



## **MEMORANDUM**

TO: Board of Directors

FROM: Steve Grossman

SUBJECT: JAA Goals 2016

DATE: March 28, 2016

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### **Introduction**

The Board of Directors has expressed a desire to have a more comprehensive approach to setting goals for the Authority which involves all board members participating in the activity. The purpose of this paper is to lay out an approach to that effort and present some sample goals in a format that the board may want to consider in its discussions. The board has indicated that the goals should be long-term and for purposes of this discussion a five year period will be used for the goals.

Additionally, there should be metrics that can be used to measure the progress being made towards the goals during that five year period. Once goals and metrics are adopted, staff, on an annual basis will recommend action plans for that year that will move the organization towards completing the goals. Each action plan will be definitive enough so it can be measured as to its accomplishment in the one year period.

In the aviation industry, much of what happens is beyond the control of the airport. Airports have only a small influence on what cities are served by the carriers. Local population growth and the local economy are big determinants of how many passengers use the airport. Aviation companies looking to locate new facilities use many factors in making those decisions, some of which involve state incentives and other factors beyond the Authority's control. With that being said, the long-term goals should be reasonably achievable and the yearly action plans should primarily be in the control of the Authority.

The goals should be based on some overriding framework or vision. Towards that end, the vision statement that follows is recommended:

## **Strategic Vision**

The Jacksonville Aviation Authority is a major economic engine for the City of Jacksonville and the Northeast Florida region. As of 2016, the estimated economic impact of the Authority's assets is \$3.2 billion and represents direct impacts and spending from all four of the Authority's airports as well as indirect and induced spending and jobs.

"The vision for the Jacksonville Aviation Authority is to continue to grow as an economic engine through the provision of excellent air transportation services including passenger, air cargo and general aviation and the development of its property primarily for aviation related industrial, general light industrial and office as well as commercial uses. The Authority will accomplish this by maintaining its assets in a first class manner and cooperating with the City of Jacksonville and other regional entities in attracting new businesses and services to its airports."

## **Five Year Goals**

The goals presented in this section represent both a continuation of annual goals previously used as well as a new goal related to customer service. Goals are not meant to reflect the everyday work of the Authority, they are aspirational in nature and provide direction as to where the Authority sees itself in five years. They tend to be more project-oriented in nature and they allow staff to focus the resources that are available after day-to-day functions are covered.

### **Goal One**

#### **1. Development of Cecil Airport**

**Description:** Cecil Airport has been under Authority control for sixteen years. It has become both an employment center and thus a significant generator of economic impact as well as a source of revenue for the Authority. In the early days of development of Cecil, the focus was on leasing the buildings that the Authority acquired in the turnover from the Navy and in upgrading a deteriorating infrastructure that was left by the Navy.

In the first ten years of Authority control, approximately \$100 million was invested by the Authority, the State and Federal governments to upgrade that infrastructure. Beginning in 2009, once all existing buildings had been leased, the effort turned to both the leasing of land and the investment in new structures that could be leased out. Examples of these efforts are the construction and leasing of two large hangars for Flightstar and two smaller

hangars for the Navy and KCI Aviation. Land leases to Jacksonville Jetport, Cecil's Fixed Base Operator, have and will result in the construction of two privately-owned hangars.

The Authority works closely with the City of Jacksonville and JaxUSA, the economic development arm of the Chamber of Commerce, to pursue large projects that are usually very dependent on large State incentives. In the six years since 2009, these development activities have taken down approximately forty acres and added an estimated 1,000 jobs to the Cecil campus. It has also resulted in a significant increase in revenues, without a corresponding increase in expenses, since all new leases are triple net and the Authority has no maintenance responsibilities for the new buildings. It could be said that Cecil Airport as an industrial entity is at the end of the beginning of its development life. It is now more widely known within the industry amongst aerospace companies and site selection consultants.

This goal will involve increasing Authority activities to first, work with existing companies at Cecil to expand their operations; second, to seek out new tenants within the aerospace industry; and third, to identify suppliers of tenants to solicit interest in being close to their customers.

**Metric:** By the end of 2020, take down another fifty acres for aerospace development.

By the end of 2020, using Authority investment funds, increase gross revenues at Cecil Airport and Spaceport by 40% over FY14/15 revenues. (minus the one-time Navy revenues) FY14/15 revenues were \$7,290,690, not including one-time Navy revenues.

## **Goal Two**

### **2. Development of Cecil Spaceport**

**Description:** Co-located at Cecil Airport, the Spaceport is truly in its infancy. Cecil Spaceport is a horizontal launch facility, capable of handling all types of horizontal launch vehicles. As of this writing, there are no horizontal launch operators conducting revenue launch operations. All activity is still in the research and development phase.

Activities over the last five years have included obtaining a commercial spaceport license from the Federal Aviation Administration, identifying funding sources for infrastructure and the construction of apron and taxiway

infrastructure at the selected site. The Authority has also been active in the industry in meeting with potential operators, service providers and other companies that might seek to use the Spaceport. Staff has completed a business plan and marketing plan for the Spaceport. Since it is unknown how long it will take the industry to develop, a key consideration in creating the Spaceport is to minimize the investment of Authority resources until it can be ascertained that a return on that investment can be relied upon. A strategy that has worked to this point is to work with the state to obtain state grants to accomplish as much infrastructure placement as possible.

The Authority received a \$2 million 100% grant for the first phase of infrastructure which was completed in 2015. Other funding of that sort will be sought for future phases. The Authority has a Memorandum of Understanding with Generation Orbit, a potential spacecraft operator, to conduct its operations at Cecil Spaceport. To date that has consisted of one training flight. If the industry grows as some predict, the Spaceport can be an important element in the future of the Cecil complex and a source of jobs for the City and revenue for the Authority. Caution must be exercised in the resources put into this effort since a positive return is not yet a certainty.

**Metric:** By 2020, there will be at least three commercial space launches annually at Cecil Spaceport.

By 2019, the necessary utility infrastructure as identified by potential users will be in place to easily conduct commercial space operations and use the Spaceport facilities.

### **Goal Three**

#### **3. Enhance Financial Stability of the JAA**

The financial stability of the Authority is a key ingredient in order to achieve its mission. Even though the Authority is a government agency, and must abide by all the rules pertinent to such an agency, it receives no general tax dollars and is limited in its ability to raise revenues should there be an extensive downturn in revenues produced by operations. Positive cash flow enables the Authority to invest in revenue-producing projects which will bring more businesses to its properties and thus expand the economic impact of the Authority's operations as well as increase revenues without the risk of having to pay increased debt service. Should the Authority wish to borrow money for use in its capital program, such financial stability will lower the cost of borrowing. The Authority does not control the majority of

its revenue sources. Airline decisions have a significant impact on revenues, both positive and negative. As seen in the last recession, the Authority felt it was necessary to resort to layoffs to maintain a proper financial position. An element of financial stability is to not have to resort to staff layoffs, except in the most extreme circumstances.

**Metric:** By 2020, have a debt service coverage of 2.2 on an annual basis. Average coverage over the last five years has been 2.0.

By 2020, have an average annual operating margin of 35% for the preceding five years. Average over the last 5 years has been 32.8% (currently, accounting rules are changing so this metric may need to be revisited).

By 2020, have an outstanding annual debt service per enplanement of \$4.00. Current annual debt service per enplanement is \$6.00.

By 2020, maintain a minimum unrestricted cash reserve of 8 months of operating expenses with an additional 2-4 months of cash reserves for use in funding new capital projects and/or the advance payment of debt.

#### **Goal Four**

##### **4. Process Improvement**

Any organization as large and complex as the Authority must constantly be evaluating its processes to ensure that they reflect industry best practices and that the organization is as efficient as possible in meeting the challenges presented by the business climate. That business climate routinely changes and thus the way business is conducted must change. The organization should be held accountable for following its own policies and procedures in accomplishing its mission. Updating these policies and procedures is both an internal and external exercise. Departments should routinely look within themselves as to how they conduct business but it is also essential that outside entities be brought in that are familiar with best practices in the specific areas to be audited. This should be a routine function and will come to be viewed as a positive by the staff as it is always better to discover problems before they become a crisis and are subject to outside scrutiny.

A specific activity under this goal will focus on the status of the Authority's workforce with the idea that in order to maintain continuity given the aging of the workforce, a Strategic Workforce plan needs to be developed that will focus on strategies for succession planning, internal staffing practices and building strategic partnerships with outside entities that can provide a pipeline for skilled, trained and motivated people to meet the evolving needs of the Authority.

An evolving area of activity is the area of security as it is broadly defined to not only mean public safety but also the security of Authority and tenant systems. The Authority will strive to install and maintain state of the art security systems, within its financial means, and establish routine testing protocols to evaluate any system weaknesses. All Authority operations are becoming more dependent on IT applications and Authority IT staff will identify IT opportunities to support the business.

**Metric:** By 2020, conduct 6-8 audits of departments or functional areas and maintain a master log of the recommendations resulting from such audits and the actions taken.

By 2020, have established and implemented a comprehensive strategic workforce plan that outlines a strategy for recruiting, developing, retaining, and managing what is predicted to become a very dynamic flow of professionals and skilled positions in and out of the Authority's workforce. This effort will include formal succession planning.

By 2020, have established and implemented security review procedures to ensure the safety of airport users, the integrity of all IT systems and the protection of Authority assets. Disaster recovery testing will be conducted at least annually.

## **Goal Five**

### **5. Customer Service Enhancement**

Excellent customer service is built into the DNA of the Authority staff. It is what separates Authority facilities from what customers usually encounter. While it is surprising that customers view excellent service as an anomaly, the Authority will take advantage of this to build customer loyalty in all facets of the business. For the Authority, the customer is defined broadly to include passengers, tenants, employees and other users of Authority facilities, as well as the community as a whole. Customer service can also

range broadly from the provision of free Wi-Fi in the terminal building to providing access to Authority business opportunities for small local businesses.

During the preceding three years, JIA has been ranked in the top five airports in North America for customer service as defined in the Airport Service Quality (ASQ) Index as used by Airports Council International. Of course that index only covers activities in the terminal complex and is thus only a partial, yet important, measure of how the Authority is doing. While a high ranking as compared to other airports is something to celebrate, of more importance is comparing the performance of the Authority over time and always striving for improved ratings as compared to the previous year.

Another aspect of customer service is providing additional non-stop destinations to passengers using JIA. While an airport's influence over airline decision making is very limited, airport efforts can have an effect. With regard to the community, customer service involves outreach to inform the various business communities who would like to do business with the Authority as well as providing superior service to those businesses that provide goods and services to the Authority. Opportunities will continue to present themselves as new markets are identified. For example, several hospitals in the Jacksonville area are beginning to identify medical tourism as a source of growth for their business thus bringing a new type of visitor to the City and hence the Authority's airports. While this form of tourism is in the beginning stages of growth, it should be monitored and its needs as far as air transportation identified so the Authority can serve that market at a high level.

As the Authority considers its tenants as a major customer group, maintenance of the Authority's assets is a significant customer service. The Authority prides itself on the appearance of its assets as it reflects not only on the Authority but the City of Jacksonville as well. Each airport is the gateway to the region for users of that airport. With regard to private or general aviation, the Authority will maintain at a high level its assets at Jacksonville Executive at Craig Airport and Herlong Recreational Airport, with a focus on safety, appearance and the needs of the tenants. No expansion of the airfields at any of the Authority's airports is contemplated by 2020. Beyond that timeframe, any expansion will be coordinated with other regional partners including the City of Jacksonville.

**Metrics:** Each year through 2020, stabilized or increased ratings in the ASQ survey system. The rationale for using the word stabilize is that the ratings are extremely high right now and additional improvements will be very incremental.

By 2020, have established service to at least three international destinations as well as five additional domestic destinations.

By 2020, process 98% of correctly submitted and approved vendor invoices within 30 calendar days.

By 2020, increase use of local firms to account for an annual average of 86% of all allowable expenditures of which small firms will comprise 20%. Currently local expenditures average 79% annually and small firm participation is at 14.1%.

By 2020, increase the volunteer Airport Ambassador workforce by 15%.

By 2020, develop, implement and evaluate a tenant survey program at the three general aviation airports.

By 2020, develop, implement and evaluate a business community survey that will be used to identify enhancements to customer service and key targets for route development.