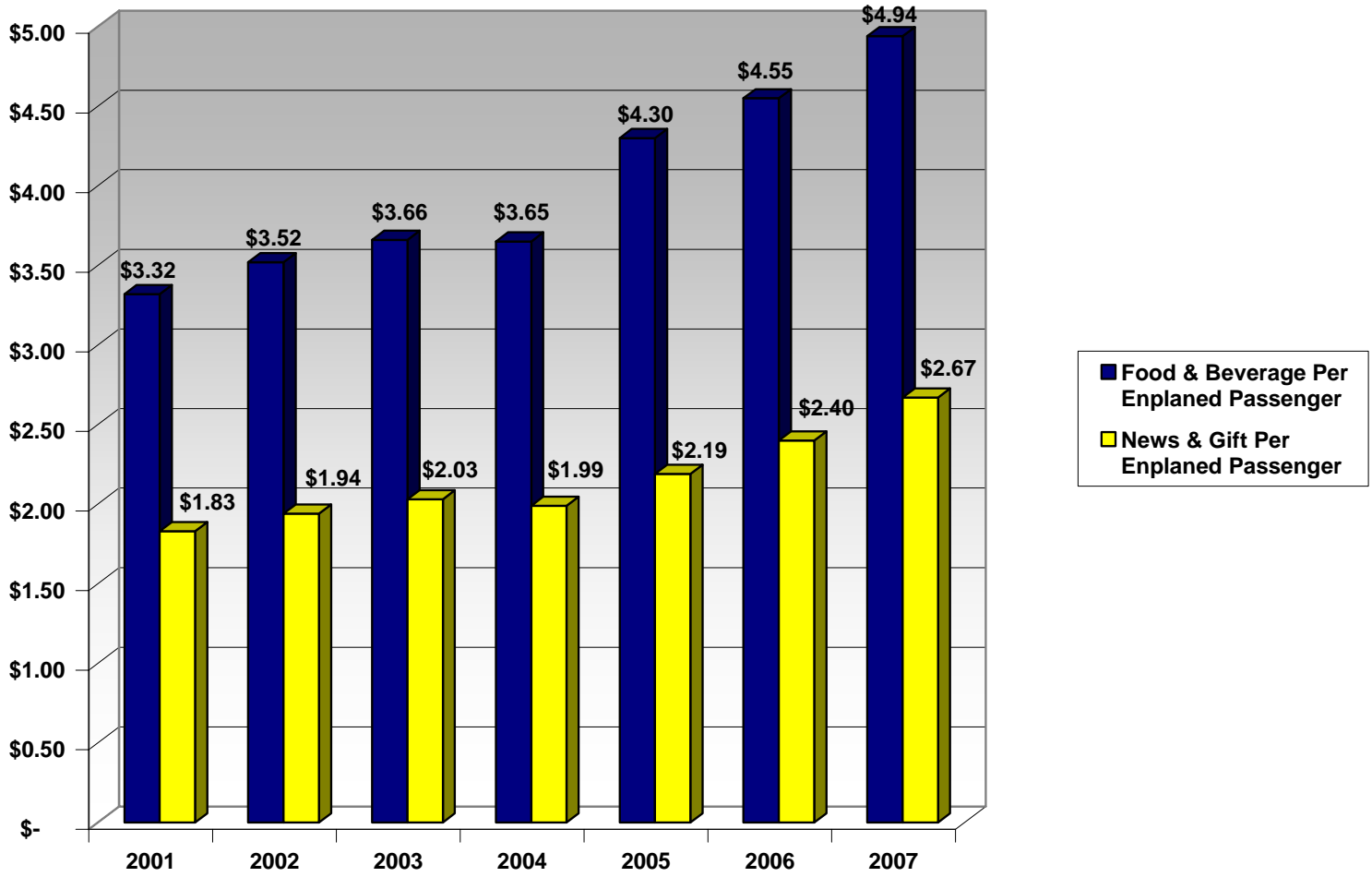
**Aircraft Activity
Calendar Years 1997-2007**



**Domestic and International Passenger Activity
Calendar Years 1997-2007**



**Concession Revenues Per Enplaned Passenger
Fiscal Year 2001-2007**



IV. BSC and Performance Measurement (ATTACHMENT A)

V. Request for Resources

Base Budget:

Aviation requests a base operating budget allocation of \$139,980,590 with 268 positions for FY2008. The FY2009 is \$162,189,637 with no change in positions. The Passenger Facility Charge Fund budget is \$26,728,560 for FY2009

Change to Current Level:

There are not changes to the current level budget outside of normal operating increases, such as salaries.

Service Level Changes:

There are no service level changes in FY2008 and FY 2009.

Revenues:

The airport is completely self-supporting. Revenues come from user fees, rents received from tenants and sales of goods and services to passengers. The user fees are updated annually based upon the projected costs of operating the Airport for the next year. Rents and prices for goods sold are based upon market rates.

CIP Support:

The anticipated capital budget for FY2009 is \$246,678,882. The source for these funds will be federal funds, North Carolina Department of Transportation, bond proceeds and passenger facility charges.

KBU-Balanced Scorecard Report

Reporting Period: _____ to _____

Corporate Objective	KBU Initiative (* indicates Focus Area Initiative)	Measure (\$ indicates incentive pay measure)	Prior Year Actual	Lead or Lag	Performance Data			Comments/Explanation <i>(To be completed at mid-year and year-end reporting)</i>
					Target	YTD	Status	

Serve the Customer	C1. Provide Transportation Choices	Design and construct state-of-the-art airport facilities to meet the demands of all areas of the airport operation.	Design and build roads to facilitate access.	N/A	Lead	Complete Wallace Neel Road relocation by September 2008.			
			Provide terminal and airfield facilities to meet demand.	N/A	Lead	Begin construction of taxiway bridges for the new runway by September 2008.			
				N/A	Lead	Begin NAVAID installation for the new runway by October 2008.			
				N/A	Lead	Begin baggage claim renovations with the construction of a new Welcome Center and renovated baggage service offices by January 2009.			
			Provide corporate aviation facilities to meet demand.	N/A	Lead	Begin construction of an additional corporate storage hangar by June 2009.			

* in KBU initiative column indicates Focus Area initiative
\$ indicates incentive pay measure

KBU-Balanced Scorecard Report

Reporting Period: _____ to _____

Corporate Objective	KBU Initiative (* indicates Focus Area Initiative)	Measure (\$ indicates incentive pay measure)	Prior Year Actual	Lead or Lag	Performance Data			Comments/Explanation <i>(To be completed at mid-year and year-end reporting)</i>
					Target	YTD	Status	

Run the Business	C2. Safeguard the Environment	Operate the airport for long-term sustainability.	Implement environmentally friendly business practices.	N/A	Lead	Meet the documentation requirements of the North Carolina Solar Center Grant for two hybrid shuttle buses.			
						Establish cost/revenue analysis for recyclable materials by measuring amounts recycled, deferred costs and revenues generated.			
						Begin the process of becoming a Leadership in Energy and Environmental Design (LEED) certified facility.			Obtain LEED certification for designated staff member by March 2009.
	C3. Promote Economic Opportunity <b style="color: red;">STRETCH GOAL	To enhance cargo operations, develop Airport and contiguous areas into an intermodal facility that connects air, sea, highway and rail.	Create rail/yard facility on-site at the airport to meet the demands of potential users.	N/A	Lead	Obtain federal approvals for the rail yard from the FAA and the FHWA by May 2009.			
Run the Business	B1. Enhance Customer Service	Enhance passenger experience within the terminal.	Benchmark and evaluate services provided to ensure a superior travel experience.	N/A	Lead	Begin surveying of passengers with Phoenix Marketing by August 2008.			
		Interact with the community.	Conduct a comprehensive community relations program that includes standing committees, publications and outreach initiatives.	12	Lead	Conduct monthly meetings with the Airport Advisory Committee and subcommittees as required.			

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\$ indicates incentive pay measure

KBU-Balanced Scorecard Report

Reporting Period: _____ to _____

Corporate Objective	KBU Initiative (* indicates Focus Area Initiative)	Measure (\$ indicates incentive pay measure)	Prior Year Actual	Lead or Lag	Performance Data			Comments/Explanation <i>(To be completed at mid-year and year-end reporting)</i>
					Target	YTD	Status	

		Promote business opportunities at the airport.	Goal met	Lag	Achieve DBE/SBE/ACDBE goals.			Goals have not been set yet.
	Provide public parking capacity and convenient parking services.	Develop ample parking capacity and introduce modern, efficient services at competitive rates.	N/A	Lead	Begin construction of Business Valet Parking deck by September 2008.			
		Investigate modern and customer service enhancing parking payment systems that improve service and reduce operating costs.	N/A	Lead	Pending issuance of General Airport Revenue Bonds in October 2008, begin implementation of a new revenue control system for public parking.			
B2. Develop Collaborative Solutions	Operate the Airport in compliance with federal aviation regulations.	Maintain Part 139 Operating Certificate	2	Lag	Receive a zero defects annual inspection.			
B3. Optimize Business Practices	Modernize existing processes with technological advancements to improve service and reduce operating costs.	Provide accurate flight and baggage information for customers.	N/A	Lead	Update RIDs, FIDs and BIDs for the airlines and passengers. Identify system and funding by April 2009.			
		Provide computer/network access to off-site facilities and services.			Complete fiber optic backbone installation by December 2008 to connect Aviation Department offices and services.			

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\$ indicates incentive pay measure

KBU-Balanced Scorecard Report

Reporting Period: _____ to _____

Corporate Objective	KBU Initiative (* indicates Focus Area Initiative)	Measure (\$ indicates incentive pay measure)	Prior Year Actual	Lead or Lag	Performance Data			Comments/Explanation <i>(To be completed at mid-year and year-end reporting)</i>
					Target	YTD	Status	

			Accurately recover costs for services provided and materials used.	N/A	Lead	Waiting on WAM.			
Manage Resources	R1. Maintain AAA Rating	Maintain status as an airport in the A Category.	Maintain airport bond ratings.	Increase to A2 by Moody's	Lead	Successfully conduct presentations and research to bond rating agencies as required.			
	R2. Expand Revenues	Maintain financial self-sufficiency of the Airport without use of General Fund revenues.	Meet debt service coverage covenant in City's revenue bond order.	Met	Lag	Generate debt service coverage of 1.25 (125%) or greater.			
		Maximize the revenue per passenger through new and alternative revenue sources.	Increase terminal concession revenues.	11%	Lag	Increase food/beverage/retail revenues per passenger by 3%.			
Develop Employees	E1. Achieve Positive Employee Climate	Enhance employee quality of life.	Develop and promote healthy living programs and initiatives.	N/A	Lag	Increase participation in Wellness Works Challenges to 12% of regular status employees. \$			
						Conduct a Nutrition 101 class with 50% participation of regular status employees. \$			
	Promote a safety conscious workplace.	Minimize recordable OSHA injuries through education and awareness programs.	3.6%	Lag	Maintain recordable OSHA injuries to less than 5% of the workforce. \$				

* in KBU initiative column indicates Focus Area initiative

\$ indicates incentive pay measure

KBU-Balanced Scorecard Report

Reporting Period: _____ to _____

Corporate Objective	KBU Initiative (* indicates Focus Area Initiative)	Measure (\$ indicates incentive pay measure)	Prior Year Actual	Lead or Lag	Performance Data			Comments/Explanation <i>(To be completed at mid-year and year-end reporting)</i>
					Target	YTD	Status	

	Facilitate information to employees through routine communication.	Conduct an internal employee communications effort that includes routine meetings and publications.	4	Lead	Conduct quarterly business meetings for all employees with a 50% participation rate of regular status employees. \$			
			24	Lead	Publish Airport Update newsletter every two weeks.			
E2. Recruit & Retain Skilled Diverse Workforce	Recognize employees	Conduct employee appreciation opportunities.	Met	Lead	Conduct annual employee celebration, at which time peer-nominated employee awards are presented.			
E3. Promote Learning & Growth	Provide employee education and training opportunities.	Make various on-site and off-site training opportunities available for all types of jobs.	20	Lag	Provide each employee with an average of eight hours training. \$			

Status:

1. Use a "+" (plus) sign to indicate all is well.
2. Use a "-" (minus) sign to indicate that the status is not where expected or the current status is in trouble. Provide explanation.
3. Use a "x" to indicate this target will not or is not met. Provide explanation.

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