Airport Commission Meeting
May 14, 2012
Item 3.1

The New Airport
A MAJOR UPGRADE FOR SILICON VALLEY

Preliminary Airline Rates And Charges Fiscal Year 2012-13

Norman Y. Mineta San José International Airport

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
SILICON VALLEY'S AIRPORT

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

FISCAL YEAR 2012-13 BUDGET OVERVIEW

REVENUES

OVERVIEW

The Airport's mission is to meet the air transportation needs of the community in a safe, efficient and cost effective manner. The fiscal year (FY) 2012-13 budget process will recommend changes to meet this mission as well as the outcomes outlined in the City's Transportation and Aviation City Service Area. These outcomes are:

- Provide safe and secure transportation systems
- Provide viable transportation choices that promote a strong economy
- Deliver and develop programs and services so that travelers have a positive, reliable and efficient experience
- Preserve and improve transportation assets and facilities
- Provide a transportation system that enhances community livability

Norman Y. Mineta San José International Airport (Airport) continues to cut operating costs to remain competitive and to meet a cost per enplaned passenger (CPE) of under $12 as directed by the City Council. The total revenues for FY 2012-13 are projected to increase by 0.45%, from $156.0 million to $156.7 million.

Airline Rates & Charges

The preliminary calculation of landing fees and terminal rental rates for FY 2012-13 resulted in an increase in the landing fee rate from $2.14 to $2.38 per thousand pounds. The average rental rate is estimated to increase from $153.20 per square foot to $154.65 per square foot.

Terminal Concessions

Terminal Concessions are projected to decrease by approximately $815,000 or 5.12% primarily due to the elimination of the Orange Alert surcharge effective FY 2012-13. Terminal Concessions are also negatively impacted by the reduced minimum annual guarantee associated with the closure of food and retail concessions in Terminal A+.

Airfield Program

The Airfield Program revenues reflect an overall decrease of approximately $221,000 or 7.41% principally due to the decrease in ground support concession fees and in-flight kitchen revenues.

Parking and Roadway Program

Revenues from the Parking and Roadway Program are projected to decrease by $345,000 or 0.85% mainly due to the decrease in public parking revenues, largely offset by increases in rental car concessions and ground transportation revenues.

Other Cost Centers/Petroleum

The Other Cost Center/Petroleum Program is anticipated to decrease by approximately $569,000 or 6.87% principally due to the decrease in debt service reserve earnings from the fiscal agent.

Excess 2004 Bond Proceeds

Excess 2004 Bond Proceeds pertain to the unspent proceeds of the 2004 bonds which resulted from interest earnings and the unexpected cost savings on the security-related improvement projects at the Airport that were funded from these bonds. $5.5 million was allocated in FY 2011-12 while $1.1 million is allocated in FY 2012-13.

Transfer from Grant Fund

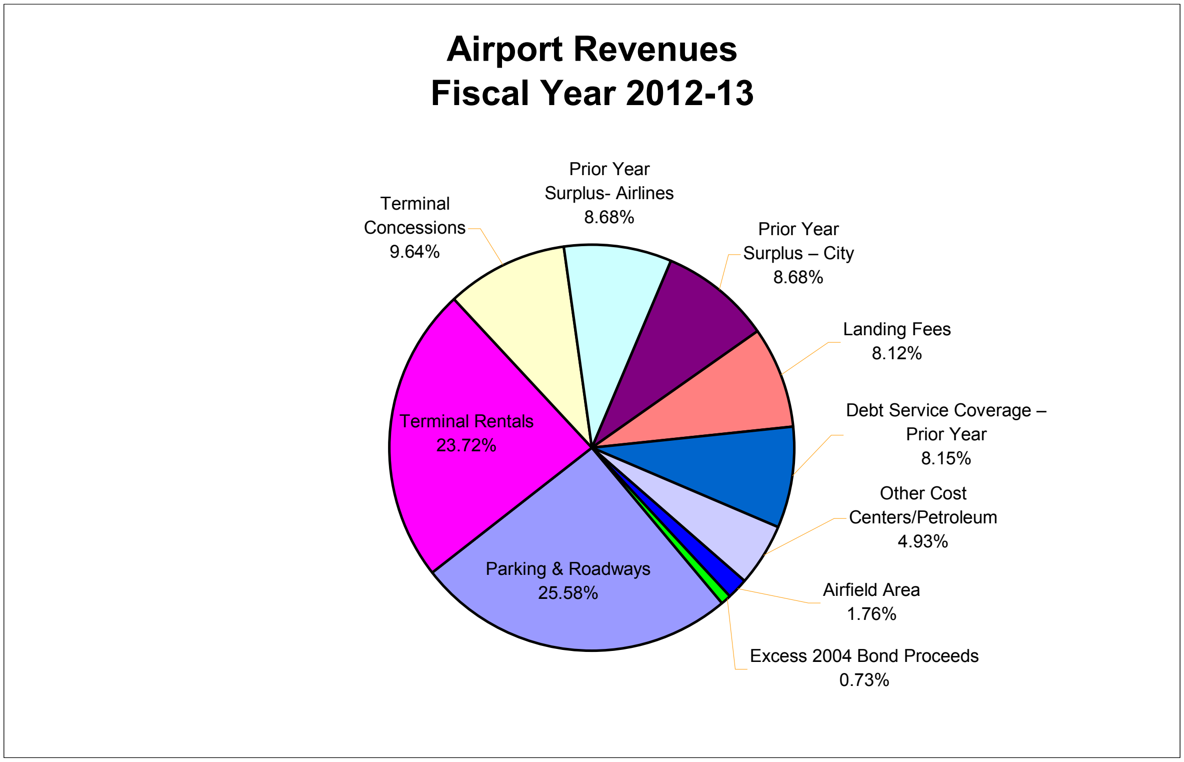
The transfer of grant funds of $500,000 in FY 2011-12 represented the Letter of Intent monies from the Federal Aviation Administration which was designated for the payment of debt service on the 2001 “runway” bonds.

Revenue Sharing

In accordance with the provisions of the Airline-Airport Lease and Operating Agreement, the projected net surplus of $27.2 million for FY 2011-12 is distributed equally between the City and the airlines. Out of the City’s $13.6 million revenue share, $1 million is set aside for discretionary projects, $2 million is set aside as contingency reserve, $2.2 million is credited to the Airfield cost center to pay for a portion of the 2001 “runway” bonds, and the remaining balance is used to balance the budget for FY 2012-13. $4.5 million of the airlines’ $13.6 million share is allocated to replenish the Rate Stabilization Fund and the remaining balance is applied to the Airline Terminal Revenue Requirement to achieve the projected FY 2012-13 CPE of $11.95.

FISCAL YEAR 2012-13 BUDGET OVERVIEW

REVENUES



REVENUES

	Proposed Budget FY2012-13	Approved Budget FY2011-12	Percent Change
Landing Fees	$ 12,733,524	$ 12,073,884	5.46%
Terminal Rentals	37,186,986	38,184,987	-2.61%
Terminal Concessions	15,114,972	15,930,380	-5.12%
Airfield Area	2,762,590	2,983,703	-7.41%
Parking & Roadways	40,090,694	40,435,864	-0.85%
Other Cost Centers/Petroleum	7,720,495	8,289,765	-6.87%
Excess 2004 Bond Proceeds	1,148,000	5,498,849	-79.12%
Transfer from Grant Fund	-	500,000	-100.00%
Bond Debt Service Coverage – Prior Year	12,004,822	8,331,091	44.10%
CP Debt Service Coverage – Prior Year	777,006	1,059,656	-26.67%
Prior Year Surplus- Airlines	13,602,840	11,380,028	19.53%
Prior Year Surplus – City	13,602,839	11,380,027	19.53%
TOTAL	$156,744,768	$156,048,234	0.45%

FISCAL YEAR 2012-13 BUDGET OVERVIEW

EXPENSES

Proposed budget changes are included in both the Proposed Operating Budget, as well as the Proposed Capital Budget which is outlined in the City's Capital Improvement Program (CIP).

A. Operating

The Airport Proposed Operating Budget reflects steps necessary to ensure that costs to airlines remain at nationally competitive levels and to enable successful competition for air service. Significant reductions over the last several years have realigned staffing levels to pre-capital development program levels as well as implementing a cost saving alternative service delivery model for custodial services. The budget strategy for FY 2012-13 includes continuing to implement service delivery changes in order to provide services in the most cost-effective manner. The largest savings come from outsourcing curbside management services at the Airport. Airport operational safety and security remains the highest priority and the outsourcing provides the same critical services for a lower cost. Outsourcing is also anticipated to provide increased flexibility in hours of service, an increase in the range of services and specific objectives for meeting airport customer service performance measures. The City Council is considering the outsourcing model and is expected to hear recommendations and alternatives in May/June. The impacts to Airline Rates and Charges are highlighted below. Updates on these proposals will be discussed at the next AAAC meeting.

Personnel Cost Adjustments

Impacts of previous position reductions and service model changes will require continued adjustment and realignment of classifications, consolidation of functions and more general oversight in all areas of the Airport. Overall personnel cost adjustments result in a decrease of $1.3 million with Airline Lease cost center impact as follows:

- **Terminal Building** budget includes a reduction of 18.0 Parking and Traffic Control Officer positions or approximately $1.5 million in personnel service costs. The reductions result from transitioning to contractual curb enforcement services. The most significant benefit of this model is cost savings, however the model also provides flexibility to meet the staffing needs for the Airport curbsides and facilities, and provides additional services to the Airport, tenants and passengers. From crowd control during specified or emergency events to coordination with San José Police Department (SJPD) for security or traffic control activities, airside or landside, the flexibility allows for more effective and efficient use of staffing resources. The reductions are recommended as a viable option to reduce costs without sacrificing service levels.

- **Airfield Area** budget demonstrates an overall increase of $154,000 primarily due to adjustments to the retirement costs for existing staff.

- **Parking and Roadway** total reduction in personnel services costs is approximately $100,000 or 2.0 Parking and Traffic Control Officer positions resulting from transitioning to contractual curb enforcement services as described in the Terminal Building section above. The reduction is partially offset by limited realignments of existing staff to meet current organizational needs as well as retirement costs.

FISCAL YEAR 2012-13 BUDGET OVERVIEW

EXPENSES

- **Other Cost Centers/Petroleum** budget increase of $42,000 primarily reflects adjustments to retirement costs as well as limited realignments of existing staff to meet current organizational needs.

- **General and Administration** budget reflects a net increase of approximately $155,000 reflecting adjustments to retirement costs.

Non-Personal Cost Adjustments

All operating services and programs were reviewed and evaluated for efficiencies, restructuring and right-sizing opportunities. Non-personal cost reductions totaling approximately $1.9 million include an overhead rate reduction from 21.97% to 21.10%. Funding increases were primarily focused around enhanced customer amenities and required cost of living adjustments for ongoing agreements. Adjustments to non-personal budgets by Airline Lease cost center are described below:

- **Terminal Building** increase totals $880,000 for a common use lounge operator agreement, customer cart service in Terminal B and contractual curb enforcement services following the outsourcing of Parking and Traffic Control Officer functions. The increases are partially offset by elimination of contractual law enforcement funds following an agreement to continue utilizing SJPD for law enforcement services.

- **Airfield Area** adjustments reflect a decrease of $75,000 primarily for electricity costs resulting from airfield lighting improvements.

- **Parking & Roadway** adjustments total an approximate reduction of $2.5 million resulting from early termination of lease and maintenance costs on 14 shuttle buses ($918,000) and several new agreements that reduce costs including Valley Transit Authority-Airport Flyer service ($482,000), Ampco parking operations ($470,000) and surface lot transportation ($208,000), and Shuttleport bus operator ($308,000), as well as reduced electricity costs ($138,000).

- **Other Cost Centers/Petroleum** reductions total $160,000 reflecting decreases in electricity costs, equipment rental and supplies.

- **General and Administration** decreases total approximately $85,000 which reflect reductions to supplies, equipment rental, communications, vehicle maintenance, and insurance costs offset by an increase for collaborative air service marketing funds.

Workers' Compensation

- The Airport has updated its Worker's Compensation allocation to reflect the City's most recent actuarial study, resulting in a decrease of $393,000.

Other Postemployment Benefits Cost

- A total amount of $1.5 million is set aside to fund the liability related to employees' postemployment healthcare and other non-pension benefits (collectively referred to as Other Postemployment Benefits). The amount set aside in 2011-12 was $1.0 million.

Police & Fire Services

- Alternative service delivery models for public safety services at the Airport have been deferred at this time following renegotiation of Airport law enforcement services with SJPD ($5.3 million) and grant revenue to offset San Jose Fire Department ($1.7 million) costs through 2012-2013.

Debt Service/Coverage

- Total debt service and coverage allocable to the rates charges calculation in FY 2012-13 is $66.7 million. Total amount allocated in FY 2011-12 was $67.5 million.

Transfer to the Renewal and Replacement Fund

- The transfer to the Renewal and Replacement Fund is budgeted at $4.0 million. The following is a list of major capital project budget proposals that are proposed to be funded through the Renewal and Replacement Fund in FY 2012-13:

  a) Procurement of equipment necessary to support Airport Operations' systems including, but not limited to, access control, shared use, security camera, parking revenue control, ground transportation, and noise monitoring.

  b) Initiation of a preventative maintenance program to asses and maintain airfield pavement/concrete (runways, taxiways and aprons) at an acceptable level of service as measured by the pavement condition index, and to maximize the serviceable life of the pavement.

  c) Reconstruction of asphalt and concrete pavement and joint sealing at various locations throughout the Airport to meet airfield and runway safety requirements.

  d) Modifications and other minor alterations to accommodate expansions or changes in Airport operations, including maintenance projects, at all Airport buildings and terminals.

  e) Replacement of incandescent airfield lights with LED technology. This project includes edge lights, runway centerline, and taxiway lead-in lights and associated fixtures used over the entire aircraft movement area.

  f) Vehicle replacement program. The Airport currently has an aging fleet of 122 vehicles and rolling stock. The average age of the Airport's 92 street legal vehicles is over 15 years. These vehicles supply transportation for facilities and maintenance staff, field offices for engineering and inspection staff including Airport assigned Public Works staff, general transportation vehicles as well as vehicles set up for specialized programs like computer and telephone repair, noise monitoring, and fire inspections. With the focus on the development of the Airport, limited funds and reduced transportation needs associated with staff reductions and relocations, the Airport has not purchased replacement street vehicles in over 10 years. The condition of the fleet and recurring maintenance costs now requires the development of a proactive vehicle replacement program. Funding identified includes the anticipated purchase and replacement of 5-8 vehicles per year over the course of the CIP, for a total of 45 vehicles. The Airport is required by the Master Plan Environmental Impact Report to seek purchase of the lowest emitting vehicles feasible for their intended use. This requirement and the need to outfit Airport vehicles with specialized airside equipment, lights, radios and storage increases the average cost per vehicle.

g) Acquisition of operating equipment on as-needed basis.

h) Acquisition of technology equipment, including servers and server infrastructure, desktop and radio replacement, and automated systems management tools.

i) Terminal A+ building automation and HVAC replacement units. This project funds the extension of building automation controls for lighting and HVAC out to Terminal A+ and the replacement HVAC equipment that is past its useful life expectancy.

j) Minor land improvements, including fencing repairs around the Airport perimeter.

k) Tenant plan review, which provides for code review and inspection of tenant-constructed projects.

l) Replacement of aging network equipment at the Airport. The Airport Integrated Network (AIN) is the heart of the computing environment and is used by the Airport and all tenants to process both voice and data. The network that was purchased as part of the Terminal Area Improvement Program (TAIP) is now 5 years old and some equipment will need to be replaced. The network consists of over 275 pieces of equipment. The Airport plans to replace equipment when vendor support has ended or the Airport has a functional need to upgrade.

m) Fabrication and installation of terminal and roadway signs.

FISCAL YEAR 2012-13 BUDGET OVERVIEW

EXPENSES

Rate Stabilization Fund

- $4.5 million of the airlines' $13.6 million share in the FY 2011-12 net surplus is allocated to replenish the Rate Stabilization Fund. The amount allocated in FY 2011-12 was $100,000.

Reserve for Discretionary Expenditures

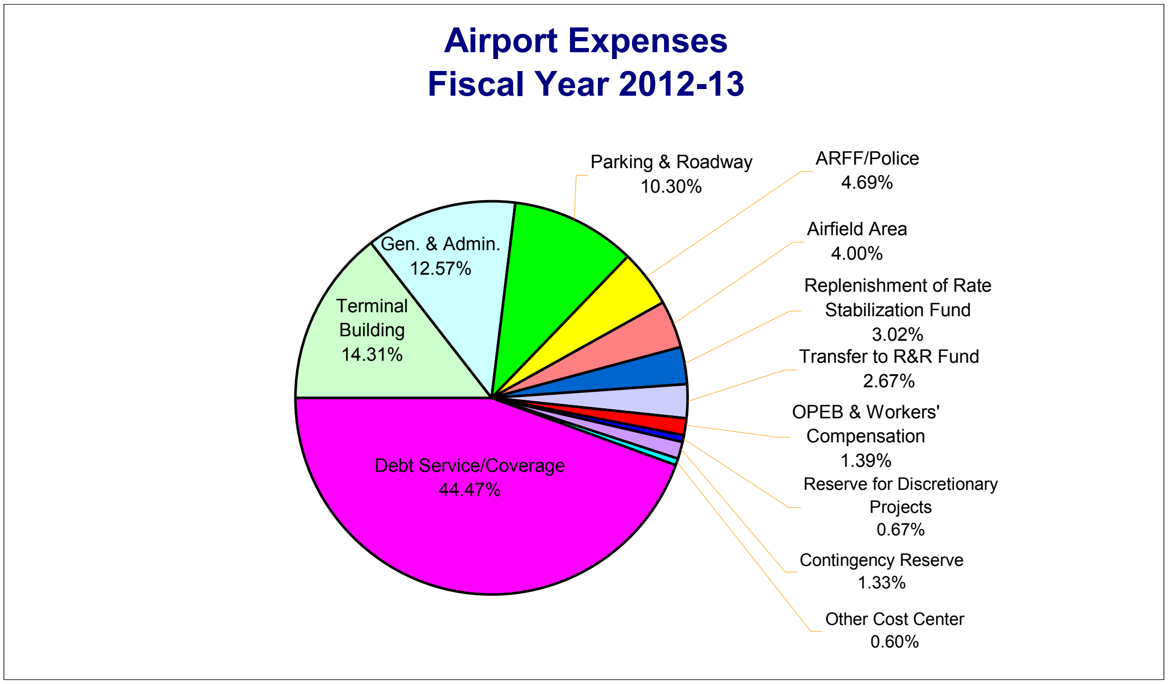
- A reserve for discretionary expenditures of $1.0 million in FY 2012-13 is set aside from the Airport's prior year targeted revenue share. The same amount was set aside in FY 2011-12.

Contingency Reserve

- A contingency reserve of $2.0 million is set side in FY 2012-13. The amount set aside as reserve for contingency in FY 2011-12 was $4.0 million.

FISCAL YEAR 2012-13 BUDGET OVERVIEW

EXPENSES



EXPENSES

	Approved Budget FY2012-13	Approved Budget FY2011-12	Percent Change
Terminal Building	$ 21,456,999	$ 22,111,804	-2.96%
Airfield Area	5,994,130	5,915,252	1.33%
Parking & Roadway	15,443,698	18,069,112	-14.53%
Other Cost Centers	894,304	1,011,872	-11.62%
General & Administration	18,847,433	18,777,944	0.37%
Workers' Compensation	577,700	970,582	-40.48%
Other Post Employment Benefits Cost	1,500,000	1,000,000	50.00%
ARFF/Police	7,026,358	8,092,996	-13.18%
Debt Service/Coverage	66,672,553	67,518,848	-1.25%
Transfer to R&R Fund	4,000,000	4,000,000	0.00%
Replenishment of Rate Stabilization Fund	4,526,000	100,000	4426.00%
Reserve for Discretionary Expenditures	1,000,000	1,000,000	0.00%
Contingency Reserve	2,000,000	4,000,000	-50.00%
TOTAL	$149,939,175	$152,568,410	-1.72%

FISCAL YEAR 2012-13 BUDGET OVERVIEW

CAPITAL

B. Capital

The following is a list of significant capital projects with funding in FY 2012-13:

- Taxiway W improvements. This project funds the design of the extension of Taxiway W from Taxiway B to Taxiway L in various phases. Construction of Phase IV is anticipated to begin in the summer of 2012 and extends Taxiway W from Taxiway G to Taxiway J and reconstructs Taxiway G. Subsequent phases would further extend Taxiway W from Taxiway D to Taxiway G and provide cross taxiway connections.

- Taxiway A/B Part 139 separation. This project funds the design and construction of a "No Taxi" Island (i.e. precludes aircraft movement) between Taxiways Alpha, Bravo and Runways 30L and 30R. The scope includes striping, signage, edge lighting, elevated runway guard lights and modification to the existing in-pavement runway guard lights.

- Title search and property map development. This project funds a consultant agreement to assist with the preparation of the required Airport Property Map (a component of the Airport Layout Plan) and Exhibit "A" (a component of the Airport Improvement Program grant assurances). The scope of work includes property records research and data management support for the creation of a map exhibit database. The database consolidates potentially over 1,000 properties which the Airport owns or utilizes, including detailed purchase information. Implementation of this project is dependent upon funding from the Federal Aviation Administration (FAA).

- Airfield sign program. This project provides for the design and installation and/or modification of airfield location, direction, and aircraft holding-position signs.

- Safety Management Systems Program (SMS). This project provides funding for consultation services required to develop an SMS program for the Airport. On October 7, 2010, the FAA issued a Notice of Proposed Rulemaking that, once finalized, will require the Airport to establish an SMS for its entire airfield environment (including movement and non-movement areas). Per the FAA's Notice of Proposed Rulemaking, the purpose of the SMS Program is to manage safety by developing an organization-wide safety policy, developing formal methods of identifying hazards, analyzing and mitigating risk, developing methods for ensuring continuous safety improvement, and creating organization-wide safety promotion strategies on a proactive instead of reactive basis. When systematically applied in an SMS, these activities would provide the Airport with a set of decision-making tools that Airport management can use to improve safety. This proposed regulation would require the Airport to submit an implementation plan and implement an SMS within timeframes commensurate with the Airport's class of Airport Operating Certificate. This new regulation is anticipated to be implemented late in 2012-13.

FINANCIAL HIGHLIGHTS

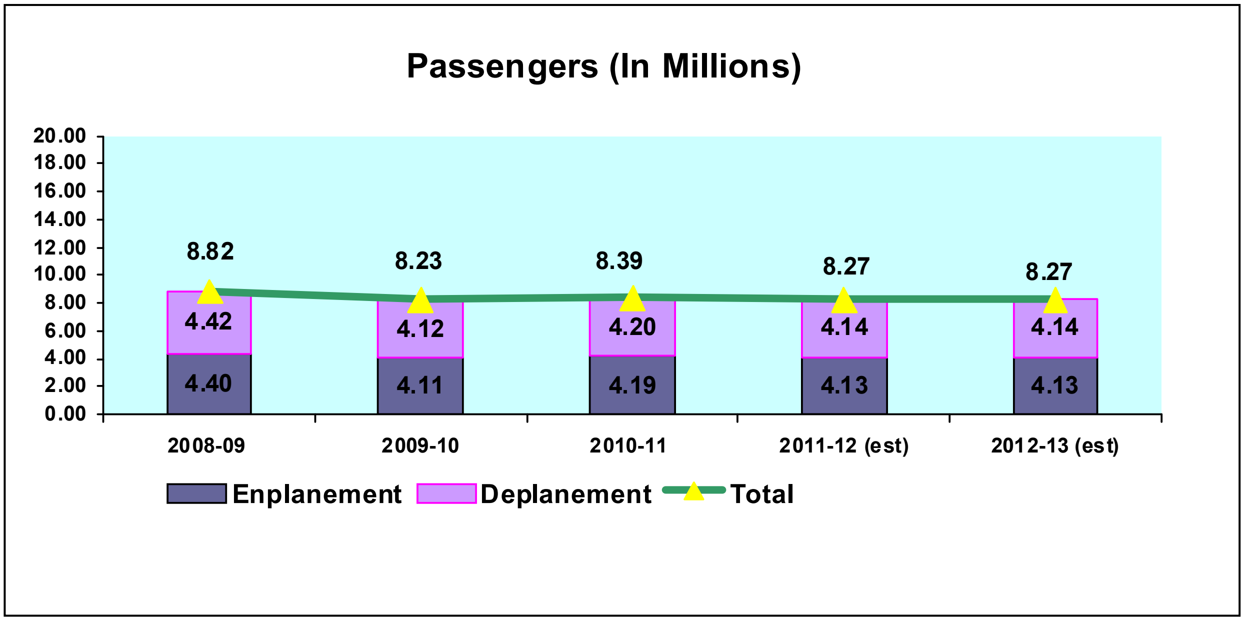
FISCAL YEAR 2011-12 (ESTIMATES) HIGHLIGHTS

❖ Total Passengers	8.27 million
❖ Total Revenues	$ 195.4 million
❖ Total Expenses	$ 168.2 million
❖ Year-End Surplus	$ 27.2 million
❖ Cost Per Enplaned Passenger	$ 12.33

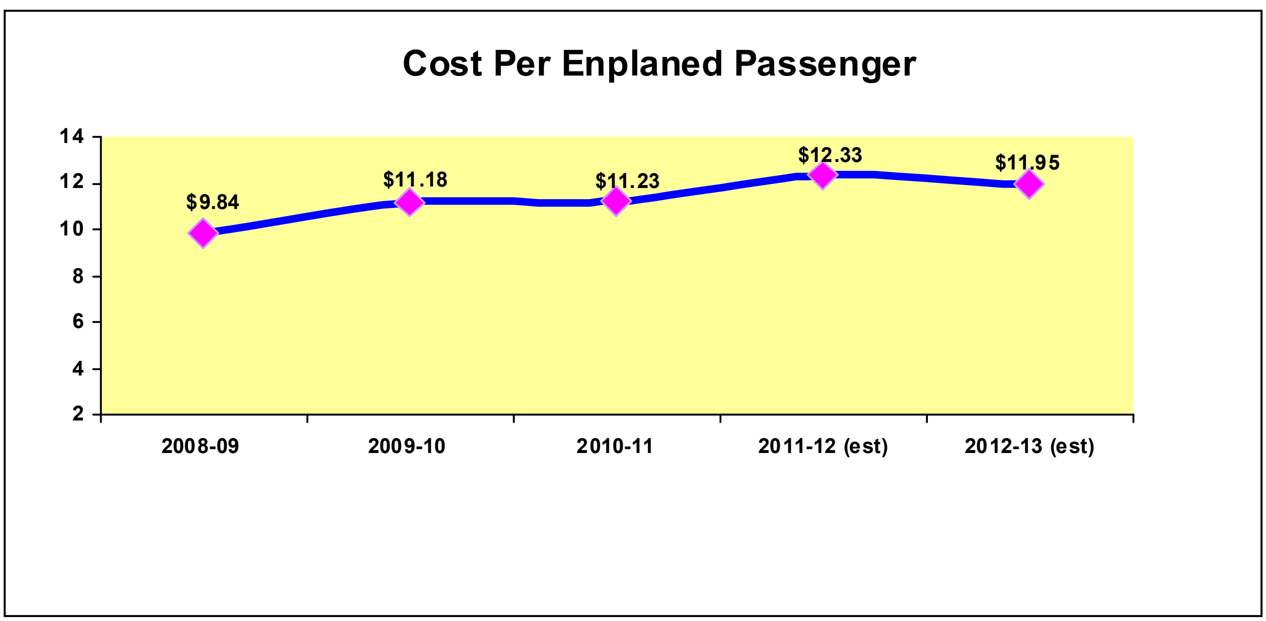
FISCAL YEAR 2012-13 (PROJECTIONS) HIGHLIGHTS

❖ Total Passengers	8.27 million
❖ Total Revenues	$ 156.7 million
❖ Total Expenses	$ 149.9 million
❖ Year-End Surplus	$ 6.8 million
❖ Cost Per Enplaned Passenger	$ 11.95

FINANCIAL HIGHLIGHTS



The passenger activity declined by 6.69% in FY 2009-10 and slightly increased by 1.94% in FY 2010-11. Total passenger activity at the Airport during the first nine months of FY 2011-12 has slightly declined compared to the passenger activity for same period of FY 2010-11. Trends indicate that we will end FY 2011-12 with a decrease of approximately 1.46% to 8.27 million passengers. The Airport expects that growth in passenger activity will be flat in FY 2012-13.



BUDGET CALENDAR

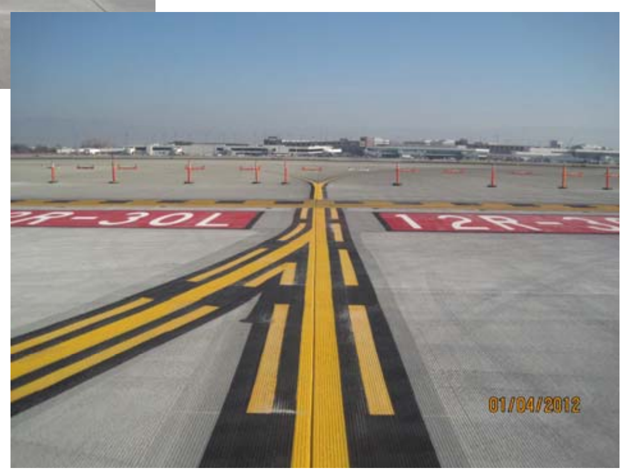
April/May

♦ 2012-13 Proposed Capital Budget Released	April 25, 2012
♦ 2012-13 Proposed Operating Budget Released	May 1, 2012
♦ Public Hearing on Proposed Budgets	May 15, 2012

June

♦ Public Hearing on Final Budget Modifications	June 11, 2012
♦ City Council Reviews Mayor's Final Budget Modifications Memo and Capital/Operating Budget	June 12, 2012
♦ City Council Formal Adoption of Budget	June 19, 2012

Taxiway W Improvement



The Taxiway W Improvement project addresses concerns identified by the Federal Aviation Administration's (FAA) Runway Safety Action Team, and will add taxiway capacity on the Airport's west side to support future general aviation demand. The Taxiway W Improvements project, a multi-phase project, is the last major airfield improvement identified in the adopted Airport Master Plan.

Norman Y. Mineta San José International Airport
Preliminary Airline Rates & Charges Analysis
Historical Statement and Forecast of Revenue and Expense
For Fiscal Years Ending June 30
Summary

REVENUE	Historical 2010-11	Budget 2011-12	Forecast 2011-12	Budget 2012-13
Airline Rates & Charges:				
Landing Fees	$ 13,370,404	$ 12,073,884	$ 11,495,783	$ 12,733,524
Terminal Rental	34,446,216	38,184,987	40,024,349	37,186,987
Other Revenues:				
Terminal Concessions	16,876,892	15,930,380	15,790,905	15,114,972
Airfield Area	2,924,976	2,983,703	2,760,206	2,762,590
Parking & Roadways	39,079,837	40,435,864	40,957,173	40,090,694
Other Cost Centers/Petroleum	8,182,478	8,289,765	8,569,162	7,720,495
Excess 2004 Bond Proceeds	-	5,498,849	5,498,849	1,148,000
Reimbursement of Equity	-	-	26,630,779	-
Transfer from Grant Fund	2,183,000	500,000	500,000	-
Transfers from Rate Stabilization Fund	1,200,000	-	-	-
Bond Debt Service Coverage, prior year	6,694,768	8,331,091	8,125,403	12,004,822
Commercial Paper Debt Service Coverage, prior year	-	1,059,656	1,059,657	777,006
Reserve for Future Deficit	10,405,742	-	-	-
Surplus in Excess of Revenue Sharing	10,570,617	-	11,227,485	-
Prior year surplus - Airlines	7,254,728	11,380,028	11,380,028	13,602,840
Prior year surplus - City	7,254,727	11,380,027	11,380,027	13,602,839
TOTAL REVENUE	$ 160,444,385	$ 156,048,234	$ 195,399,806	$ 156,744,769
EXPENSE				
Direct Expense:				
Terminal Building	$ 18,356,091	$ 22,111,804	$ 19,746,357	$ 21,456,999
Airfield Area	5,167,950	5,915,252	5,531,501	5,994,130
Parking & Roadways	17,568,402	18,069,112	17,113,075	15,443,698
Other Cost Centers/Petroleum	802,354	1,011,872	919,310	894,304
Indirect Expense:				
General & Administrative	17,733,589	18,777,944	17,769,585	18,847,433
Workers' Compensation	(580,216)	970,582	-	577,700
Other Postemployment Benefits Cost	1,518,924	1,000,000	1,000,000	1,500,000
ARFF	3,495,771	3,089,482	3,051,945	1,684,274
Police	10,692,557	5,003,514	5,394,346	5,342,084
TOTAL OPERATING EXPENSES	$ 74,755,422	$ 75,949,562	$ 70,526,119	$ 71,740,622
DEBT SERVICE & COVERAGE				
Debt Service - Revenue Bonds	$ 32,501,610	$ 50,285,442	$ 48,019,289	$ 50,981,651
Debt Service - Commercial Paper	5,298,282	3,885,038	3,885,038	2,454,574
Coverage - Revenue Bonds	8,125,403	12,571,360	12,004,822	12,745,413
Coverage - Commercial Paper	1,059,657	777,008	777,006	490,915
OTHER EXPENSES (USES)				
Transfer to Renewal and Replacement Fund	4,000,000	4,000,000	4,000,000	4,000,000
Replenishment of Rate Stabilization Fund	-	100,000	100,000	4,526,000
Reserve for Future Budgets	-	-	26,630,779	-
Replenishment of Debt Service Reserve	-	-	469,526	-
Reserve for Discretionary Expenditures (Revenue Sharing)	1,000,000	1,000,000	1,000,000	1,000,000
Contingency Reserve	-	4,000,000	781,548	2,000,000
TOTAL DEBT SERVICE & OTHER EXPENSES	$ 51,984,952	$ 76,618,848	$ 97,668,008	$ 78,198,553
TOTAL EXPENSES	$ 126,740,374	$ 152,568,410	$ 168,194,127	$ 149,939,175
NET REVENUE	$ 33,704,011	$ 3,479,824	$ 27,205,679	$ 6,805,594
Revenue Sharing				
Airlines (50%)	$ 11,380,028	$ 1,739,912	$ 13,602,840	$ 3,402,797
City (50%)	11,380,027	1,739,912	13,602,839	3,402,797
Surplus in Excess of Revenue Sharing	11,227,485	-	-	-
	$ 33,987,540	$ 3,479,824	$ 27,205,679	$ 6,805,594

Norman Y. Mineta San José International Airport
Calculation of Required Landing Fees
Fiscal Years Ending June 30

	2012	2013
Maintenance & Operating Expenses		
Direct Expenses	$ 5,915,252	$ 5,994,130
Workers' Compensation	217,726	141,042
OPEB Reserve	224,325	366,215
General & Administrative	3,549,031	3,562,165
ARFF	2,409,796	1,313,734
Police	600,422	641,050
	$ 12,916,551	$ 12,018,335
Annual Debt Service		
Revenue Bonds	1,723,825	3,622,205
Commercial Paper	292,483	190,599
Debt Service Coverage		
Revenue Bonds	430,956	905,551
Commercial Paper	58,497	38,120
Replenishment of the Rate Stabilization Fund	100,000	-
Renewal and Replacement Expenditures	1,952,775	1,774,043
Total Airfield Requirements	$ 17,475,088	$ 18,548,852
Credits:		
Other Airfield Revenue	3,945,419	$ 3,193,590
Debt Service Coverage, prior year		
Revenue Bonds	899,715	364,025
Commercial Paper	56,070	34,478
Transfer from Grant Fund	500,000	-
Prior Year Surplus	-	2,223,235
Total Credits	$ 5,401,204	$ 5,815,328
Total Landing Fee Requirement	$ 12,073,884	$ 12,733,524
Total Landing Weight	5,654,396	5,354,390
Calculated Landing Fee Rate per 1,000# MGLW	**$2.14**	**$2.38**

Norman Y. Mineta San José International Airport
Average Terminal Rental Rate Calculation
Fiscal Year Ending June 30

	2012	2013
Maintenance and Operating Expenses:		
Direct Expenses	$ 22,111,804	$ 21,456,999
Workers' Compensation	481,906	267,051
OPEB Reserve	496,513	693,399
General & Administrative	7,830,403	7,859,380
Police	3,202,249	3,418,934
ARFF	278,053	151,585
	$ 34,400,928	$ 33,847,348
Annual Debt Service		
Revenue Bonds	32,724,508	31,876,740
Commercial Paper	1,290,698	918,337
Debt Service Coverage, current year		
Revenue Bonds	8,181,127	7,969,185
Commercial Paper	258,140	183,667
Debt Service Coverage, prior year		
Revenue Bonds	(3,615,129)	(7,778,851)
Commercial Paper	(668,132)	(372,966)
Excess 2004 Bond Proceeds	(4,451,554)	(717,000)
Renewal and Replacement Expenditures	1,645,088	1,612,585
Total Terminal Rental Requirement	$ 69,765,674	$ 67,539,046
Total Rentable Space (Sq.Ft.)	350,827.00	351,028.00
Average Cost per Sq. Ft.	$198.86	$192.40
Airline Space	249,245.00	240,452.00
Airline Requirement	$ 49,565,015	$ 46,263,827
Add: Replenishment of the Rate Stabilization Fund	-	4,526,000
Less: Prior Year Surplus	(11,380,028)	(13,602,840)
Net Airline Requirement	$ 38,184,987	$ 37,186,987
Airline Space	249,245.00	240,452.00
Average Terminal Rental Rate per Sq. Ft.	**$153.20**	**$154.65**
Terminal Rentals	$ 38,184,987	$ 37,186,987
Landing Fees	12,073,884	12,733,524
Less: Landing Fees - Cargo	(656,123)	(593,229)
Total Airline Rates and Charges (excluding Cargo)	$ 49,602,748	$ 49,327,282
Projected Enplanement	4,249,672	4,129,529
Cost Per Enplaned Passenger	**$11.67**	**$11.95**

Norman Y. Mineta San José International Airport
Projected Allocation of Terminal Requirement
Fiscal Year Ending June 30, 2013

Terminal Requirement	$ 37,186,987
Group A space (100% weighting)	
Ticket counter	9,760
Ticket counter queuing	14,821
Skycap/curbside check-in	15,214
Holdroom	85,529
Group A	125,324
Group B space (80% weighting)	
Bag claim space	30,470
Bag claim office and other office	24,364
Group B	54,834
Group C space (50% weighting)	
Bag makeup	52,367
Operations	7,927
Group C	60,294
Total space Groups A - C	240,452
Equivalent premium space	
Group A (100%)	125,324
Group B (80%)	43,867
Group C (50%)	30,147
	199,338
Rental revenue required	$ 37,186,987
Equivalent premium space	199,338
Premium rate/sq. ft./year	$186.55

Norman Y. Mineta San José International Airport
Projected Allocation of Terminal Requirement
Fiscal Year Ending June 30, 2013

Required rate	Relative value	
Group A		
Ticket counter	100%	$186.55
Ticket counter queuing	100%	$186.55
Skycap/curbside check-in	100%	$186.55
Airline ticket office & clubroom	100%	$186.55
Holdroom	100%	$186.55
Group B		
Bag claim space	80%	$149.24
Bag claim office & other office	80%	$149.24
Group C		
Bag makeup	50%	$93.28
Operations	50%	$93.28

Breakdown of Terminal Requirement

Group A	
Ticket counter and queuing, Skycap/curbside check-in	**$ 7,423,846**
Holdroom	**15,955,626**
Group A	**$ 23,379,472**
Group B	
Bag claim space	**$ 4,547,397**
Bag claim office	**3,636,127**
Group B	**$ 8,183,524**
Group C	
Bag makeup	**$ 4,884,590**
Operations	**739,400**
Group C	**$ 5,623,990**
Total	**$ 37,186,987**

Norman Y. Mineta San José International Airport
Projected Allocation of Terminal Requirement
Fiscal Year Ending June 30, 2013

Allocation of Ticket Counter Requirement

Requirement	$	7,423,846
Preferential ticket counters		21
Common use ticket counters		4
Unassigned ticket counters		17
Rejected ticket counters		11
		53
Preferential ticket counter %		39.6%
Common use ticket counter %		7.5%
Unassigned ticket counter %		32.1%
Rejected ticket counter %		20.8%
		100.0%
Preferential ticket counter requirement	$	2,941,524
Common use ticket counter requirement		560,290
Unassigned ticket counter requirement		2,381,234
Rejected ticket counter requirement		1,540,798
	$	7,423,846
Allocate unassigned & rejected requirement:		
Preferential ticket counter requirement without unassigned & rejected		84.0%
Common use ticket counter requirement without unassigned & rejected		16.0%
		100.0%
Preferential ticket counter requirement	$	6,236,031
Common use ticket counter requirement		1,187,815
	$	7,423,846
1. Allocation of preferential ticket counter requirement	$	6,236,031
Rate per preferential ticket counter		**$296,954**
2. Allocation of common use ticket counter requirement	$	1,187,815
Hours spent on common use ticket counters		13,200
Rate per hour		**$90**

Norman Y. Mineta San José International Airport
Projected Allocation of Terminal Requirement
Fiscal Year Ending June 30, 2013

Allocation of Gates/Holdroom Requirement

Requirement	$	15,955,626
Preferential gates		16
Common use gates		2
Unassigned gates		2
Rejected gates		8
		28
Preferential gate %		57%
Common use gate %		7%
Unassigned gate %		7%
Rejected gates		29%
		100%
Preferential gate requirement	$	9,117,501
Common gate requirement	$	1,139,688
Unassigned gate requirement	$	1,139,688
Rejected gate requirement	$	4,558,750
	$	15,955,626
Allocate unassigned requirement:		
Preferential gate requirement without unassigned & rejected		88.9%
Common gate requirement without unassigned & rejected		11.1%
		100.0%
Preferential gate requirement	$	14,182,779
Common use gate requirement	$	1,772,847
	$	15,955,626
1. Allocation of preferential gate requirement	$	14,182,779
Rate per preferential gate		**$886,424**
2. Allocation of common use gate requirement	$	1,772,847
Annual turns on common use gates		2,920
Rate per turn		**$607**

Norman Y. Mineta San José International Airport
Projected Allocation of Terminal Requirement
Fiscal Year Ending June 30, 2013

Allocation of Baggage Claim Space Requirement

Requirement	$	4,547,397
20% share (to be allocated equally among the Airlines)	$	909,479
80% share (to be allocated on the basis of deplaned pax)	$	3,637,918

Allocation of Baggage Makeup Space Requirement

Requirement	$	4,884,590
20% share (to be allocated equally among the Terminal A Airlines)	$	976,918
80% share (to be allocated on the basis of Terminal A enplaned pax)	$	3,907,672

Norman Y. Mineta San José International Airport
Fiscal Year Ending June 30, 2013
Joint Use Space Rental
Baggage Claim Area

<u>Airlines</u>
Alaska
American
Delta/Northwest
Hawaiian
jetblue
Southwest
United/Continental
US Airways

Total rental due from airlines for baggage claim space during the fiscal year is $4,547,397.00

Square feet		Rate per sq. ft.		Total Rental Due
30,470	X	$149.24	=	$4,547,397.00

Formula Calculation:

A. Twenty percent (20%) of the total due is $909,479.00. There are nine (9) airlines involved with scheduled domestic operations.

20% of	$4,547,397.00	=	$909,479.00
	Divided by	8	Airlines
	Annual	=	$113,684.88
	Monthly	=	$9,473.74

B. The remaining 80% balance of $3,637,918.00 is to be allocated on the basis of deplaned passenger volume per the monthly reports received from the airlines.

80% of	$4,547,397.00	=	$3,637,918.00
	Monthly	=	$303,159.83

Norman Y. Mineta San José International Airport
Fiscal Year Ending June 30, 2013
Joint Use Space Rental
Baggage Makeup

Airlines
Alaska
American
Delta/Northwest
Hawaiian
jetblue
Southwest
United/Continental
US Airways
Volaris

Total rental due from airlines for baggage claim space during the fiscal year is $4,884,590.00

Square feet		Rate per sq. ft.		Total Rental Due
52,367	X	$93.28	=	$4,884,590.00

Formula Calculation:

A. Twenty percent (20%) of the total due is $976,918.00. There are eleven (11) airlines involved with scheduled operations.

20% of	$4,884,590.00	=	$976,918.00	
	Divided by	9	Airlines	
	Annual	=	$108,546.44	All Airlines, except Volaris
	Annual	=	$135,683.06	Volaris
	Monthly	=	$9,045.54	All Airlines, except Volaris
	Monthly	=	$11,306.92	Volaris

B. The remaining 80% balance of $3,907,672.00 is to be allocated on the basis of enplaned passenger volume per the monthly reports received from the airlines.

80% of	$4,884,590.00	=	$3,907,672.00
	Monthly	=	$325,639.33

Note: A premium of 25% will be added to Volaris' calculated share of the 80% baggage makeup fee.