



PhxMesa **Gateway** Airport

Strategic Business Plan

Fiscal Years 2011 - 2015

Adopted May 24, 2010
by the
Phoenix-Mesa Gateway Airport Authority
Board of Directors

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PURPOSE

The purpose of the Phoenix-Mesa Gateway Airport Authority Strategic Business Plan is to develop a clear picture of the activities required during the planning period to fulfill our mission and meet our goals. This plan summarizes the short-term and long-term vision of the Airport Authority, identifies business factors that may affect the Airport, and identifies goals and strategies for achieving our mission.

MISSION STATEMENT

It is our mission to maintain, grow, and operate Phoenix-Mesa Gateway Airport safely and efficiently, while providing exceptional service to the public, our tenants, and our customers.

OUR EMPLOYEES

The Airport Authority's most important asset is its people. Our SPIRIT Values speak to the organization's commitment to our professional staff, fostering an atmosphere of trust, professionalism, and positive relationships with each other, our customers, our business partners, the community, and regulatory agencies. Employee development, training, and retention are keys to achieving our Strategic Business Plan goals.

“SPIRIT” VALUES

- **S**AFETY
We value and preserve life and the environment.
- **P**RIDE
We work with passion to instill real quality in everything we do.
- **I**NNOVATION
We embrace each day's challenges as opportunities with an open mind, a spirit of creativity, and resourcefulness.
- **R**ESPONSIBILITY
We are accountable for our words and actions, large and small.
- **I**NTEGRITY
We act in good faith and treat others with respect, honesty, and sincerity.
- **T**ALK
We take the time to communicate and talk things through.

GATEWAY TODAY (2010)

Phoenix-Mesa Gateway Airport comprises approximately 3,000 acres and includes three long runways, an instrument landing system, a Foreign Trade Zone, U.S. Customs Service, an air traffic control tower operating from 6:00 am to 9:00 pm, 436,383 square feet of Airport Authority-owned buildings, 571,755 square feet of privately developed buildings, and 1,247 employees in 40 companies located on the Airport. Those companies include Airline Transport Professionals, Mesa Pilot Development, University of North Dakota Aerospace Foundation, two medical flight services, Cessna, Embraer, Hawker Beechcraft, the U.S. Customs and Border Protection, U.S. Marshals Service, Immigration and Customs Enforcement, AeroDynamics, Inc. shuttle service supporting Intel, and Allegiant Air commercial passenger service. In fiscal year 2009, the Airport handled 204,057 aircraft operations, delivered 9.9 million gallons of aviation fuel, and served 462,060 passengers.

SHORT-TERM VISION

The Airport Master Plan forecast for the short term envisions 700,000 annual passengers, 10,000 tons of enplaned cargo annually, and 200 based aircraft at Phoenix-Mesa Gateway Airport. Total annual aircraft operations are expected to reach 357,000, including approximately 10,000 night time operations, 12,500 military operations, and approximately 9,500 commercial air carrier operations. In terms of operations, general aviation will continue to be the dominant activity, with about 80 percent of total operations. The airfield will have reached 67 percent of its capacity. Average delay will be about 36 seconds per aircraft operation.

In order to keep up with this demand, by 2015 the Airport Authority will have significantly expanded the passenger terminal, creating a facility of 90,000 square feet with 24 ticket counter positions, six gates, and 18,000 square feet of space for food, beverage, and concession retailers. Jet fuel storage will have increased to 250,000 gallons.

Several taxiway segments will have been replaced or repaired. In addition, several runway areas will have been strengthened or repaired. We will have completed Taxiway B and Taxiway L, as well as improvements to all or a part of Taxiways P, V, K, A, and N, and Runways 12R/30L and 12C/30C.

Passenger demand is expected to exceed the capacity of the west terminal in the intermediate term; therefore, preparations must begin in the short term for the construction of the east terminal. By 2011, Mesa will have constructed Hawes Road south from the Loop 202 Santan Freeway to a point near the north property line of the Airport. The City will also have constructed Ray Road from Sossaman Road to Ellsworth Road. These two projects, along with planned sewer and water extensions, are key to opening the east terminal site.

As the west terminal begins to reach capacity, planning and engineering for the east terminal must be in place, including the following projects:

- East side terminal area master plan
- East side master drainage plan
- East side infrastructure/utility/road plan
- East side environmental impact study
- East terminal building design
- Relocate power line floodway
- Relocate Airport surveillance radar
- Access roadways and Airport roadways design
- East parking design
- East fuel farm and hydrant fueling system design
- East terminal apron design

Once these projects are completed, construction of the new terminal complex can begin at any time, as demand warrants and as the budget permits.

LONG-TERM VISION

By the year 2029, scheduled passenger service is expected to accommodate two to five million passengers per year. Phoenix-Mesa Gateway Airport is expected to have scheduled cargo service handling over 88 million pounds of freight per year. The Airport will have business jet activity to support additional aviation centers. We expect 25 additional privately developed buildings to be constructed over the next 20 years, accommodating more than 500,000 square feet of hangar space, office space, and related facilities. The Airport will continue to serve as a major flight training center for the American Southwest, accommodating light aircraft, helicopter, commercial aircraft, and advanced aircraft flight training.

By 2029, Gateway will have become an internationally recognized aerospace center. It will be well established as a commercial passenger service airport in the Phoenix-Mesa metropolitan area, providing an attractive alternative to Phoenix Sky Harbor International Airport. Flight operations will exceed 535,000 per year. Fueling at the Airport will exceed 45 million gallons per year. The Airport will support multiple aircraft maintenance and modification facilities.

Land around the Airport will have developed as aviation support, corporate offices, and manufacturing facilities. Along with these developments will come restaurants; conference, executive, and resort hotels; as well as retail and commercial development. The Loop 202 Santan Freeway and the 802 Gateway Freeway will provide passengers, air freight companies, and businesses with easy access to the Airport from all parts of the Phoenix-Mesa metropolitan area.

The Airport Authority will be an active participant in the Arizona Aerospace Institute and will remain closely involved in the development of the former General Motors Proving Ground and other major land development projects that may be business generators for the Airport. Assuring compatible and supportive land use near the Airport will continue to be the Airport's highest priority.

Improvements on the Airport will include a new passenger terminal east of the runways, a general aviation/corporate center on the west side, and a new air traffic control tower. Quality of service will continue to be key to maintaining and expanding the reputation of the Airport as a world-class operation.

The Airport's emphasis should be on development of facilities to accommodate passenger service, freight handling, large aircraft maintenance, aviation industrial uses, and research and development.

IDENTIFYING OUR STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS

Strengths

Our SPIRIT!
Community support
just plane easy®
Large and growing population base
Three long runways
Lots of land
Experienced Professional Staff

Opportunities

Capacity of the airfield
Low cost operating environment
Room for growth of facilities

Weaknesses

Market already has great air service
Terminal constrains growth
High capital investment required

Threats

Residential encroachment
Operating expense exceeds revenue
Aviation security constraints
National economic decline

BUSINESS FACTOR ANALYSIS

The improvements to the Airport have been significant over the last several years. The center runway has been resurfaced with new asphalt and its concrete sections have been repaired. The outside runway has been reconstructed with a 15-inch concrete overlay. The third phase of Taxiway Bravo has been completed and we expect the final phase to be completed in FY 2011. Our fueling service, Gateway Aviation Services, is generating significant positive cash flow and has raised our level of service to the flying public, resulting in repeat business. Seventeen new buildings have been completed by private investors and two additional buildings are under construction.

The passenger terminal annex has been completed, and a 25,000-square-foot expansion is in design. These and other improvements put Gateway Airport in a position to attract and accommodate continued growth.

The September 11, 2001 attack on America left the aviation world in serious decline. Even though Phoenix-Mesa Gateway Airport was quickly back to normal operations, many of our prospective customers suffered such severe business losses that it took four to six years for them to begin to recover. This is especially true of the passenger and cargo airlines, which we had been courting prior to the attack. Airlines reduced capacity and eliminated some cities from their service networks.

The airline industry is currently losing billions of dollars per year and in many cases is under pressure to reduce, rather than increase their activities. As a result, it may be a challenge to entice new airlines to Phoenix-Mesa Gateway Airport until the economy recovers.

The decline in the national and local economies in 2007-2009 has contributed to a decrease in business jet traffic and an increase in our building vacancy factor. This economic decline may further delay expansion of passenger and cargo service.

Despite the setbacks and challenges, Phoenix-Mesa Gateway has been expanding during a time when most other airports have seen a reduction in commercial activity. These factors position us favorably with potential tenants and the aviation community, and raise the awareness of grantor agencies.

GOALS, STRATEGIES, AND TASKS

The Airport Authority Board of Directors periodically establishes the foundation of this Strategic Business Plan by adopting and prioritizing goals which guide our activities. These goals reflect vital business issues that are measures of success for the Airport.

For the five-year period, the Authority has established seven primary goals, and outlined a specific strategy or direction to achieve them:

1. Maintain a high level of community support.
2. Improve the financial operating results.
3. Expand commercial passenger service.
4. Establish cargo service.
5. Generate jobs and economic activity.
6. Improve and expand facilities and services for general aviation.
7. Begin planning for the construction and financing of the east side terminal and related development.

#1 MAINTAIN A HIGH LEVEL OF COMMUNITY SUPPORT

Strategy:

It is of primary importance to the future of the Airport to encourage local, state, and federal governmental agencies, developers, and our neighbors to support those actions, public and private, that benefit the Airport. Conversely, we should argue against actions which have the potential to harm or restrict the long-term development of the Airport.

Tasks:

- A. Actively encourage those things that benefit the airport.
- B. Work with local governments and developers to ensure that development projects in the Airport planning area are sensitive to noise impact, height restrictions, job creation, and Airport business generation.
- C. Work with local, state, and federal officials to protect funding sources and increase capital funding for the Airport.
- D. Demonstrate to the community the economic benefits and services available at the Airport in order to gain community support for the Airport, our tenants, and customers.
- E. Collaborate with local universities and colleges in promoting common interests.
- F. Partner with Greater Phoenix Economic Council, local Chambers of Commerce, and State agencies in promoting the Airport.
- G. Sustain a positive public perception of the Airport.

#2 IMPROVE THE FINANCIAL OPERATING RESULTS

Strategy:

As Airport revenues increase in coming years, Airport operations may generate funds that can fund the capital budget or be used to support debt issued for critical capital projects. Mid-range budgeting and use of our Financial Business Plan model are important tools available to help us reach that goal.

Tasks:

- A. Increase revenue, spend wisely, and reduce the operating deficit.
- B. Continue to request level funding from member governments at \$3,920,000 per year.
- C. By 2014, move operating surplus to the capital budget or into reserve funds, where appropriate.
- D. Continue to refine the Financial Business Plan for use as an analytical tool to assure that the Airport is financially sustainable, and to demonstrate the impact of various future scenarios.
- E. Continuously evaluate the mix of employees, consultants, and contractors.
- F. Maintain PMGAA assets (pavement, buildings, and equipment) to ensure safety, security, and sustainability.
- G. Use “green” initiatives where feasible.
- H. Increase public-private partnerships.

#3 EXPAND COMMERCIAL PASSENGER SERVICE

Background:

Phoenix Sky Harbor International Airport has partnered with us to help Phoenix-Mesa Gateway Airport attract and accommodate commercial passenger service. We have expanded the passenger terminal to 33,700 square feet and expanded our parking to over 900 spaces. This is an interim solution, with the long-term solution being the construction of a new passenger terminal on the east side of the Airport as soon as demand warrants.

Strategy:

Our strategy is to provide to the airlines a very low cost option to encourage the establishment of commercial service. The objective is to leverage the current facilities and investments as much as possible, until sufficient activity is reached to warrant the investment necessary to move to the east side.

Tasks:

- A. Continue to emphasize “just plane easy®,” low costs to the airlines, and high quality service to our customers.
- B. Expand the passenger terminal as airline growth demands.
- C. Provide clean, functional facilities that reflect the southwest desert.
- D. Continue our marketing efforts with the airlines, including Allegiant Air.
- E. Attract additional airlines to serve our market.
- F. Initiate international passenger service.

#4 ESTABLISH CARGO SERVICE

Background:

The Airport Master Plan forecasts that in the short term Phoenix-Mesa Gateway Airport will host daily cargo service by two feeder aircraft and one jet freighter the size of a Boeing 727. Phoenix Sky Harbor officials do not intend to build additional cargo facilities; therefore, they are intent on assisting us in attracting additional cargo service to the growing metropolitan area. FedEx has qualified Gateway as an alternate airfield.

Strategy:

Continue to market to cargo related companies, develop the required infrastructure, and acquire necessary equipment to support scheduled cargo activity.

Tasks:

- A. Arrange for cargo handling equipment and services to be available on the Airport to support an initial single visit by cargo airlines. Leverage single events into regular visits and, ultimately, into scheduled service.
- B. Continue to communicate with FedEx and UPS about the integrated package market growth in the East Valley.
- C. Work with private sector to provide a cargo facility.
- D. Work with FAA to secure funding for cargo apron expansion.

#5 GENERATE JOBS AND ECONOMIC ACTIVITY

Strategy:

In order to generate new private investment, economic activity, and jobs, it is essential that the Airport continues to provide land and buildings to accommodate new activity. The Airport Master Plan identifies areas for new aviation and non-aviation development. Construction of taxiways, streets, and utility systems to serve these sites must be funded through a variety of mechanisms in order to maintain growth.

Tasks:

- A. Use Airport funds and grants from FAA and ADOT to construct basic airport infrastructure such as runways, taxiways, lighting, navigation aids, and communications facilities.
- B. Collaborate with the City of Mesa to improve basic utility infrastructure serving the Airport, including the 802 Freeway, regional sewer and water lines, the arterial street system, and storm water systems that serve the Airport and the surrounding area.
- C. Work with the private sector to fund sewer, water, streets, and other utilities in non-aviation development areas on the Airport.
- D. Continue to attract new public and private investment by working with existing economic development organizations and through our own marketing efforts.
- E. Support the Arizona Aerospace Institute. Explore research and development opportunities with our tenants which we might take forward to the Institute.

#6 IMPROVE AND EXPAND FACILITIES AND SERVICES FOR GENERAL AVIATION

Background:

At Phoenix-Mesa Gateway Airport, our general aviation activities include flight training, air ambulance, U.S. government agencies, business jets, private charters, and aircraft retrofit and repair. For planning purposes, military aircraft activities are treated as general aviation because most military activity is related to maintenance or cross-country flying similar to business jet activity or flight training.

General aviation, fuel sales, ramp services, and building rentals constitute our second largest revenue stream. The Airport Master Plan forecasts that general aviation will continue to be the dominant use of the Airport in terms of operations.

Strategy:

We will position ourselves as a location with a culture of excellence in personal service to our customers, emphasizing our focus on the larger business jets.

Tasks:

- A. Incrementally upgrade the General Aviation Center and related facilities.
- B. Partner with Cessna, Embraer, Hawker Beechcraft, and our other general aviation customers to identify ways to support and promote their business activities.
- C. Work with U.S. Customs and Border Protection to implement their U.S. Visit program.
- D. Develop, improve, and maintain infrastructure and equipment necessary to meet demand.

#7 BEGIN PLANNING FOR THE CONSTRUCTION AND FINANCING OF THE EAST SIDE TERMINAL AND RELATED DEVELOPMENT

Strategy:

Even though it may be several years before we outgrow the west terminal, it is critical that we begin now to do the detailed planning for the east terminal complex. This will be a monumental task. Our strategy will be to break up the planning process into separate aspects that can be studied and planned individually. Particular emphasis must be placed on acquiring the funding necessary to complete the project.

Tasks:

- A. Complete a development plan for the east side that encourages private investment and is in harmony with private development adjacent to the Airport.
- B. Complete a street plan for the east side and assure its ability to function by using analytical tools.
- C. Complete a master storm drainage plan for the east side.
- D. Work with FAA to develop a multi-year funding plan for the terminal, aircraft ramp, taxiways, and other eligible facilities.
- E. Develop a multi-year funding plan for streets, utilities, parking, fuel storage, and other support facilities.

