



Sustainability Overview and Planning Approach

Sustainability Subcommittee Presentation- July 21, 2008

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I.

Executive Overview: Needed Decisions and Suggested Actions

Strategic Sustainability (Business) Plan Purpose
Sustainability Commitments and Authority Challenges
Performance Excellence (CAPE) Criteria
Decisions and Actions

Strategic Sustainability (*Business*) Plan Purpose

An effort to more formally and deliberately describe our future plans and expected results

- Move the Sustainability Policy forward and identify the needed decisions, action plans, time lines, metrics, deliverables and accountabilities.
- Evaluate the CAPE feedback and incorporate the findings into the Authority's management system. Develop a specific improvement plan.
- Coordinate sustainability plans with the Authority's existing goals and strategies, other challenges, organizational initiatives and ongoing operations.
- Document, communicate and deploy the strategic business plan for sustainability as agreed.

Sustainability: A challenging and delicate “balance”



How should *sustainability* be defined, planned, implemented and measured to

- leverage current operations and existing programs?
- maximize each category?
- optimize the balance?

Sustainability Commitments and Organizational Challenges

The policy is approved; definitions, decisions, coordinated plans and actions are needed:

- Sustainability elements (EONS)
 - Economic viability
 - Operational excellence
 - Natural resource conservation and preservation
 - Social responsibility
- Other Authority challenges (could) distract us from successful business plan and sustainability execution
 - Destination Lindbergh
 - TDY
 - TDP/AMP²
 - Facility utilization

Sustainability Policy Implementation

Key Policy tenets convey the Authority's

Most
importance

- Environmental commitment
- Focus on tenant/ business partner involvement
- Commitment to employees and work environment
- Prominent community leadership role

Moderate
importance

- Application of LEED criteria (for guidance)
- Need to change fundamental business processes
- Obligation to regional partnerships

Least
importance

- Use of a holistic approach (EONS)
- Emphasis on Total Cost of Ownership

Sustainability is dependent on a well-defined management system

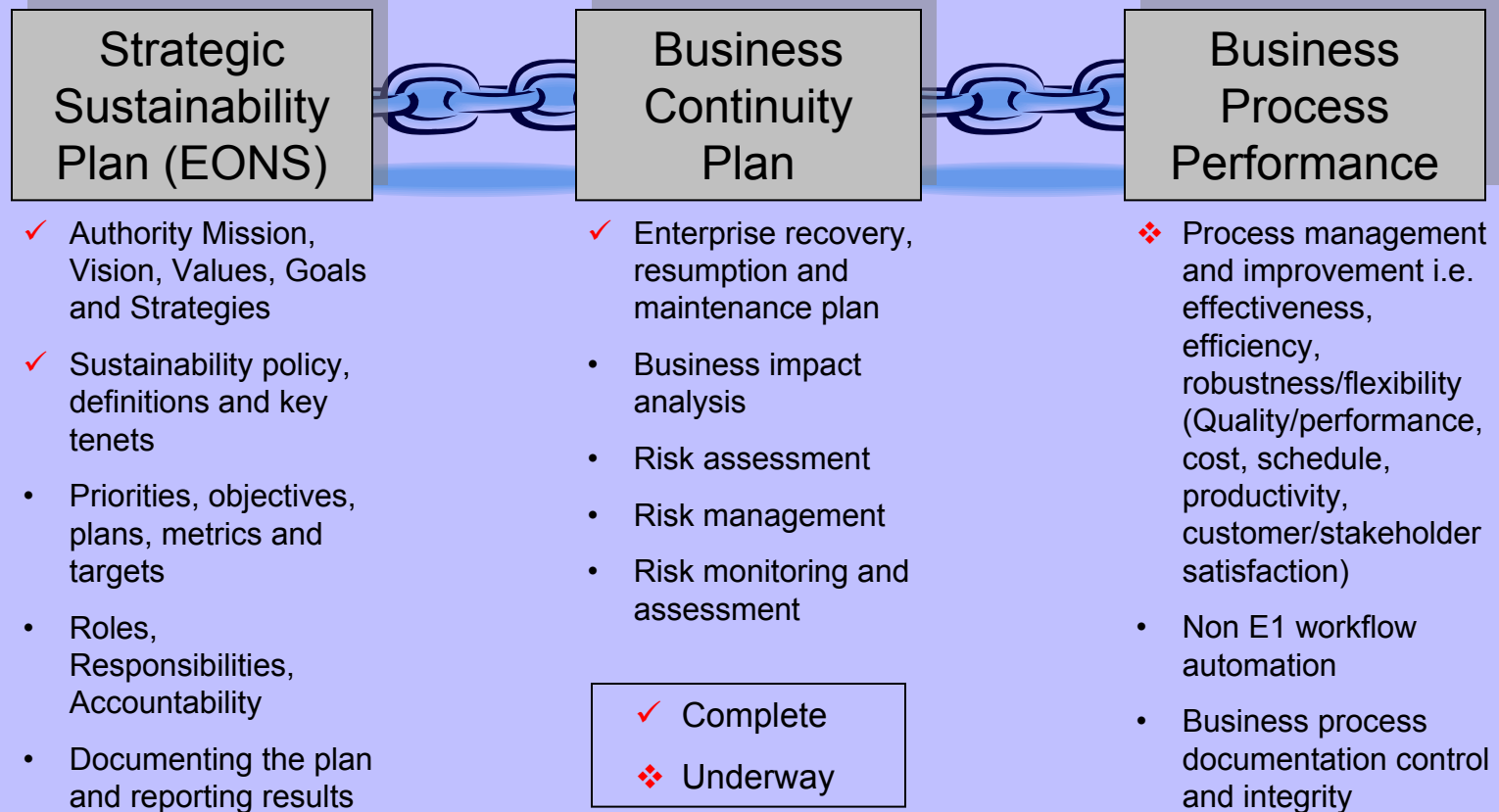
The 2007 CAPE feedback regarding the Authority's management system is very positive

- Leadership
- Strategic Planning
- Customer and Market Focus
- Measurement, Analysis and Knowledge Management
- Workforce Focus
- Process Management
- Results

But, opportunities exist for improvement!

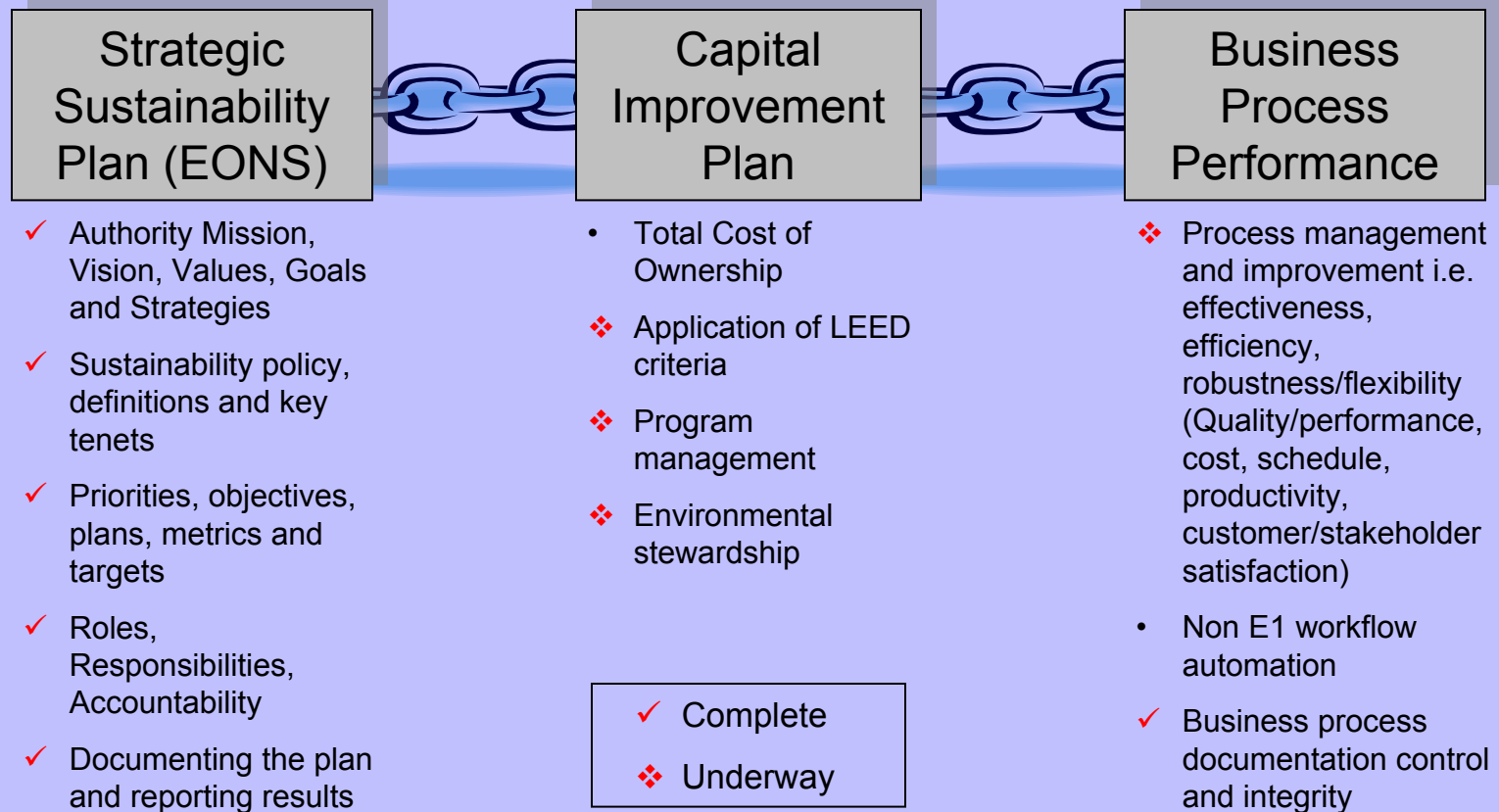
Sustainability touches many parts of the Authority

Sustainability and business continuity



Sustainability touches many parts of the Authority

Sustainability and capital programs



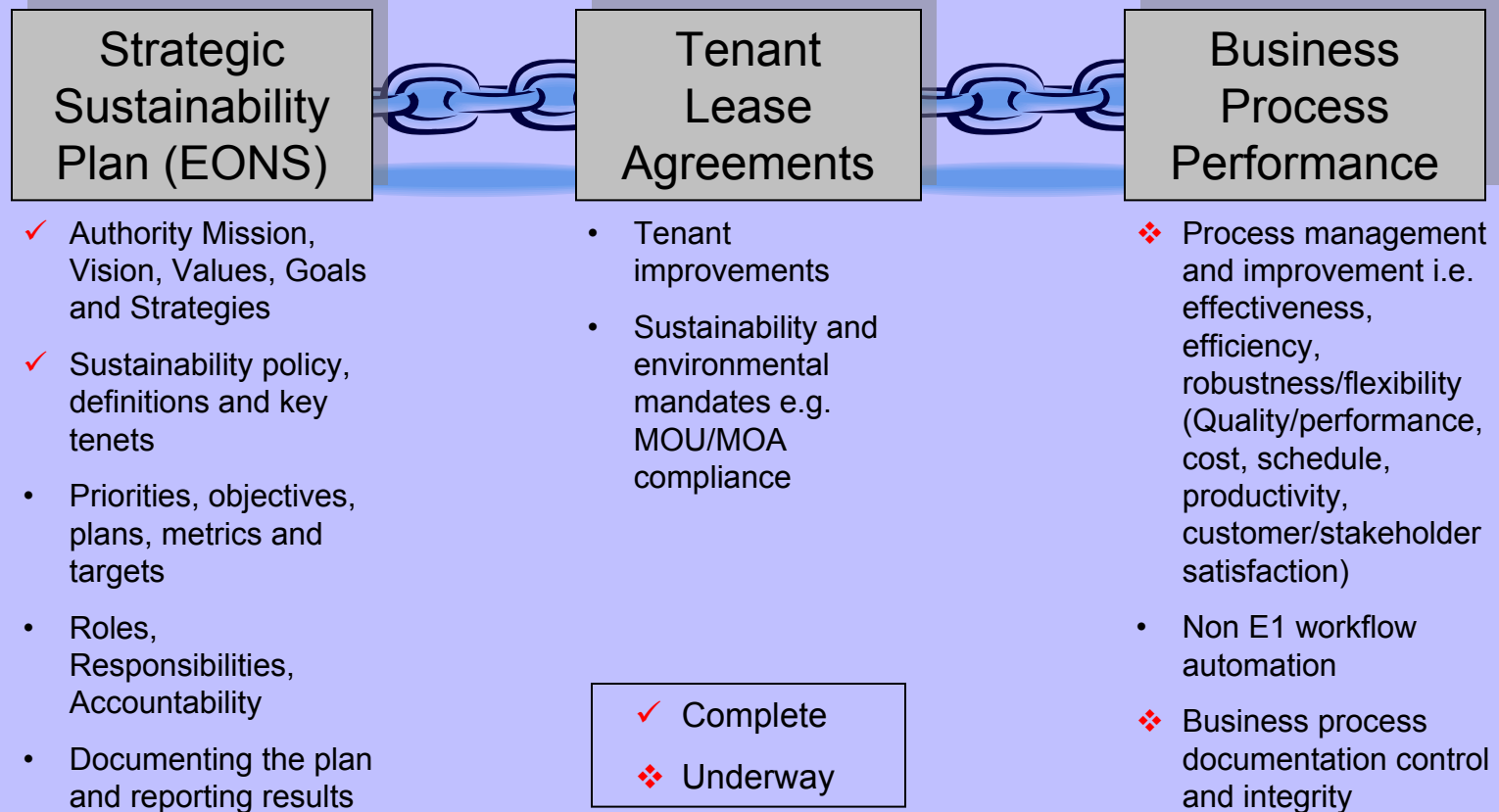
Sustainability touches many parts of the Authority

Sustainability and financial budgets



Sustainability touches many parts of the Authority

Sustainability and tenant relationships



Decisions and Actions

What is planned? (March- June)

- **March 15** The Authority does not plan to apply for the CY08 CAPE Award? Is there any impact of this decision?
- **April 16 (Exec. Team)** Sustainability direction and emphasis- what results are we seeking? What are the Authority's long-term commitments and obligations? What goals and programs should we prioritize and pursue? How are current programs leveraged?
- **May 7 (Exec. Team)** Key sustainability performance indicators- how should results be measured and reported?
- **May 28- (Exec. Team)** Specific actions, tasks and decisions- Who is responsible? How should accountability be managed?
- **June 4- (Exec. Team)** How do we communicate the sustainability efforts to a) Authority employees; b) Airport tenants and employees; c) Community stakeholders; d) Board members; e) Regulatory and governmental agencies? How will communiqués be done clearly and consistently?

Decisions and Actions

What is planned? (June- TBD)

- **June 1-** Sustainable Business Plan (macro-level)- outline of the Authority's key sustainability initiatives. What is the Authority doing to practice sustainability and why?
- **June 12-** Division Open House- Sustainability theme
- **August 1-** Sustainable Business Plan (detail-level)- explanation of the Authority's key sustainability initiatives to include key measures, action plans, timetables and roles and responsibilities. How will the Airport and the Authority achieve sustainability?
- **August 13 or 20-** Management Retreat- Meeting of Authority management staff to discuss the sustainability plan specifics, related departmental plans, R&Rs and plan execution.
- **Date(s) TBD-** Sustainability Progress, Issues, and Goals- Periodic update to discuss: How are we doing? What do we need? Where are we going? Commitments from airport tenants?

II. Management System- Necessary and Sufficient?

Performance Excellence Criteria

Leadership

Strategic Planning

Customer and Market Focus

Measurement, Analysis and

Knowledge Management

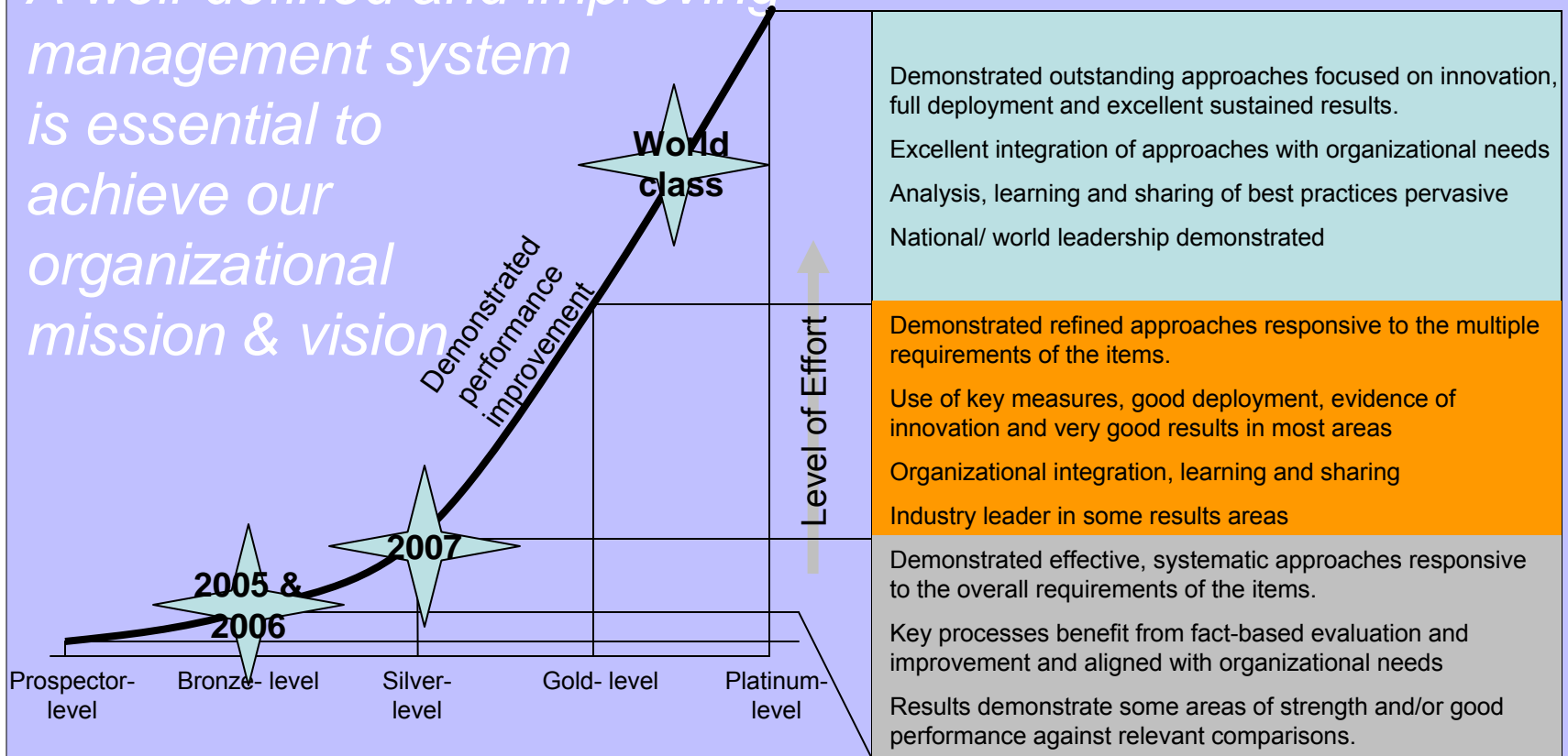
Workforce Focus

Process Management

Results

World class performance requires an outstanding management system

A well-defined and improving management system is essential to achieve our organizational mission & vision



III.

Sustainability Policy Implementation- Reality or Rhetoric?

What is Sustainability?

Key Sustainability Policy tenets

Sustainability Policy goals, strategies and
performance measures

What's Driving Sustainability?

Sustainability actions and decisions

Planning for the future is a critically important aspect of sustainability. According to the World Resources Institute report, *Weight of Nations* (2000), over the next 50 years, projections suggest that:

- The world's population may increase by 50 percent.
- Global economic activity may increase by 500 percent.
- Global energy consumption and manufacturing activity may rise to three times current levels.

These trends could have serious social, economic, operational and environmental consequences unless ways are found to use fewer resources in a more efficient way. **SDIA's and SDCRAA's task ahead is to shape a sustainable future, using resources less intensively and integrating operational, social, economic and environmental strategies.**

Sustainability Policy Implementation

For SDCRAA, a sustainable holistic organizational strategy considers...

- **E**conomic Viability
- **O**perational Excellence
- **N**atural Resource Conservation & Preservation
- **S**ocial Responsibility

Sustainability Policy Implementation

What constitutes Economic Viability?

- Macro-economic (regional) viability
- **Financial viability**
- Market viability
- Airline/tenant viability
- Airport operational viability
- Airport business model viability
- Authority management system viability
- Image/brand/reputation viability
- **Customer satisfaction/loyalty/retention viability**

Sustainability Policy Implementation

What constitutes Financial Viability?

An airport must be able to show that it can pay the following from airport Revenues after completion of the project:

- Operation and Maintenance (O&M) expenses
- Reserve Fund deposits (debt service reserve, O&M reserve)
- Debt Service x 125% (minimum coverage)

For Compensatory airports such as SAN, a higher debt service coverage target is necessary:

- Moody's median for Compensatory airports: 2.12x
- Moody's median for A1 airports: 1.90x

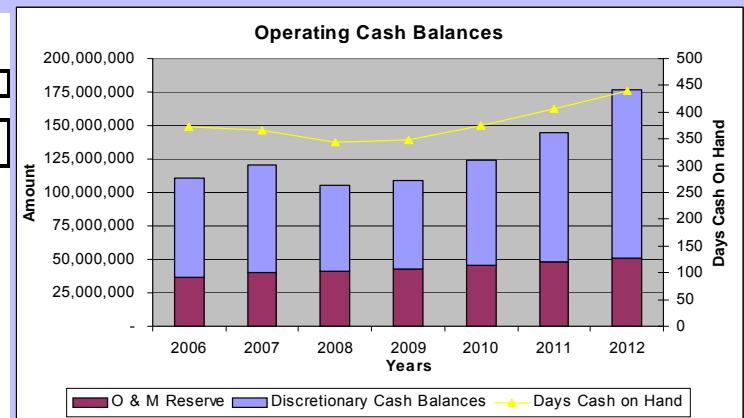
An airport must also maintain reasonable levels of unrestricted cash (liquidity):

Liquidity is typically measured as "Days Cash on Hand" which equals cash divided by annual O&M budget times 365

- Moody's median for all airports is 374 days
- Moody's median for compensatory airports is 474 days
- SDCRAA's minimum target: 365 days

OPERATING RATIOS

	"A" Rating Fitch Ratings	"BBB" Rating Fitch Ratings	2007 Actual	2008 Budget	70% PFC	
					2012 Forecast	2013 Forecast
Enplaned Passenger			8,892,069	9,200,990	10,235,671	10,158,636
Cost Per Enplaned Passenger	\$5.90	\$6.66	\$6.22	\$6.78	\$9.76	\$11.73
Debt Service Coverage Ratio	1.81	1.38	4.52	3.65	1.61	1.21
Days Cash on Hand (Days)	210.6	227.8	391.3	355.9	406.2	435.5
Unrestricted Cash per Enplanement	6.13	10.44	13.20	12.69	15.96	18.09
Unrestricted Cash to Long Term Debt	9.9%	14.6%	222.5%	233.1%	17.2%	13.3%



Sustainability Policy Implementation

What constitutes Operational Excellence?

- Safety and security e.g. passenger, employee, tenant
- Facility utilization e.g. airfield efficiency
- Resource utilization e.g. air, water, electricity, gas
- “Consumable” utilization e.g. supplies and services
- Equipment utilization e.g. escalator uptime
- Human capital (employee) utilization e.g. innovation
- Information technology utilization e.g. QPR, GMS
- Business process utilization e.g. contract throughput
- Organizational (structure) utilization e.g. knowledge

Sustainability Policy Implementation

What constitutes Facility Utilization?

Airfield/Airside

- Operations
- Revenues
- Costs
- Pavement conditions
- Runway conditions (pavement condition index)
- Arrival rate
- Hourly capacity of the runway
- Runway occupancy
- Runway utilization
- Runway cleaning
- Carbon footprint
- Airfield inefficiencies
- Friction test
- Runway bearing/ load capability

Facilities/Structures/Buildings

- Cost per sq. ft. (e.g. maintenance, utility, construction)
- Total Cost (life cycle cost) of ownership
- Cost per EPAX or Revenue per EPAX
- Revenues per sq. ft.
- Cost per passenger
- Utility (cost or consumption)
- Energy usage vs. control temperature
- Air recirculation rates
- Total vandalism events
- Occupancy rates
- Utilization rates (passenger through put)
- Security costs (per facility, sq. ft.)
- Customer satisfaction
- Revenue stream impact

Roadways/Parking facilities/Wayfinding

Sustainability Policy Implementation

What constitutes Natural Resource conservation and preservation?

- Environmental Stewardship
 - Waste reduction, reuse, disposal/recycling
 - Land use/reclamation
 - Noise/light abatement/mitigation (see social responsibility)
 - Storm water quality/discharge
 - Air emissions/discharge
 - Wildlife/habitat protection
- Supplier environmental commitment
- Material and supplies procurement
- Alternative energy usage

Sustainability Policy Implementation

What constitutes Environmental Stewardship?

Waste disposal/recycling

- Increase recycling rate 5% by 2009
- Expand recycling program of in-flight wastes to include at least 50% of all flights in FY2009
- Achieve 50% solid waste diversion by 2011 (AB939 goals)
- Reduce waste disposal tonnage by 50% by 2012
- Reduce/ recycle hazardous waste tonnage by 10% in 2009.

Storm water quality/discharge

- Implement Pilot BMP Projects (to Cu and Zn concentrations in storm water runoff) (2010)

BMP Implementation

- Achieve minimum BMP Implementation Frequency Score of 85% for all audited facilities/operations (2009)

Wildlife/habitat protection

- California Least Tern habitat

Noise abatement/mitigation

- See Social Responsibility

Air emissions/discharge (carbon footprint)

- Achieve GHG reduction in accordance with AB 32 goals (1990 carbon levels) by 2020

Sustainability Policy Implementation

What constitutes Social Responsibility?

- Authority employees/ Airport employees
- Community/key stakeholders
- Business development (supply chain)
- Airport Customers

Sustainability Policy Implementation

What constitutes Social Responsibility?

Authority employees

Foster and maintain a skilled and diverse workforce through the following:

- 100% of employees have an individual development plan
- an organization succession plan
- maintain employee satisfaction

Community/key stakeholders

- Community engagement
- Noise abatement/mitigation (QHP)

Business development

Airport employees

Airport Customers

Sustainability Policy Implementation

AUTHORITY GOALS AND STRATEGIES	Environmental commitment	Regional partnerships	Holistic approach (EONS)	Total Cost of Ownership	LEED guidance	Resource preservation/conservation	Tenant participation	Work environment	Community leadership	How strong a relationship does each Sustainability tenet have with the Authority's Goals and Strategies?
Improve operational efficiency, safety and security										
Maintain a safe, secure and aesthetically pleasing operating environment	■	■	■	■	■	■	■	■	■	■ Strong relationship
Enhance law enforcement and safety services							■	■	■	■ Moderate relationship
Ensure workplace and employee safety	■						■	■	■	■ Marginal relationship
Partner with local and federal law enforcement and security agencies to implement key security programs										
Enhance regional partnerships										
Identify and pursue opportunities to collaborate with other regional agencies on projects, funding and policy initiatives	■									■ Strong relationship
Coordinate closely with partner agencies on a comprehensive regional aviation system plan, including public transportation.	■								■	■ Moderate relationship
Seek opportunities to formally link the Authority with other regional agencies i.e. ex-officio memberships	■	■							■	■ Marginal relationship
Support efforts of regional partners on their policy initiatives of mutual interest.	■								■	■ Marginal relationship
Create and build a credible community image as a transparent, trusted and highly responsive agency										
Engage in meaningful and transparent public participation efforts regarding short- and long-term planning for San Diego International Airport	■	■							■	■ Strong relationship
Educate and develop two way communication with regional partners, other stakeholders and the public	■	■							■	■ Moderate relationship
Proactively distribute consistent, accurate information	■	■				■			■	■ Marginal relationship
Enhance relationships with regional leadership	■	■	■	■	■	■			■	

We must understand and strengthen relationships between the Authority's Goals and Strategies and the Sustainability Policy.

Sustainability objectives, measures and targets are crucial

Sustainability Initiative	Key Focus Areas	2008 (target)	2009 (Proj.)	2010 (Proj.)	2011 (Proj.)
Economic Viability: Financial Viability	Net margin Liquidity	Debt service coverage: 1.9-2.12x Days cash on hand: > 365 days	≈3.65 (est.) ≈255 days	≈3.65 (est.) ≈ 305 days	≈3.65 (est.) ≈ 360 days
Operational Excellence: Facility Utilization	Airfield/Airside Terminals, Structures & Buildings Roadways, Parking Facilities, Wayfinding	Runway occupancy Runway utilization	TBD	TBD	TBD
Natural Resources: Environmental Stewardship	Waste recycling and waste disposal Carbon Footprint	Solid waste diversion Improvements in recycling tonnage.	25% solid waste diversion 11% per year	50% solid waste diversion (AB939 goals) 11% per year	TBD
Social Responsibility: Community/ Stakeholders	Community engagement	Business Development Employee Development	TBD 100% of employees have an individual development plan	TBD	TBD

Sustainability Business Plan Authority Report Card (QPR)

Management approach & performance indicators

[<-Back] [Print] [Bookmark] [Add to Basket]

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Strategic Goals

Period: Latest for all Series: Default series

Hierarchy	*	*	*	Action headers	Add action
Strategic Goals	Q4 / 2007 3.00 pts.				[Add]
Operational Performance	2 / 2008 0.00 pts.				[Add]
Regional Partnerships					[Add]
Community Image					[Add]
Financial Performance	12 / 2007 10.00 pts.				[Add]
Operating Revenue	1 / 2008 \$ 17.42				[Add]
Non Operating Revenue Items	2 / 2008 \$ 3,723,448.57				[Add]
Operating Expenses	1 / 2008 \$ 16.07				[Add]
Profitability	1 / 2008 \$ 1.34				[Add]
Debt Service	2 / 2008 \$ 439,675.97				[Add]
Air Transportation Solutions	Q4 / 2007 0				[Add]
Enterprise Performance	Q4 / 2007 7.00 pts.				[Add]
Authority (6 month) Priority Programs				BCP Project Update- October 07	[Add]
Business Process Improvements					[Add]
Environmental Measures					[Add]
Innovation Index					[Add]
Customer Satisfaction	Q4 / 2007 85.00 %			Customer Satisfaction Quarterly Results Communicated Why has customer satisfaction declined?	[Add]
Team Environment	2006 63.38 %				[Add]

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How do you want to define and implement sustainability?

Create a PLAN owned by senior management!

- Sustainability vision, policy, definition and context
- SMART performance objectives and targets
- Commitment, involvement and accountability
- Transparency, disclosure and reporting outcomes
- Funding, resources, organizational alignment
- Leadership and (personal and cultural) change
- Planning, organizing, communicating, executing and measuring
- Governance, audit, and oversight
- Airport tenant and business partner (legal/control) agreements and (boundary/influence) relationships
- Understand and manage the alternatives, risks and balance

Sustainability References and Resources

Structured protocols and reporting schemes exist

- Global Reporting Initiative (GRI) including sector supplement for Public Agencies
- ISO 14001: 2004 Environmental management systems (ISO)
- Greenhouse Gas Protocol (WBCSD/WRI)
- National Environmental Performance Track (EPA)
- Sustainable Initiatives Index (DRAFT) (ACI-NA)
- Dow Jones Sustainability Indexes (SAM Group)
- Global Environmental Management Initiative (GEMI)
- AND OTHERS (See Section V)

IV. Moving Sustainability Forward

Business Plan Questions
Additional Actions

Moving forward with the business plan efforts

*How do we plan, organize, align/coordinate,
execute and measure*

- Our sustainability commitments?
- The ongoing maturation of our management system?
- The other significant challenges
 - Destination Lindbergh
 - Terminal Development Program (TDP/AMP²)
 - TDY
 - Facility Utilization (from passenger growth)

while sustaining operations of a very busy airport?

Recommended Actions

Needed actions: Executive management

- Define sustainability from the Authority's and the Airport's perspective.
- Generate a compelling business case for sustainability change, how each employee is affected and why the Airport Authority considers it a priority, with a strong sense of urgency.
- Solicit engagement and watch for commitment from every employee. Embed sustainability as a part of every employee's job and as a personal commitment (passionate advocacy)!
- Identify performance expectations, priorities, targeted results and comparisons/benchmarks. Communicate those expectations to the organization. Assign accountability.
- Review/assess the Authority's current objectives, programs and plans to highlight gaps, disconnects and inefficiencies.
- Review/assess the Authority's future objectives, programs and plans to highlight inconsistencies, shortcomings and options.

Recommended Actions

Needed actions: Executive management

- Agree on and disseminate key sustainability reporting protocol, goals, results and expectations.
- Develop short-, intermediate-, and long-term performance measures (with appropriate BIC comparisons).
- Perform a gap analysis highlighting what we have, what we need and the amount of effort required.
- Delineate, prioritize and communicate needed programs, projects and services.
- Assign/allocate resources to mitigate/eliminate the gaps.
- Finalize decisions, action plans, timetables, and accountabilities.
- Reward, incentivize, recognize (innovation, risk, achievement).
- Review and apply lessons learned.

Recommended Actions

Needed actions: Executive & Senior management

- Create appropriate action plans to include major milestones and important tasks, timelines, critical resources and key measures.
- Appoint and hold accountable cross-functional teams to address the major program implementation.
- Conduct periodic updates of status and results. Document the progress and appropriate corrective/preventive actions.
- Evaluate, document, improve and apply the designated business processes to achieve the specified results

Recommended Actions

Needed actions: Rest of Authority Staff

- Create appropriate individual performance (and/or development) plans to include relevant milestones and needed tasks, timelines, desired resources and key measures.
- Participate on cross-functional teams to address the major program implementation.
- Participate in periodic updates of progress, status and results. Document the progress and appropriate corrective actions.
- Evaluate, document, improve and apply the designated business processes to achieve the specified results

V. References and Resources

Business Plan Questions
Additional Actions

Reference and Resource Materials

Additional materials and references

Greenhouse Gas Protocol Initiative

<http://www.ghgprotocol.org/standards>

Greenhouse Gas Assessment Handbook

[http://Inweb18.worldbank.org/ESSD/envext.nsf/46ByDocName/GreenhouseGasAssessmentHandbook1998PDF953kb/\\$FILE/GHGAssessmentHandbook.pdf](http://Inweb18.worldbank.org/ESSD/envext.nsf/46ByDocName/GreenhouseGasAssessmentHandbook1998PDF953kb/$FILE/GHGAssessmentHandbook.pdf)

World Business Council for Sustainable Development

<http://www.wbcsd.org/templates/TemplateWBCSD5/layout.asp?type=p&MenuId=MQ&doOpen=1&ClickMenu=LeftMenu>

Global Reporting Initiative (G3 Guidelines)

<http://www.globalreporting.org/ReportingFramework/G3Guidelines/>

EPA Performance Track Program Guide

http://www.epa.gov/performance-track/downloads/PTprog_guide.pdf