

JOHN WAYNE AIRPORT

FISCAL YEAR 2008-09 BUSINESS PLAN



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TABLE OF CONTENTS

Executive Summary 1

I. Agency Overview 4

- A. Vision and Mission Statements
- B. Core Services

II. Operational Plan 8

- A. Environment
 - Clients*
 - Challenges*
 - Resources*
- B. Action Plan
 - Strategic Goals*
 - Strategies to Accomplish Goals*
 - Performance Measures & Reporting*

APPENDICES

- A. Organization Chart
- B. Significant Accomplishments



EXECUTIVE SUMMARY

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, improved 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 must and does plan 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 2008-09 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.
- 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.

- Industry observers report that construction costs have been escalating at higher than anticipated rates. Causes for the trend are many and include, but are not limited to: fuel prices, rapid growth in demand for significant infrastructure development, volatility of raw and manufactured material costs (steel, concrete, etc.), shortage of skilled and qualified workers, increasing labor costs, and reconstruction from natural disasters in the United States and abroad. JWA staff and its consultants are carefully following these trends and are committed to minimizing their effect on the Airport Improvement Program schedule and budget.
- The Airport continues to manage a growing and changing workload. Implementation of federally mandated security regulations, growth in operational and passenger capacity, maintenance of aging facilities, and implementation of the Airport Improvement Program present tremendous demands on Airport staff. Ensuring that the Airport has sufficient and appropriate human resources to fulfill its responsibilities will be a priority in the coming year.

In preparing its Fiscal Year 2008-09 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, specific Strategies and Performance Measures which will guide preparation of the Airport's Fiscal Year 2008-09 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 JWA in the coming Fiscal Year:

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

In addition to identifying plans and projects for the coming year, this 2008-09 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 9.98 million passengers in Calendar Year 2007.
- The Airport successfully passed its annual 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.
- As part of its continuing focus on emergency preparedness, the Airport hosted an Air/Sea Disaster Plan Review. The exercise tested the plan that was designed to address an aviation accident occurring in the Newport Back Bay or adjacent coastline.
- An Economic Impact Report for John Wayne Airport was completed and issued. The Report examined the direct, indirect, induced and total economic impacts associated with the Airport and found that JWA generated more than \$5.6 billion in total economic impact in 2005.

- The Board took action on a number of major contracts in support of the Airport Improvement Program in Fiscal Year 2006-07, including but not limited to: South Remain-Over-Night (RON) Construction, South RON Construction Manager, Terminal C Design, Terminal C Construction Manager, Financial Advisor, and Bond Counsel.

The Airport is proud to have achieved the Strategic Goals defined for Fiscal Year 2007-08. 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.



AGENCY OVERVIEW

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 9.98 million passengers in 2007 and used nearly every one of its 400,000+ square feet of space to do so. With just 14 commercial gates, JWA boasts 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, especially 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. In order 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.

Aviation Infrastructure

JWA'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 renovating restrooms, to our \$650+ 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. John Wayne Airport 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 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, in preparing the new terminal design. New technology is also being incorporated into the terminal design through new Common Use Self Service (CUSS) and Common Use Terminal Equipment (CUTE) systems for passenger and baggage check-in.

Environmental Stewardship

Environmental Stewardship is a core service that the Airport takes very seriously and that is the underpinning of much of what the Airport does on a daily basis. 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 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 both 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 comply with 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 outstationed Auditor-Controller staff to perform these specific functions.

As a recipient of FAA grant funding, the Airport 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 anticipates assuming 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.



OPERATIONAL PLAN

II. OPERATIONAL PLAN

During the next fiscal year, in response to the growing demand for aviation services in Orange County and the need for additional facilities to accommodate that demand, 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 design of Terminal C and the B1 Parking Structure components of the Airport Improvement Program 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 2008-09 Business Plan defines the environment within which the Airport operates and a series of Strategic Goals, specific 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 2007 "Passenger Survey," indicate that JWA maintains a high overall approval rating from its passengers. A total of 96 percent of telephone participants and 91 percent of intercept respondents (people responding at the Airport) found Airport services to be "Excellent" or "Very Good."

In the 2007 survey, the typical user of JWA was a male business professional, between the ages of 45 and 54, with an annual household income between \$100,000 and \$149,999. The survey also indicated that the largest percentage of JWA users are traveling mainly for pleasure or leisure (48%), followed closely by trips for business (42%).

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 2007 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 Fiscal Year 2006-07, 9.9 million passengers were served at JWA by 11 commercial passenger carriers. This represents an increase of 3% over Fiscal Year 2005-06's total of 9.6 million passengers served. According to data published for Calendar Year 2006 by the FAA, among the nation's 427 passenger airports, JWA was the 42nd busiest airport in terms of passengers served.

Commercial passenger carriers currently serving JWA are: Alaska, Aloha, American, Continental, Delta, Frontier, Mesa, Northwest, Southwest, United and US Airways. Commuter carriers now serving the Airport are: American Eagle and Skywest (Delta Connection and United Express). JWA currently maintains a waiting list of five (5) commercial carriers and two (2) commuter 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 24 markets are served from JWA. The most popular destinations are: Phoenix, Oakland, Dallas/Fort Worth, Chicago and Las Vegas.

Over 23,000 tons of air cargo were processed through JWA in Fiscal Year 2006-07. This represents a decrease of 4% 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 nearly 345,000 total air operations at JWA in Fiscal Year 2006-07, about 69% were general aviation. According to data published by the FAA, JWA was the 22nd busiest airport in the country in 2006 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 2006-07, revenues received by retail concessionaires in the Riley Terminal increased by more than 15% over the prior fiscal year.

In keeping with the desire to offer the highest level of service, the Airport is working closely with tenants to increase product offerings and quality of service. This partnership has revitalized the Airport's only full-service restaurant into the Oasis Grill

and Sky Lounge with a refurbished décor and a celebrity chef restaurant offering unique, fresh new food concepts.

Tenants focusing on general aviation include full service Fixed Base Operators (FBOs), hangar operators, aircraft maintenance, and flight instruction. General aviation-related tenants have noted increased revenues and general business activity over the last fiscal year. 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.

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 as the third largest county in California and sixth largest in the nation. In 2007, the Orange County Community Indicators Report attributes Orange County's strong business base to its central location, closely followed by its desirability as a place to live. In 2006, Forbes evaluated 200 metropolitan areas and rated Orange County as the 58th best place to do business in the US. In 2007, Forbes ranked Orange County as the best place to do business within California.

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.

JWA has over 300 contracts for goods and services to help maintain the Airport; many of these are with local businesses and service providers which add to the Orange County economy.

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, A+, and AA-respectively.

In Fiscal Year 2006-07, \$18.4 million was paid to bondholders. 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.

Challenges

JWA faces significant challenges, including some unique to the Airport, and others common to the aviation industry.

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 realized increased utility and maintenance costs associated with the operation of the in-line baggage and passenger systems and has had to pass these costs on to the airlines through increased 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 the majority 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.

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 with the substantial construction activity contemplated in the Airport Improvement Program.

As the Airport learned through its experience in building the Thomas F. Riley Terminal and its related facilities nearly two decades ago, it is imperative that the project team identify, track, and plan for changes and trends in the construction industry, particularly the availability of labor and raw materials. JWA has been closely monitoring local, regional, national and international construction trends. Some of these trends, including availability of raw materials like steel and concrete, are not encouraging for project sponsors who are contemplating substantial public works construction. JWA staff and its consultants are carefully following these trends and are committed to both understanding and anticipating how they could affect the Airport Improvement Program.

Airport Improvement Program – *Financial* JWA has begun to implement the financing plan for JWA’s Capital Improvement Program, which is estimated to cost approximately \$652 million during the next four years. Pursuant to the comprehensive financial program approved by the Board of Supervisors in December 2005 (and updated in mid-2007), the capital costs are anticipated to be funded from various sources, including: (i) Airport funds; (ii) FAA Airport Improvement Program (AIP) grants; (iii) TSA grants; (iv) Passenger Facility Charge (PFC) revenues; (v) general airport revenue bonds (GARBs); and (vi) short-term lines of credit. During Fiscal Year 2006-07, pursuant to Board authorization, the Airport secured financial advisory services and bond counsel/disclosure counsel services. JWA has implemented a project cost accounting system to track capital expenditures by category and funding source. A close monitoring of the resulting financial reports will be key to JWA’s goal of implementing the capital program funding plan in a financially prudent manner.

Over the past four years, demand for both construction materials and labor has risen far more quickly than was anticipated. Energy costs, specifically oil, have also risen dramatically. The Airport has and will continue to closely monitor these cost trends, and will continue its policy of using very conservative estimates in structuring Airport Improvement Program plans, schedules, and budget. Major infrastructure projects in the region, the state and the world will clearly play an important role in the Airport’s ability to retain key contractors and obtain necessary materials at competitive prices.

Airport Area Development Recent trends in land use planning have favored in-fill development in the form of high-rise commercial and residential uses. High-rise uses in the vicinity of an airport present a number of challenges and may require changes to building design heights as well as appropriate lighting and clearances to ensure the safety of air operations. The inclusion of residential uses in such developments poses additional challenges with respect to safety, noise exposure levels, and appropriate notification to tenants and owners regarding the proximity of the Airport.

JWA has monitored this development trend and has participated in the project review process of a number of high-rise residential projects already constructed or proposed for construction near the Airport. JWA will continue to work with local jurisdictions and project proponents to ensure that the Airport’s concerns are clearly expressed and appropriate measures are incorporated into project review and approval processes.

Airline Industry Uncertainties US based air carriers posted their first profitable year after five consecutive years of net losses, reporting net income of \$3 billion (source: Air Transport Association). Nonetheless, the airline industry is cyclical, subject to intense competition, and exposed to variable demand. Airline traffic volumes are responsive to economic circumstances and seasonal patterns. While many airlines are returning to profitability, such optimism is guarded as high fuel costs, industry overcapacity and talk of industry consolidation continue to be issues of concern to carriers.

Because airline revenue constitutes approximately 38% 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. John Wayne Airport, like other airports which may be contemplating facility improvements, expects pressure from airlines concerned that any increase in airport debt used to finance those improvements will

necessitate an increase in airline payments, thus straining the airlines' already limited resources. JWA will monitor the capital development financing program to limit the impact on cost per enplanement (CPE) at JWA.

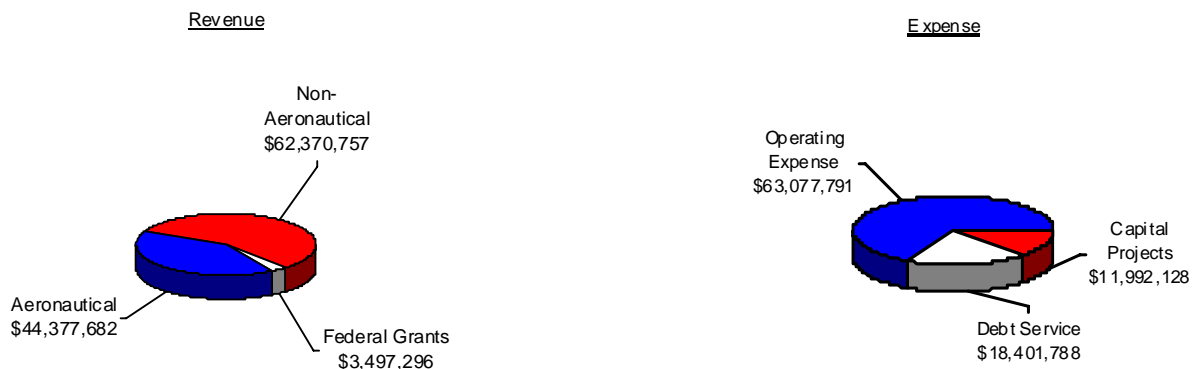
Legislation Congress has begun to address the issue of FAA reauthorization. There are substantial disagreements regarding certain provisions of the proposed legislation, primarily related to new fees proposed for the general aviation community and specific labor provisions. It is unclear when Congress will resolve these differences and adopt a reauthorization bill. Of particular concern to JWA is language in the House reauthorization bill regarding the definition and adoption of airport fire fighting standards. The Airport has serious concerns about this matter and requested formal Board opposition to the original proposal.

Workload Issues The Airport continues to realize a substantial increase in workload. Workload demands are being driven by implementation of federally mandated security regulations, growth in operational capacity and passengers, additional maintenance of existing facilities, Airport Improvement Program facility and financial planning, and increased legislative and regulatory reviews. In response, managers are: (i) re-prioritizing workloads; (ii) monitoring maintenance service contracts for performance and efficiency; and (iii) leading staff to ensure that time sensitive and critical projects are receiving timely and efficient attention. JWA is evaluating the impact of increasing workload demands and may request additional resources as part of the 2008-09 budget.

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 nonaeronautical 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 2006-07.



As of July 1, 2007 the total outstanding Airport debt was \$93,690,000. 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 173 JWA budgeted positions, the Airport is supported by outstationed, 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 (109). 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 Performance Measures

JWA's Strategic Goals for Fiscal Year 2008-09 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).
- 1.3 Update the Airport Security Plan to reflect significant changes required by TSA.
- 1.4 Update the Airport Emergency Operations Plan when and as needed.

- 1.5 Meet regularly with Airport employees, tenants, users, FAA, and TSA to address and resolve issues pertaining to safety and security.
- 1.6 Conduct a “table-top” emergency exercise in compliance with Part 139 requirements.
- 1.7 Conduct a “table-top” review of the Airport’s Aviation Security Plan (AVSEC) in compliance with TSA requirements.
- 1.8 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 06-07 Results	FY 07-08 Plan	FY 07-08 Anticipated Results	FY 08-09 Plan	How are we doing?
Passed with no correctable items.	Pass with no correctable items.	Pass with no correctable items.	Pass with no more than two correctable items.	JWA is taking all steps we believe are 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 their unique needs and issues.

- 2.3 Work collaboratively with the concession operators and Airport staff to identify unused or underutilized areas of the Terminal for additional storage or concessions sales opportunities to ensure passenger demand for services is met.
- 2.4 Work with the existing concessionaires, where possible, to increase offerings based on the results from the Passenger Survey.
- 2.5 Closely manage the major support contracts that provide custodial services, baggage system maintenance, and passenger loading bridge maintenance.
- 2.6 Continue ongoing assessment of Airport collateral materials to ensure circulation of current and accurate information to assist the traveling public.
- 2.7 Review, and where appropriate, update JWA's Web site to provide timely, accurate, and user-friendly information.
- 2.8 Manage the JWA Volunteer Ambassador and Tour Programs through ongoing recruitment and training, program awareness, and volunteer appreciation.
- 2.9 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.

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 2008, 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 06-07 Results	FY 07-08 Plan	FY 07-08 Anticipated Results	FY 08-09 Plan	How are we doing?
N/A	90% of respondents in the Passenger survey rate JWA "Excellent" or "Good" overall	96% (telephone) and 91% (intercept) [reflects results from 2007 Passenger Survey]	85% rate JWA "Excellent" or "Good" overall	The 2008 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 Receive site closure from the State Regional Water Quality Control Board for the old Fuel Farm site.

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 06-07 Results	FY 07-08 Plan	FY 07-08 Anticipated Results	FY 08-09 Plan	How are we doing?
N/A	N/A	N/A	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 evaluate its corresponding impact to JWA.
- 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 and 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 the \$35 million Airport contingency budget.

Key Performance Measures #4a and 4b

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 06-07 Results	FY 07-08 Plan	FY 07-08 Anticipated Results	FY 08-09 Plan	How are we doing?
294%	284%	284%	234%	The Airport expects to continue to exceed the 175% debt service goal for FY 2007-08.

Performance Measure: Maintain an Airport contingency budget of \$35 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 06-07 Results	FY 07-08 Plan	FY 07-08 Anticipated Results	FY 08-09 Plan	How are we doing?
\$35 million	\$35 million	\$35 million	\$35 million	The Airport anticipates maintenance of the \$35 million contingency budget for FY 2007-08.

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

Strategies:

- 5.1 Complete the south and east extensions of the South RON.
- 5.2 Complete deconstruction of the B1 Parking Structure.
- 5.3 Complete design of the new B1 Parking Structure.
- 5.4 Complete design of Terminal C.
- 5.5 Complete construction of and open temporary Parking Lot C.
- 5.6 Incorporate, when and where possible, 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 Complete selection of and contract award to the Airport Improvement Program finance team, including bond underwriters.
- 5.9 Account for the collection of PFCs to ensure all funds are properly recorded and applied to PFC-eligible project costs.
- 5.10 Develop concession tenant improvement standards for the existing and planned facilities in conjunction with the terminal design team.
- 5.11 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.

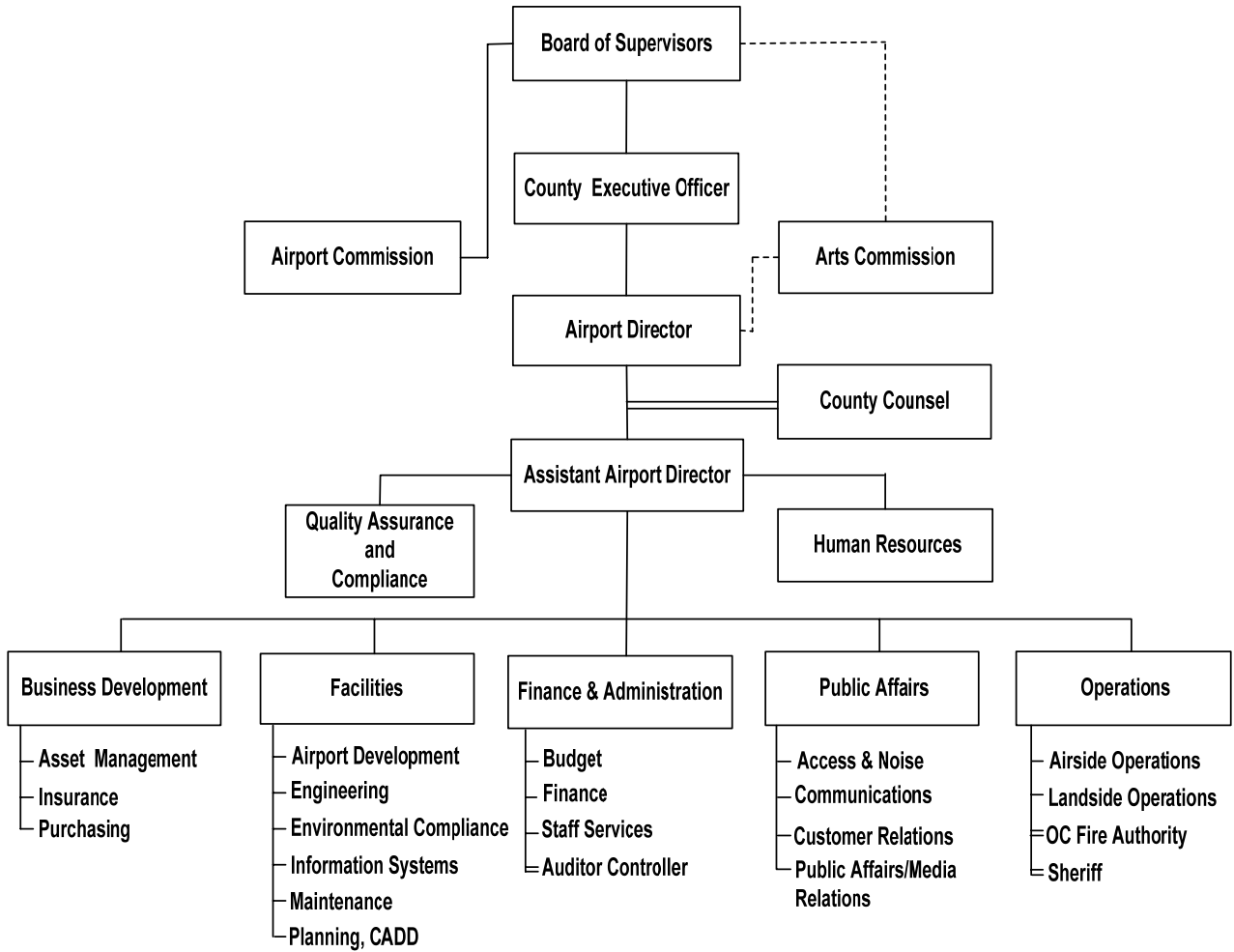
5.12 Continue to implement a public information program to educate Orange County residents and JWA users regarding the Airport Improvement Program.

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.			
Why:	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.			
FY 06-07 Results	FY 07-08 Plan	FY 07-08 Anticipated Results	FY 08-09 Plan	How are we doing?
N/A	N/A	N/A	Maintain a current schedule for a mid-2011 opening of Terminal C & B1 Parking Structure.	The Airport is currently on schedule to meet the mid-2011 opening date.

APPENDIX A: JWA ORGANIZATION CHART

JOHN WAYNE AIRPORT



JWA/Budgeted

Double line = represents outstationed/contract staff

APPENDIX B: SIGNIFICANT ACCOMPLISHMENTS

1. John Wayne Airport successfully passed its annual Part 139 Airport Certification Inspection in December 2007.
2. On August 30, 2006, the Airport hosted an Air/Sea Disaster Plan Review. The purpose of the exercise was to test the plan designed to address an aviation accident occurring in the Newport Back Bay or adjacent coastline. Participants in the 12-month development of the plan and the exercise included members of the Airport Operations Division, Airport Police Services (Orange County Sheriff's Department), Orange County Fire Authority, and the Newport Beach Fire Department.
3. A contract was awarded to Hudson for a specialty retail shop combining "Life is good" designer clothing and "Sunglass Hut." The Airport allowed Hudson to set up a temporary shop in an underutilized area located between two existing specialty shops to offer a variety of items to passengers during construction of their specialty shop. As a result, passengers had additional concession opportunities during the construction period and the Airport received additional, unanticipated revenue.
4. An Economic Impact Report for John Wayne Airport was completed in Spring 2007. The report examined the direct, indirect, induced and total economic impacts associated with the Airport.
5. JWA's ongoing investor relations program has focused on retaining the existing high ratings assigned to JWA by Moody's, Standard and Poor's, and Fitch: Aa3, A+, and AA-, respectively. The rating agencies held 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 when compared to airports of similar size.
6. The Airport initiated a Construction Community Outreach Program to build relationships and open the lines of communication with the local construction community, organizations and associations. Specifically, the program is designed to encourage qualified contractor and subcontractor firms to bid on Airport projects and build resources that the Airport can utilize for information and expertise during the course of the Airport Improvement Program. Through this program, the Airport is hoping to increase the number of bids received, thus enhancing the competitiveness of those bids.
7. The majority of key members of the Airport Improvement Program team have been selected and/or are now under contract, including: South Remain-Over-Night Construction, South RON Construction Manager, Terminal C Design, Terminal C Construction Manager, Bond Counsel, Financial Advisor, Parking Lot C Design, B1 Parking Structure Design, B1 Parking Structure Construction Manager, Commissioning Agent, Schedule and Cost Management and the overall Program Manager.