

SILICON VALLEY'S AIRPORT



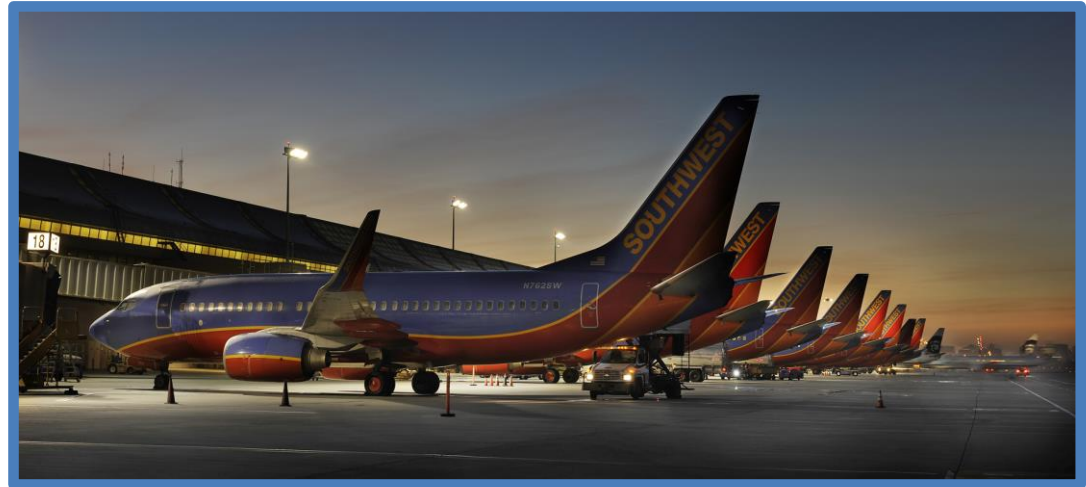
SJC Interim Facility

May 1, 2018

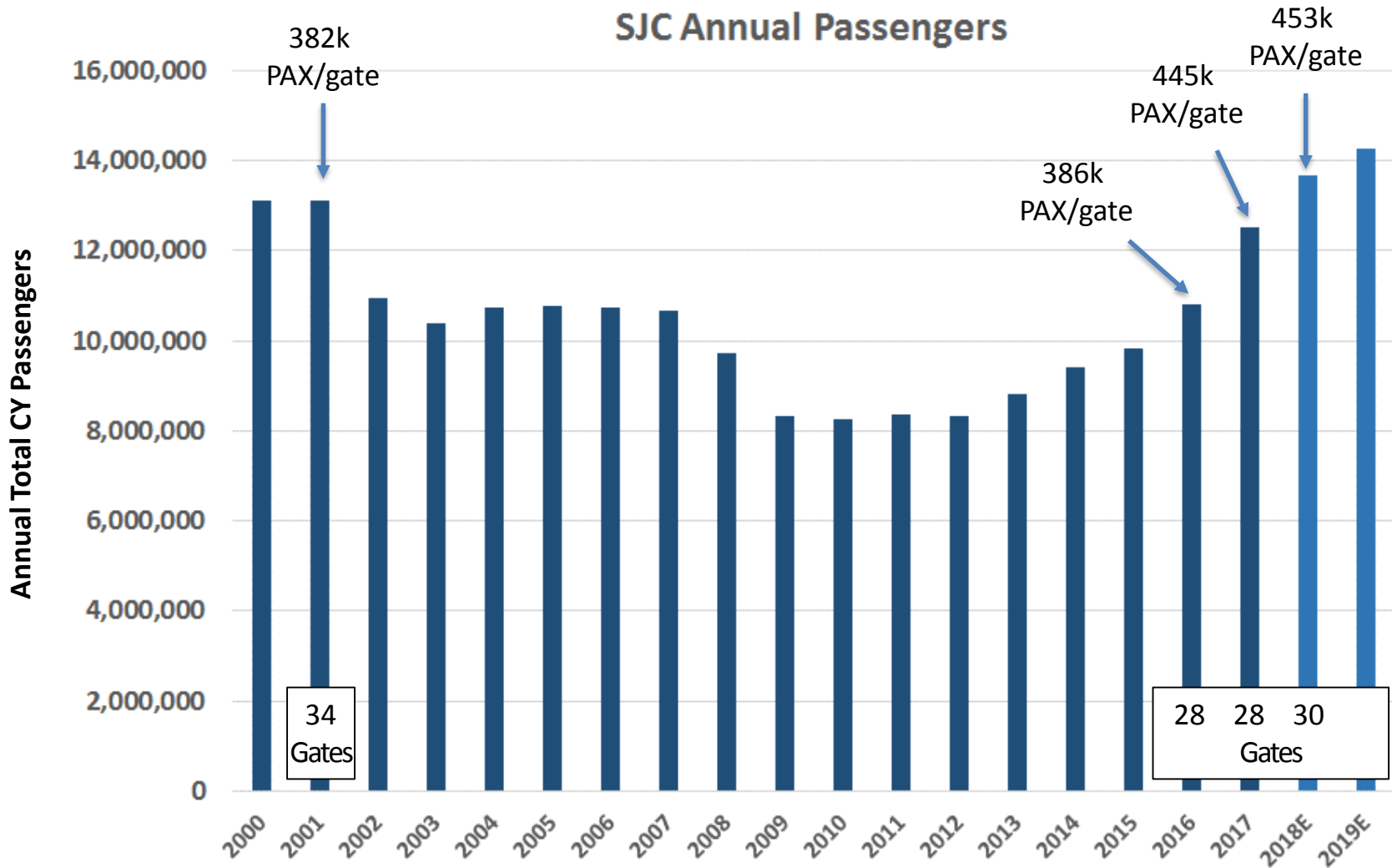
Why does the Airport Need an Interim Facility?



- Gate capacity is limited
- 43 planes park at the Airport overnight on average, but we only have 30 gates to load them for the first push
- Airport is already ground boarding planes and has experienced delays when no gates are available for an aircraft to deplane
- Limited gate availability limits availability of new routes



SJC's unprecedented growth leads to a surge in passengers per gate



PAX = Passengers

2018 passenger estimates are based on flights scheduled to start in 2018.

Gate Chart



Spots	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23					
HOLD	0																							
15	/HA 763		45 OGG				172 NRT NH 769		171 NRT				259 SJD AS 73H 259 SEA		46 OGG		HA/ 763							
16	/UA 738 2088 EWR				930 GDL Y4 320 930 GDL				7989 PEK HU 789 7990 PEK				335 GDL AS 73H 435 SEA						450 UA/ EWR 738					
17	/F9 319 1514 SAT																		1843 SAT F9/ 319					
18	/WN 73W 2363 SNA 1477 WN 2288 ONT 73W PHX		432 GDL AM 738 432 GDL				492 MEX AM 738 493 MEX						479 CHR BA 789 278 LHR											
19 [WN]	/WN 73W 1872 SEA		883 WN 73W BUR SLC 883 WN 73W DEN PHX		1461 WN 73W DEN PHX 1461 WN 73W SAH PDX		1927 WN 73W SAH PDX		2113 WN 73W LAS DEN 2113 WN 73W LAS DEN		2482 WN 73W RN D BOI 2482 WN 73W BOI LAX		2274 WN 73W PHX 2274 WN 73W PHX		149 WN 73W SAN SAN 1212 WN 73W SAN SAN		516 WN 73W PHX BUR 516 WN 73W DEN RJO		1680 WN 73W DEN RJO 190 WN 73W LAS		1440 WN/ 73W LAS			
20 [WN]	/WN 73W 2189 LAS		1971 WN 197 SNA 73W BUR 1870 WN 73W BUR LAX		1869 WN 73W BUR LAX		1599 WN 73W BUR LAX 1600 WN 73W PDX LAS		690 WN 73W PDX LAS 690 WN 73W PDX LAS		2274 WN 73W BUR MDW 2274 WN 73W SNA BUR		713 WN 73W SNA BUR 714 WN 73W SNA BUR		693 WN 245 LAS 73W SEA 693 WN 73W LAX SNA		1581 WN 73W SNA SNA 1582 WN 73W SNA SNA		1003 WN 73W SNA LAS 1004 WN 73W LAS BUR		239 WN 73W BUR LAX 240 WN 73W BUR LAX		1948 WN/ 73W BUR LAX	
21 [WN]	/WN 73W 2085 BUR 1887 WN 73W LAX PDX 1887 WN 73W SNA LAS		2391 WN 73W SNA LAS 2391 WN 73W SNA LAS				2327 WN 73W SAN SNA 2462 WN 73W SAN SNA		446 WN 73W DEN LAS 446 WN 73W PHX DAL		2321 WN 73W PHX DAL 2321 WN 73W PHX DAL		237 WN 73W PDX BUR 237 WN 73W SAN DEN		1859 WN 73W SAN DEN 1859 WN 73W SLC SLC		2527 WN 73W SLC SLC 1030 WN 73W LAX LAS		1118 WN 73W LAX LAS 1118 WN 73W SNA SNA		104 WN/ 73W SNA			
22 [WN]	/WN 73W 1856 SAN 2335 LAX		1559 WN 73W PHX STL 2428 WN 73W LAX SNA		1894 WN 73W LAX SNA 2453 WN 73W SNA SNA		2151 WN 73W SNA BUR 1364 WN 73W HOU SAN		2462 WN 73W SAN SAN 2426 WN 73W SAN GEG		1939 WN 73W SAN LAS 1939 WN 73W SAN LAS		159 WN 73W SNA PDX 159 WN 73W SNA PDX		2243 WN 73W GEG AUS 2243 WN 73W SAN SNA		869 WN 73W SAN SNA 872 WN 73W SAN SNA		2319 WN 73W SEA PHX 2319 WN 73W SEA PHX		1022 WN/ 73W PDX			
23 [WN]	/WN 73H 2316 DAL 37 WN 73W LAS SNA 37 WN 73W LAS SNA		2512 WN 2512 SLC 73W SNA 2512 WN 73W SNA		1368 WN 1368 PHX 73H MCO 1368 WN 73W PHX MCO		853 WN 73W LAS PHX 854 WN 73W LAS PHX		974 WN 73W SNA LAX 975 WN 73W SNA LAX		1200 WN 73W SEA SAN 1200 WN 73W SEA SAN		586 WN 73W BUR SAN 586 WN 73W BUR SAN		1240 WN 73W MCO SAN 1240 WN 73W MCO SAN		1093 WN 73W ONT SAN 1094 WN 73W ONT SAN		416 WN 416 SAN 73H PDX 416 WN 73W SAN 73H PDX		1446 WN/ 73W LAS			
24 [WN]	/WN 73H 2105 BWI 2161 WN 216 SEA 73W LAX		2112 WN 73W LAS SAN 2112 WN 73W LAS SAN		1875 WN 73W ONT SAN 1876 WN 73W ONT SAN		1260 WN 73W PDX PDX 1261 WN 73W PDX PDX		651 WN 73W BOI ONT 651 WN 73W BOI ONT		1556 WN 73W STL LAX 1557 WN 73W STL LAX		1170 WN 73W SAN LAS 1170 WN 73W SAN LAS		2019 WN 73W LAS LAX 2020 WN 73W LAS LAX		1465 WN 73W LAS PDX 1465 WN 73W LAS PDX		2214 WN/ 73W LAX					

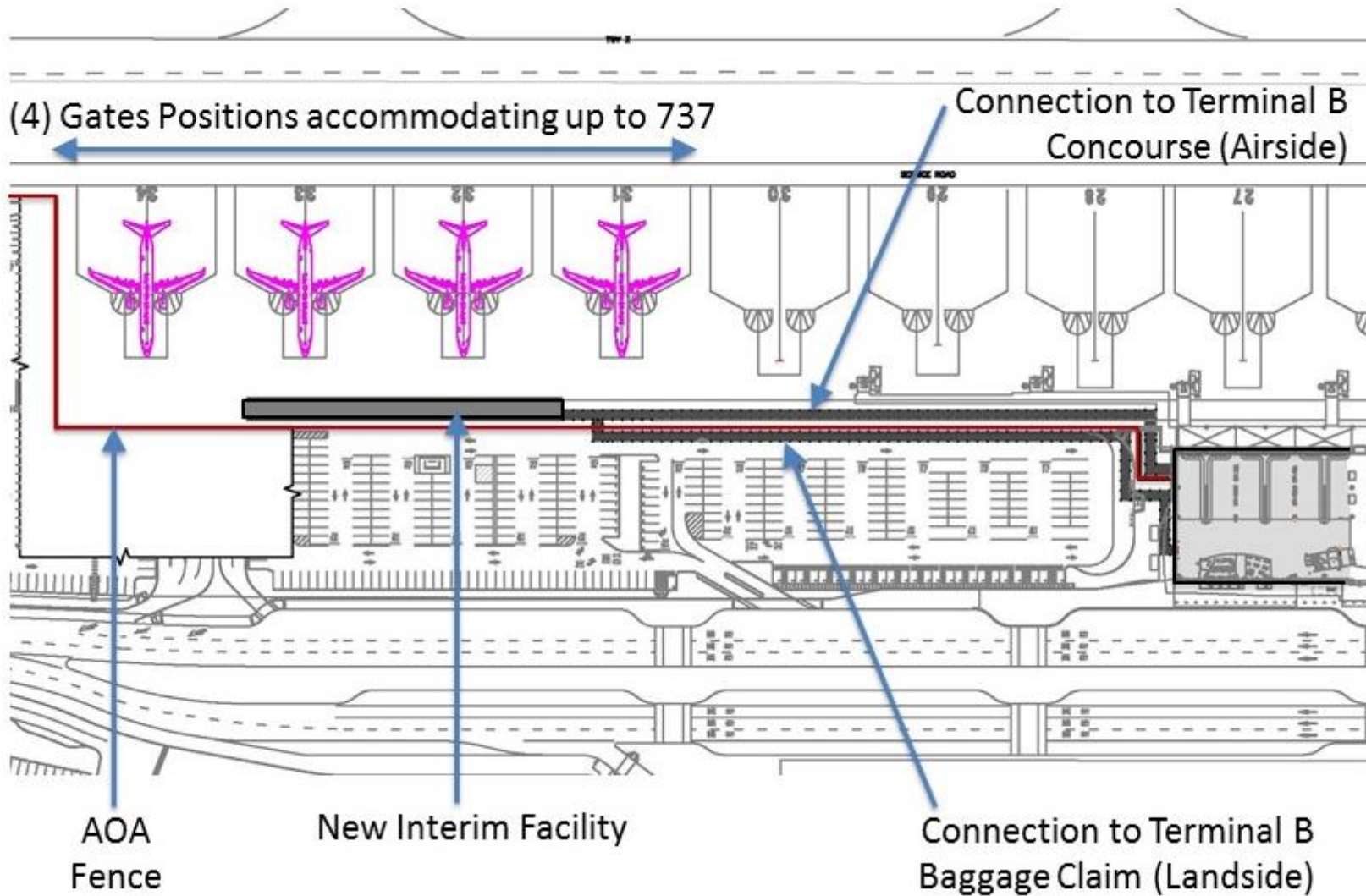
FIS Gates & Terminal B, Gates 19-24

SILICON VALLEY'S AIRPORT



Interim Facility

Interim Facility Plan



Interim Facility Cost/ Schedule



- Total Project Cost - \$50 million, +/- 15%
- Target Completion Date: June 2019 for operations in July 2019
- Funding through commercial paper

Estimated ROI



	@ \$50 million cost	@ \$58 million cost
Estimated Life of Interim Facility	5 – 7 years	
<u>6 Year Projected Net Revenue:</u>		
4 Interim Gates	\$19 million	
Additional Net Passenger Revenue	<u>\$42 million</u>	
Total	\$61 million	
Average Annual Net Revenue	\$10.3 million	
ROI	4.8 years	5.6 years

Comments:

- Airlines have approved this project and agreed to pay for it
- Economic impact is \$135 million annually
- Cost of not doing this:
 - Constraining airline growth
 - Loss of economic impact for the City of San Jose

Estimated Impact to Airline Rates



	FY18 Budget	<u>Annual Change</u>	Estimated FY20
CPE	\$10.36	<ul style="list-style-type: none"> • <u>O&M</u> = \$15M • <u>Interim Gates</u> = \$7M • <u>R&R</u> = \$2M 	\$10.33
Landing Fee	\$2.45		\$2.30
Terminal Rate	\$172		\$200
Preferential Gate	\$633K		\$715K

Expectation is to pay for the Interim Facility using Commercial Paper (“CP”). The plan is to pay off the CP within six years, by FY26.

- Debt Service drops by \$13 million a year starting in FY23
- Minimum CP payments made in FY20 through FY22, with higher CP payments made in FY23 through FY25
- Result will be stable and predictable CPE for the Airlines

SILICON VALLEY'S AIRPORT



Design Build Justification

Design-Build



- Design-Build allowed when:
 1. Cost exceeds \$5 million; and
 2. City Council finds that design-build would save money *or* result in faster project completion
- City has used Design-Build for:
 - Mineta San Jose International Airport Terminal Area Improvement Program - Phase I
 - San Jose McEnery Convention Center Expansion Project
 - The United States Patent and Trademark Office

Design-Build Justification



Design-Build:

- **Reduces risk** as contracts can include a guaranteed maximum price
- **Schedule savings** as the design and build process are more efficient
 - Design Build has an overall delivery speed of 33.5% faster than Design-Bid-Build
- **Cost savings** – Based on data from Leland Saylor Associates, a cost savings of some \$5.65 million

SILICON VALLEY'S AIRPORT



Environmental

- The Director of Planning, Building and Code Enforcement approved the Eleventh Addendum to the Airport Master Plan Environmental Impact Report (EIR)
 - This finds that the Project will not have any significantly new environmental impacts
 - No new mitigation is required
 - No subsequent or supplemental EIR required

- Project meets Municipal Code prerequisites
 - Annual passenger volume needs to exceed 11.2 m
 - Airport exceeded 11.2 million passengers in April 2017 and is project to have 14 million passengers by Dec 2018
 - Certain transportation items need to be met
 - Airport and VTA have competed road projects identified in the Municipal Code
 - Airport is working with VTA on public transit options as outlined in the Master Plan and ASTRA

- Airlines understand the need for additional gates
- Airport has received formal Airline MII approval for this capital project per the airline lease agreement
- Cost of building the Interim Facility would be rolled into the rates and charges per the airline lease agreement

SILICON VALLEY'S AIRPORT



Airport Recommendation

Airport Recommendation



As detailed in the Council Memo:

- Approve the use of a design-build procurement to construct an Interim Facility at the Airport
- Approve the RFP and evaluation criteria/process
- Authorize Director of Public Works to issue addenda or other such revisions
- Adopt a resolution finding that Airport traffic and transit improvement conditions have been met and City may proceed to expand the number of gates beyond the existing thirty (30)