COUNCIL AGENDA: 12/19/2017
ITEM: 3.6 (17-446)

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Toni J. Taber, CMC
City Clerk

SUBJECT: **SEE BELOW**

DATE: December 7, 2017

SUBJECT: REVIEW OF AIRPORT FINANCIAL PROJECTIONS.

RECOMMENDATION: As recommended by the Community and Economic Development Committee on November 27, 2017, accept the Audit of Airport Financial Projections: Balancing Ongoing Debt-Service Obligations with Increasing Operational Needs.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Office of the City Auditor

Report to the City Council
City of San José

AIRPORT FINANCIAL PROJECTIONS: BALANCING ONGOING DEBT-SERVICE OBLIGATIONS WITH INCREASING OPERATIONAL NEEDS

Report 17-11
November 2017

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Office of the City Auditor
Sharon W. Erickson, City Auditor

November 17, 2017

Honorable Mayor and Members
Of the City Council
200 East Santa Clara Street
San José, CA 95113

Airport Financial Projections: Balancing Ongoing Debt-Service Obligations with Increasing Operational Needs

The Norman Y. Mineta San José International Airport (SJC) is located within the City of San José. The Airport Department (the Airport), as an enterprise department, must be fully self-sustaining through its fees and charges. The Airport issues debt, receives federal grants, receives funding from the airlines, and generates revenues to undertake capital improvement projects.

The Airport's financial condition was identified as a high-risk area based on 10-year financial history and projections, especially the $20 million funding gap that was expected in FY 2018-19. The objective of this audit was to review the history and financial projections for Airport operations and debt service to examine whether the Airport could reasonably meet its debt obligations.

Finding 1: The Airport Has Refunded Bonds, Cut Costs, and Increased Revenues in Its Efforts to Meet Significant Debt-Service Obligations and Maintain Competitive Rates. The Airport issued $725 million of revenue bonds in 2007 to finance a portion of the costs of the Terminal Area Improvement Program that it began in 2005. However, the economic recession that occurred shortly thereafter negatively impacted SJC's passenger levels and revenues, making it more difficult to pay off its significant debt obligations. To reduce interest rates, remove the debt service spike in future years, reduce overall debt levels, and create capacity for future capital projects, the Airport restructured and refunded the 2007 revenue bonds in 2017. Further, it has implemented cost-cutting measures, has made efforts to increase passenger levels and revenues, and maintains various reserves. Based on our review, the Airport's projected expenses and revenues to meet funding obligations appear to be reasonable given current economic conditions.

The Airport's debt is secured by its revenues, and the General Fund is not legally responsible for making debt service payments. However, if the Airport's revenues are insufficient to cover debt service despite its efforts to cut costs and increase revenues, airlines would be required to make "extraordinary coverage protection payments" to help pay its debt.

Finding 2: As the Airport Continues to Make Sizeable Debt Service Payments, It Aims to Further Increase Revenues and Meet Customer Service Needs. To further increase revenues, the Airport has modified ground transportation fees at SJC, has engaged consultants to explore opportunities to increase revenues from parking and concessions, and is supporting advocacy efforts to raise the federal cap on Passenger Facility Charges (PFCs). In addition, raising the $12 target for the cost per enplaned passengers (CPE) would allow the Airport to increase its revenues from airline payments to help cover increased operating and capital expenditures.

Depending on the success of these efforts (i.e. should passenger levels continue to increase), the Airport will face growing customer service needs. Additional staffing and capital improvement projects may be needed—considerations which will need to be balanced with the Airport's total debt load and credit rating.

This report includes no recommendations. The Administration has reviewed and agrees with the information in this report. We will present this report at the November 27, 2017 meeting of the Community and Economic Development Committee. We would like to thank the Airport Department, Finance Department, and City Manager's Office for their time and insight during the audit process.

Respectfully submitted,

Sharon W. Erickson
City Auditor

finaltr
SE:lg

Audit Staff: Gitanjali Mandrekar
Michael Tayag

cc: Dave Sykes
John Aitken
Kim Hawk
Jennifer Maguire
Julia Cooper
Bonnie Cromartie
Rick Doyle
Kevin Fisher

This report is also available online at www.sanjoseca.gov/audits.

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Introduction

The mission of the City Auditor's Office is to independently assess and report on City operations and services. The audit function is an essential element of San José's public accountability, and our audits provide the City Council, City management, and the general public with independent and objective information regarding the economy, efficiency, and effectiveness of City operations and services.

In accordance with the City Auditor's Fiscal Year (FY) 2016-17 Work Plan, we have completed an audit of the Airport's financial projections. The purpose of this audit was to review the history and financial projections for Airport operations and debt service to examine whether the Airport could reasonably meet its debt obligations.

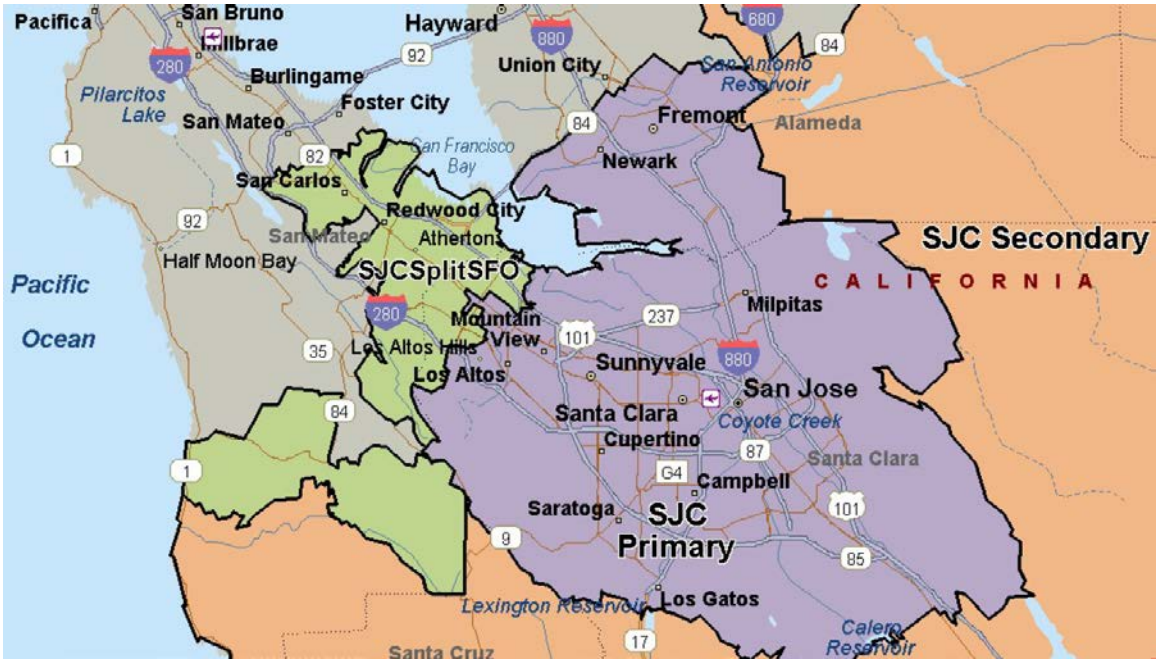
We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We limited our work to those areas specified in the "Audit Objective, Scope, and Methodology" section of this report.

The City Auditor's Office thanks the Airport Department, the Finance Department, the City Manager's Office, and the City Attorney's Office for their time and insight during the audit process.

Background

The Norman Y. Mineta San José International Airport (SJC) is located within the City of San José (four miles north of downtown). Its primary service area consists of the counties of Santa Clara, Monterey, San Benito, and Santa Cruz, as well as portions of the adjacent counties of Alameda and San Mateo, as seen in Exhibit 1. Its secondary service area includes the counties of Merced, Stanislaus, and San Joaquin. Two nearby airports, San Francisco International and Oakland International, also serve the greater Bay Area.

Exhibit 1: Service Area Map



Source: Airport Department.

SJC is currently classified as a medium-hub airport, meaning that it enplanes[1] between 0.25 percent and 1 percent of the nation's air traffic passengers each year.[2] As an "origin and destination" (O&D) airport, it primarily serves passengers beginning and/or ending their trips at SJC, as opposed to passengers connecting through SJC to other cities.

Passenger Airlines at SJC Provide Domestic and International Non-Stop Service

As of November 2017, 16 passenger airlines provided non-stop service to 33 domestic and 8 international destinations.[3] At least 20 additional non-stop flights are expected to be added through June 2018. In addition, two airlines provide scheduled air-cargo service at SJC. See Exhibit 2 for more details.

[1] An *enplanement* refers to one passenger boarding an aircraft.

[2] As defined by Federal Aviation Administration.

[3] These figures do not duplicate the same non-stop destinations served by different airlines. For example, three different airlines have non-stop service to Guadalajara, but we only counted this as one destination.

Exhibit 2: Norman Y. Mineta International Airport Airlines (as of November 2017)



Source: Airport Department.

Note: Numbers in parentheses refer to non-stop destinations served by the airlines. Some non-stop destinations are served by multiple airlines.

The Airline-Airport Lease and Operating Agreement Governs Business Relationships with Airlines

The Airport Department's (the Airport) business relationships with passenger and cargo airlines operating at SJC are governed by the Airline-Airport Lease and Operating Agreement (Airline Agreement). The Agreement covers the assignment and use of gates and ticket counters, operation and maintenance of the airport, rates and charges, payments, and other provisions.[4] Its previous five-year term expired on June 30, 2017, but the agreement was extended until June 30, 2019 as the Airport and the airlines continue negotiations on a new or amended agreement.

Airport Operating Budget and Staffing

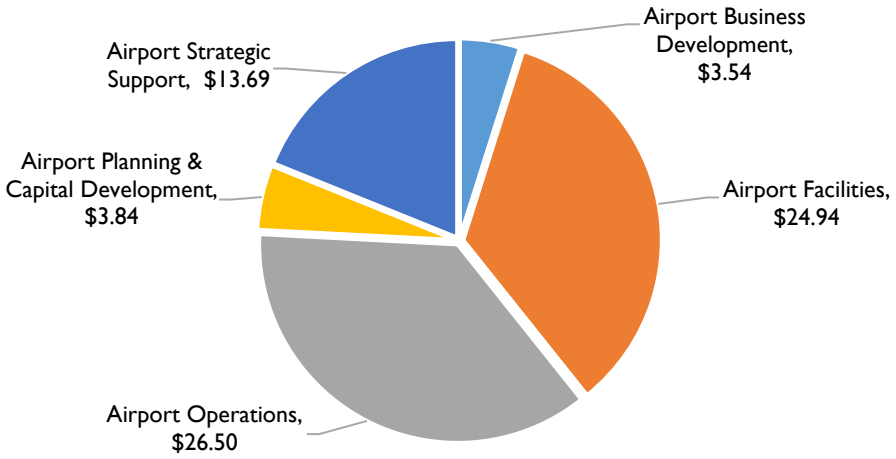
The Airport Department is responsible to the City Manager and is headed by the Director of Aviation. In addition to the Office of the Director of Aviation, the department has five divisions: Airport Planning and Development, Airport Facilities

[4] The Airline Agreement applies to "Signatory Airlines," which are passenger or cargo airlines that meet certain minimum operational requirements (e.g. operate at least one flight scheduled year-round at least three days per week) and sign the agreement. Any passenger or cargo airline that does not meet the minimum operational requirements to be a Signatory Airline is given the opportunity to become a "Non-Signatory Airline" by executing a non-signatory agreement that is similar in form to the Airline Agreement. Non-Signatory Airlines are charged a premium of 25 percent over the rates and charges applicable to Signatory Airlines.

and Engineering, Airport Operations, Airport Finance and Administration, and Airport Business Development. Airport Finance staff coordinates with staff from the City's Finance Department, among other departments.

For FY 2017-18, the Airport's operating budget totaled $72.5 million[5], as shown in Exhibit 3. This is 23 percent more than the adopted operating budget in FY 2013-14 ($58.8 million), but still 20 percent less than in FY 2008-09 ($90.3 million).

Exhibit 3: Airport Adopted Operating Budget (FY 2017-18) (in millions)



Source: FY 2017-18 Adopted Operating Budget.

Staffing

The Airport was authorized for 211 full-time equivalent positions, compared to 187 from FY 2012-13 to FY 2015-16. Changes in historical staffing levels are discussed further in Finding 2.

The Airport is an enterprise department, meaning that it must be fully self-sustaining through its fees and charges.[6] In meeting this requirement, the Airport's revenues have exceeded its expenses for at least the past 15 years.

[5] *Does not include $114.1 million in budgeted costs for 'Airport Strategic Support – Other,' which refers to Airport Funds Debt/Financing, Gifts, Overhead, Workers' Compensation, and $2.7 million in other costs.*

[6] The City uses enterprise funds to track programs that operate on a cost-recovery basis. The Airport maintains a total of nine funds: Airport Capital Improvement Fund (520), Airport Customer Facility and Transportation Fee Fund (519), Airport Fiscal Agent Fund (525), Airport Maintenance and Operation Fund (523), Airport Passenger Facility Charge Fund (529), Airport Renewal and Replacement Fund (527), Airport Revenue Bond Improvement Fund (526), Airport Revenue Fund (521), and Airport Surplus Revenue Fund (524).

The Airport Partners with Federal Government Agencies and Receives Federal Grants

The Airport partners with federal government agencies such as Customs and Border Protection (CBP), Federal Aviation Administration (FAA), and Transportation Security Administration (TSA) to operate SJC safely, securely and in accordance with Federal Regulations.[7]

The Airport receives many federal grants.[8] These grants are for various purposes. For example, in Federal Fiscal Year 2016-17 (ending September 30), the Airport received $13.3 million in Airport Improvement Program (AIP) discretionary and entitlement grants from the Federal Aviation Administration. Additionally, the Airport received $1.5 million over a three-year period from the Transportation Security Administration to fund eligible costs to deploy Law Enforcement Officers at each airport passenger-screening location and partially fund canine teams to operate at SJC.

The Airport Aims to Remain Below Its $12 Target for Cost Per Enplanement

Cost per enplanement (CPE) represents the total costs that an airport charges to airlines in landing fees, rents, or other charges, divided by the total number of passengers boarding planes each year. CPE is not a set charge, but a ratio: As passenger boardings (enplanements) decrease, CPE increases; if costs increase, CPE will increase.

When passenger levels were falling after the recession, the Airport's challenge was to reduce its costs sufficiently to keep its CPE at competitive levels despite falling enplanements. It was during this time (in May 2010) that the City, as advised by the Airport, set a target of $12 for the cost per enplanement (CPE). The $12 target was set with the intent of keeping SJC regionally competitive to attract airlines. This will be discussed further in Finding 1.

Audit Objective, Scope, and Methodology

The City Auditor proposed including this audit in the Fiscal Year (FY) 2015-16 Work Plan based on 10-year financial history and projections, especially the $20 million funding gap that was expected in FY 2018-19. The audit was then carried over to the FY 2016-17 Work Plan so the results of the bond refunding that took place in Calendar Year (CY) 2017 could be considered.

[7] For more information on how the Airport partners with federal government agencies to ensure public safety at SJC, please see our October 2011 audit *Airport Public Safety Level of Service*.

[8] To receive federal funds, the Airport must adopt Disadvantaged Business Enterprise (DBE) practices. For more information on the Airport's DBE program, see our March 2017 audit *Office of Equality Assurance: Increased Workload Warrants Reevaluation of Resource Needs*.

The objective of this audit was to review the history and financial projections for Airport operations and debt service to determine whether the Airport could reasonably meet its debt obligations. To meet this objective, we:

- Reviewed the Airport's 2017 bond documents.
- Reviewed relevant agreements, including the Airline-Airport Operating and Lease Agreement, the Master Trust Agreement, and the Signature Flight Support Ground Lease and Operating Agreement.
- Reviewed various Council memoranda and the Airport's reports on its financial condition to City Council.
- Reviewed the Airport's Comprehensive Annual Financial Reports (CAFRs) (from FY 2002-03 to FY 2016-17) and adopted and proposed budgets.
- Reviewed CAFRs, relevant budgets, and/or Airport Council International North America (ACI-NA) survey results (2016) for the following benchmark airports: John Wayne Airport – Orange County (SNA), Nashville International (BNA), Oakland International (OAK), Sacramento International (SMF), San Diego International (SAN), and San Francisco International (SFO).[9]
- Reviewed previous consultant studies, including Ricondo and Associates' *Performance Review and Assessment Study* (August 2013), which reviewed the Airport's fiscal state of affairs and made recommendations to help it maintain financial self-sufficiency.
- Reviewed SJC credit rating agency reports by the following rating agencies: Fitch Ratings, Moody's Investors Service, S&P Global.
- Reviewed Airport financial data, including past, current, and projected revenues, expenses, passenger levels, debt obligations, etc.
- Reviewed legislative updates related to the Airport, particularly a potential increase to the cap on Airport Passenger Facility Charges (PFCs).
- Interviewed staff from the Airport, the City's Finance Department, and the City's Budget Office to understand the City's debt obligations, measures taken (or to be taken) to address potential funding shortfalls, and the effects of these measures on Airport operations.

[9] We selected SNA, BNA, OAK, and SMF because they are medium-hub, O&D (as defined earlier in this section) airports like SJC. We also included SAN since the Airport indicated that it has many metrics comparable to those of SJC, as well as SFO since it is one of SJC's regional competitors (along with OAK). The majority of airports we selected are located in California to help ensure that factors such as operational costs and cost-of-living are relatively similar among SJC and benchmark airports.

As a reference for exhibits in Findings 1 and 2, the following are SJC and the benchmark airports' enplaned passenger counts for FY 2014-15 per ACI-NA survey results: SJC (4.8 million), BNA (5.6 million enplaned passengers), OAK (5.4 million), SFO (24.0 million), SMF (4.6 million), SNA (4.8 million).

- Reviewed relevant audits conducted by the San José City Auditor's Office as well as other jurisdictions' audit offices.

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Finding 1 The Airport Has Refunded Bonds, Cut Costs, and Increased Revenues in Its Efforts to Meet Significant Debt-Service Obligations and Maintain Competitive Rates

Summary

The Airport issued $725 million of revenue bonds in 2007 to finance a portion of the costs of the Terminal Area Improvement Program (TAIP) that it began in 2005. However, the economic recession that occurred shortly thereafter negatively impacted SJC's passenger levels and revenues, making it more difficult to pay off its significant debt obligations. To reduce interest rates, remove the debt service spike in future years, reduce overall debt levels, and create capacity for future capital projects, the Airport restructured and refunded the 2007 revenue bonds in 2017. Further, it has implemented cost-cutting measures, has made efforts to increase passenger levels and revenues, and maintains various reserves. Based on our review, the Airport's projected expenses and revenues to meet funding obligations appear to be reasonable given current economic conditions.

The Airport's debt is secured by its revenues, and the General Fund is not legally responsible for making debt service payments. However, if the Airport's revenues are insufficient to cover debt service despite its efforts to cut costs and increase revenues, airlines would be required to make "extraordinary coverage protection payments" to help pay its debt.

The Airport Issued Bonds in 2007 to Finance Capital Improvement Costs

In 2005, the Airport began a Terminal Area Improvement Program (TAIP) to modernize and expand SJC. Phase I of the program included $1.3 billion in capital projects, including renovation and expansion of Terminal A, construction of a new Terminal B, removal of Terminal C, capacity increases to Airport roadways, and construction of a consolidated rental car center and public parking garage. Phase I was substantially complete in FY 2010-11.[10]

[10] Phase II of the TAIP would aim to expand the Airport's current capacity with additional aircraft gates. Phase II is contingent upon reaching at least one growth trigger (i.e. 12.2 million annual passengers and/or 217 scheduled operations). The Airport has reached 217 scheduled operations. However, as it balances operational and financial needs, Airport staff has indicated it plans to take a conservative approach and only proceed with Phase II when financial affordability permits.

Bonds Issued by the Airport in 2007 Partially Funded Phase 1 of the Terminal Area Improvement Program

On September 13, 2007, the City issued $725,015,000 of fixed-rate, tax-exempt Series 2007 Revenue Bonds to finance a portion of the costs of Phase 1 Terminal Area Improvement Projects. The bonds also provided funding for capitalized interest and fees during construction, a debt service reserve fund, and costs of issuance.

In 2017, the City restructured and refunded the 2007 bonds.[11] (Simply stated, the City issued new debt in 2017 to pay off the debt from 2007 to achieve long-term cost savings associated with lower interest rates.) The City designed the refunding structure to keep debt service relatively level over the next five years, followed by a decline in debt service in 2023 to allow for future capital projects. After the refunding, the total debt service on Series 2017 bonds is $45.9 million for FY 2017-18. Total debt service for FY 2017-18 is $103.8 million.[12] (See Appendix A for more information on Airport Revenue Bond debt service requirements.)

Key Agreements Include Provisions Related to SJC's Debt

The Master Trust Agreement (Trust Agreement) governs the Airport's revenue bonds. Section 7.13 of the Trust Agreement, generally referred to as the *Rate Covenant*, requires that the Airport charge for services and facilities such that net general airport revenues plus other available funds are at least equal to 125 percent of annual debt service. This requirement ensures the Airport avoids shortfalls for debt obligations.[13]

The Airline-Airport Operating and Lease Agreement (Airline Agreement), which governs the Airport's business relations with airlines, also ensures the Airport can meet debt obligations. Per this agreement, airlines would be required to make "extraordinary coverage protection payments" if the Airport's net revenues (minus operating expenses) are less than the sum of debt service on bonds, subordinated indebtedness, and the applicable coverage amounts. That is, if the Airport's revenues cannot sufficiently cover its debt obligations, airlines would be required to make extra payments to assist the Airport in paying off its debt.

[11] The refunding included $690.5 million outstanding in Series 2007 Bonds (Series 2007A and 2007B). Staff excluded from the refunding the March 1, 2018 maturity of the Series 2007A bonds; the debt service for the 2018 principal payment on the 2007A Bonds due in FY 2017-18 is $7.4 million.

[12] Prior to the refunding, total debt service in FY 2017-18 for the Series 2007 bonds would have been $45.5 million, and total debt service on all bonds would have been $96.0 million. Although total debt service for this fiscal year is higher due to the refunding, the City will benefit from cost-savings and increased capacity for capital improvement in the long-term. The refunding completed in 2017 will be discussed further in this Finding.

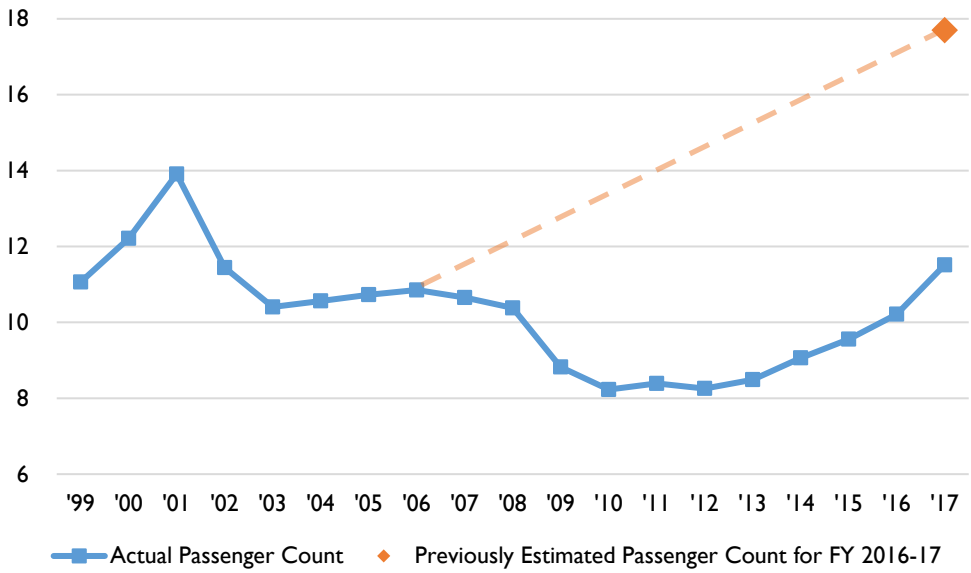
[13] Airport staff confirmed that Airport monitors this requirement and has not violated it.

Economic Recession Severely Impacted SJC's Passenger Levels

The Airport relies on various revenue sources to make bond payments, including airline revenues (terminal rents and landing fees), as well as non-airline revenues from concessions; parking; taxi, ground transportation,[14] and rental car fees; Passenger Facility Charges (PFCs); and Customer Facility Charges (CFCs).[15] Such revenues are sensitive to changes in passenger levels.

Prior to the economic recession, the Airport had incorrectly projected that passenger levels—and thus revenues—would grow. In FY 2005-06, the Airport estimated that total passenger count could reach more than 17.6 million passengers by 2017, as shown in Exhibit 4. In FY 2016-17, SJC had 11.5 million passengers, far fewer than what was forecast a decade ago.

Exhibit 4: SJC Actual Passenger Counts (in millions) vs. Projected Count for FY 2016-17



Source: Airport Department, Comprehensive Annual Financial Report.

The nationwide economic recession beginning in 2007, as well as peak oil prices and shifts in airline operations, contributed to a decrease in passenger levels. Medium-hub, "origin and destination" (O&D) airports like SJC suffered more from the recession than large-hub airports with more routes and connecting flights since airlines consolidated their operations in larger airports. In fact, only one medium-

[14] Ground transportation refers to airport pick-up and drop-off services, such as shuttle vans, taxis, and transportation network companies (TNCs) like Uber, Lyft, and Wingz.

[15] PFCs are collected from paying airlines passengers. Rental car companies collect CFCs from their customers and remit the CFCs to the City. PFCs and CFCs will be discussed further later in this Finding.

hub airport in the country[16] experienced an increase in scheduled airline seats between 2007 and 2012.

In addition, in 2007, Virgin America started base operations at San Francisco International Airport (SFO), spurring a market share war at that airport. According to a 2013 consultant study,[17] the market share war prompted some airlines to shift some of their service from SJC and Oakland International Airport (OAK) to SFO.

While scheduled airline seats decreased dramatically at SJC and OAK, the growth in scheduled airline seats at SFO was greater than at any other medium- or large-hub airport between 2007 and 2012. Thus, SFO's regional market share of airline passengers increased.

Thus, soon after issuing of the 2007 revenue bonds, SJC suffered major cuts to airline capacity and passenger levels. This lowered the airport's overall revenues and made it more challenging for the Airport to pay its sizeable debt and maintain competitive rates and charges.

The Airport Has Taken Various Actions to Close Previous Funding Gaps

To meet its significant debt obligations despite decreasing revenues, the Airport made efforts to refund bonds, increase passenger levels, implement cost-cutting measures, and increase revenues.

The City Refunded Airport Revenue Bonds

At the ten-year "call date" of the Airport's revenue bonds, the City has an opportunity to refund the bonds if market rates are favorable. The City has refunded the Airport's revenue bonds at every such opportunity, with favorable results.

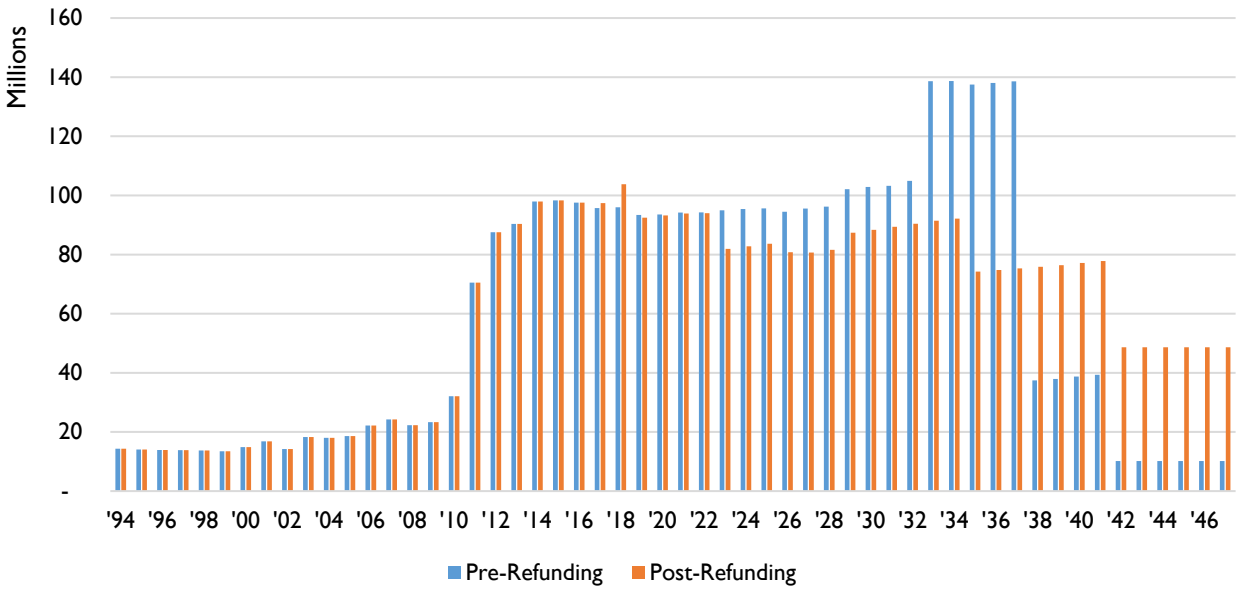
Most recently, the City refunded the Airport's 2007 revenue bonds in 2017. The Series 2007 Bonds (Series 2007A and 2007B) partially funded Phase I of the Terminal Area Improvement Program (TAIP). They were originally intended to be sold as 40-year bonds. Due to conditions related to the global financial crisis at the time of marketing these bonds in August 2007, the market shrank for 40-year bonds. Thus, the City restructured the Series 2007B Bonds into 30-year bonds, which created a spike in debt service in FY 2033-2037. The Airport intended to reduce this spike by restructuring the bonds again once they became callable in 2017.

[16] Louis Armstrong New Orleans International Airport.

[17] *Performance Review and Assessment Study* (August 2013) by Ricondo & Associates, Inc.

As planned, the City's Finance Department (Finance), in consultation with the Airport, restructured and refunded the bonds in April 2017. This resulted in net present value cost-savings of $83.2 million. As seen in Exhibit 5, the refunding also lowered the projected funding spike in FY 2033, creating capacity for additional debt for future capital development as needed.

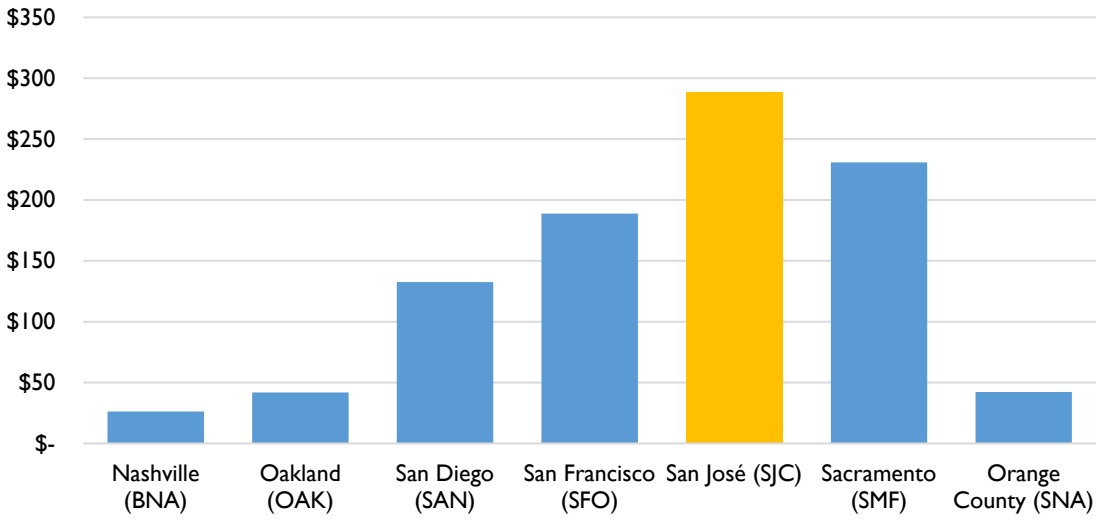
Exhibit 5: Historical and Future Annual Debt Service (FY 1993-94 to FY 2045-46), Pre-Refunding vs. Post-Refunding



Sources: Series 2017A Official Statement, Comprehensive Annual Financial Reports.

Moody's, S&P, and Fitch (credit rating agencies) positively viewed the refunding completed in 2017. These agencies gave the Airport positive ratings in their March 2017 reports, despite highlighting its high debt levels and relatively high debt per enplaned passenger as outstanding challenges (see Exhibit 6 to see how SJC compares to other airports in this regard). The rating agencies cited rising passenger levels, competitive CPE, and high liquidity as strengths. They anticipated that enplaned passengers will continue to rise in the near term.

Exhibit 6: Debt Per Enplaned Passenger – SJC vs. Benchmark Airports (FY 2014-15)



Source: 2016 (FY 2014-15) Airport Council International North America (ACI-NA) Airport Financial Benchmarking Survey.

In Recent Years, SJC Passenger Levels Have Increased

As shown in Exhibit 4, SJC has seen significant passenger growth in recent years. The FY 2016-17 count of 11.5 million passengers represented an increase of 12.7 percent from the previous year and 39.5 percent from just 5 years ago. SJC had the highest passenger growth of all medium and large hub airports in Calendar Year 2016.

Along with the gradual recovery of the economy, several factors have helped support passenger growth at SJC. Firstly, the population served by SJC is growing and has a high income relative to the rest of the country. These conditions are advantageous for air travel demand.

Further, the Airport and the City have worked with airlines to add new international and domestic routes. Since June 30, 2015, the Airport has added 10 new nonstop destinations, including 4 international destinations. To encourage airlines to invest in SJC and ensure SJC's competitiveness with other airports in the region, City Council set a $12 target for airline costs—terminal rents and landing fees—per enplaned passenger (CPE) in May 2010.

In addition, in 2007 City Council approved the Municipally-Funded Airline Incentive as a provision in the original Airline Agreement. The Airline Incentive rewarded high enplanement rates among airlines. Under this provision, if the percentage growth in annual enplanements at the Airport exceeded the growth in annual enplanements nationwide, the City agreed to reduce the amount of the Airport's overhead payments to the General Fund in the following fiscal year by a

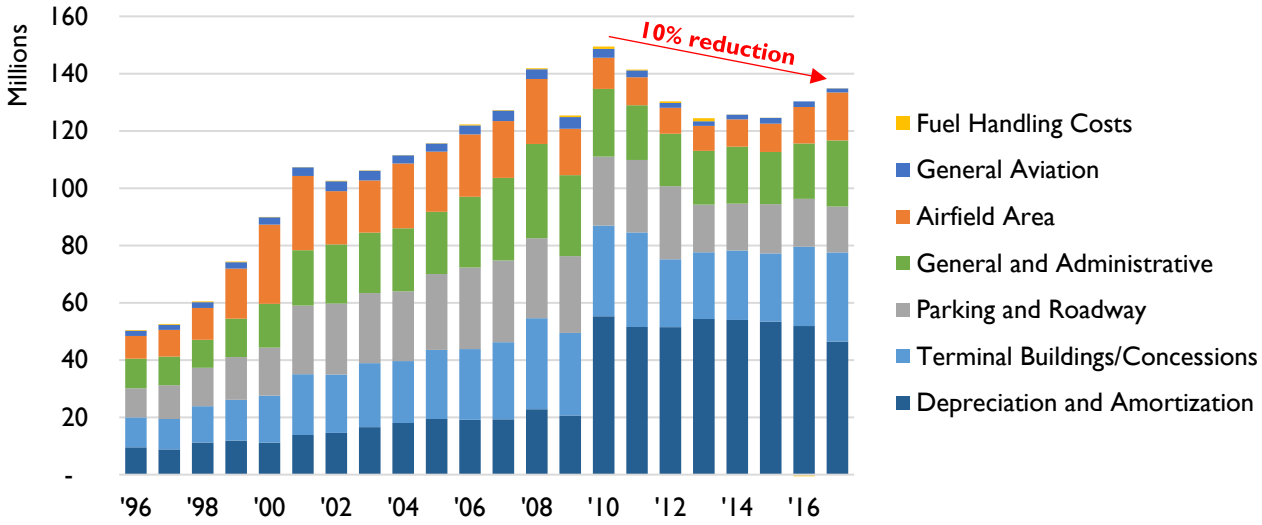
corresponding percentage. The Airline Incentive resulted in $3.4 million in overhead adjustments from FY 2012-13 to FY 2016-17. These savings were used to lower airline payments. It should be noted that the Municipally-Funded Airline Incentive was removed from the Airline Agreement in 2017 to help minimize General Fund expenses.

Moreover, residents have a positive opinion of the Airport. Specifically, respondents to the 2016 National Citizen Survey™[18] highly rated the overall ease of using SJC (with 73 percent rating it 'good' or 'excellent') and the availability of flights at SJC (with 65 percent rating it 'good' or 'excellent'). Maintaining such positive ratings can foster further passenger growth.

The Airport Has Successfully Implemented Cost-Cutting Measures

From FY 2009-10 to FY 2016-17, the Airport reduced its total operating expenses by 10 percent, as shown in Exhibit 7. Compared to the other medium-hub California airports benchmarked,[19] SJC's operating expenses per enplaned passenger are low, as seen in Exhibit 8. These cost-savings helped the Airport cover debt payments and maintain CPE below $12.

Exhibit 7: Airport Operating Expenses Breakdown (FY 1995-96 to FY 2016-17)



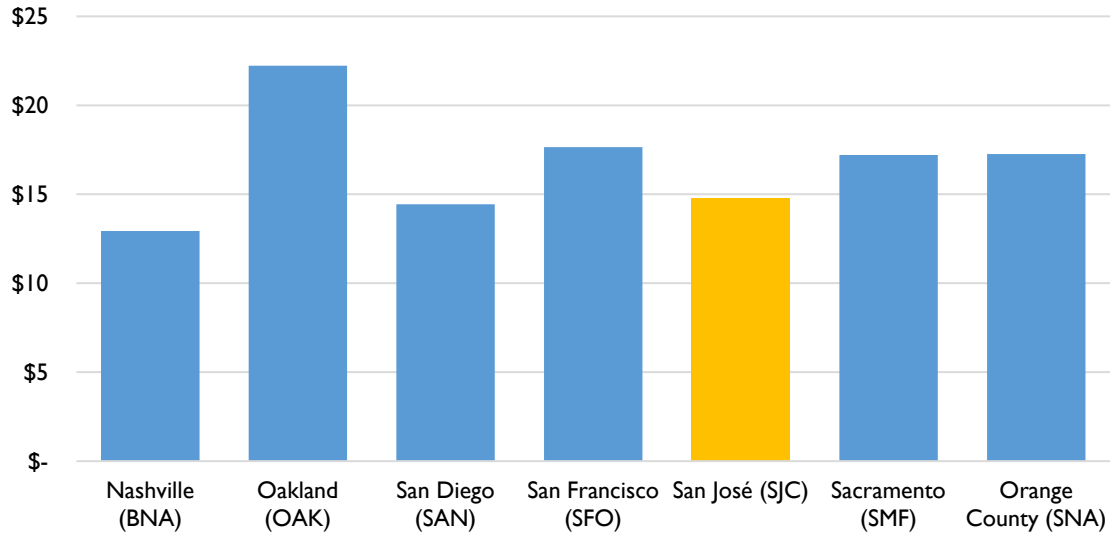
Source: Comprehensive Annual Financial Reports.

Note: Although expenses in the most recent FYs are higher than they were prior to the recession in 2007, expenses associated with 'Depreciation and Amortization' account for a sizeable proportion of recent costs.

[18] The National Citizen Survey™ is a collaborative effort between National Research Center, Inc. (NRC) and the International City/County Management Association (ICMA). The survey was developed by NRC to provide a statistically valid sampling of resident opinions about their community and services provided by local government. Ratings are based on the opinions of 3,722 City residents who responded to either a mail or online survey.

[19] The other medium-hub California airports benchmarked were Orange County (SNA), Oakland International (OAK), and Sacramento International (SMF).

Exhibit 8: Operating Expenses Per Enplaned Passenger – SJC vs. Benchmark Airports (FY 2014-15)

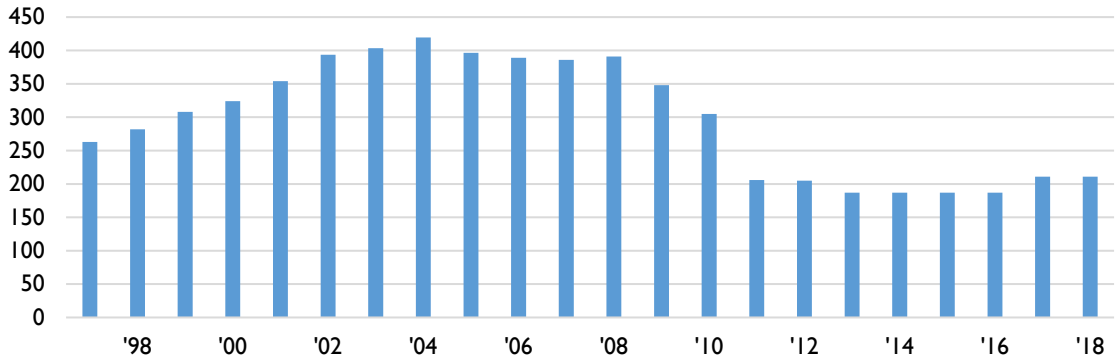


Source: 2016 (FY 2014-15) Airport Council International North America (ACI-NA) Airport Financial Benchmarking Survey.

Staffing Reductions Helped Reduce Costs

Cost-cutting measures included significant staffing reductions, as seen in Exhibit 9. At peak staffing, the Airport was authorized for 391 total full-time equivalent (FTE) staff in FY 2007-08; by FY 2012-13, the department budgeted for 187 FTE. About a quarter of the reduction in staffing resulted from the Airport's outsourcing of custodial services,[20] leading to ongoing savings of $4.5 million. It also contracted out parking and traffic control services.[21]

Exhibit 9: Budgeted Full-Time Equivalent Positions (FY 1996-97 to 2017-18)



Sources: Comprehensive Annual Financial Reports, Adopted Operating Budgets.

Note: To see budgeted positions from FY 2007-08 to FY 2016-17, see Appendix B. Numbers may not sum due to rounding.

[20] The Airport contracted out 55 custodial positions in FY 2010-2011 and later eliminated 3 more.

[21] The Airport eliminated 32 Parking and Traffic Control Officer positions between FY 2008 and FY 2018.

Council Actions Also Helped the Airport Reduce Costs

Aside from the Airport's cost-cutting measures, City Council also took actions that helped the Airport save costs and maintain competitiveness, such as:

- *Deferring the allocation of Airport funds for public art until total passenger activity reaches 12.2 million passengers.* This resulted in one-time savings of $3 million in public art expenditures that had been budgeted for FY 2010-11 through FY 2013-14.
- *Revising the Airport's Living Wage Ordinance*[22] *to make the application of living wage at SJC more comparable to that in other Bay Area airports.* Per the revised ordinance, the Airport moved from a proactive enforcement program to enhanced complaint-based enforcement with annual reporting and auditing. This allowed the reduction of 0.5 FTE Contract Compliance Specialist in 2011, an annual savings of about $65,000.
- *Placing caps on overhead costs for Police and Fire services at SJC.* Police and Fire personnel maintain public safety at SJC.[23] To enlist their services, the Airport and Police and Fire Departments deployed a staffing model that utilizes both full-time public safety personnel at SJC as well as Police and Fire personnel paid overtime. This is less expensive than only hiring full-time public safety personnel with fully loaded benefits. Beginning in FY 2011-12, Council placed 25 percent caps on the Airport's overhead payments for Fire and Police salary costs until FY 2017-18 and FY 2015-16, respectively—with the General Fund absorbing the remaining costs. This led to $2.9 million in cost-savings over 6 years, as shown in Exhibit 10.

Exhibit 10: Savings from Overhead Caps on Police and Fire Salaries During Years Implemented (FY 2011-12 to FY 2017-18)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	TOTAL
Fire	$232,100	$231,514	$236,098	$250,317	$259,430	$269,036	$1,478,495
Police	$395,047	$336,705	$342,998	$361,891	*	*	$1,436,641
TOTAL	$627,147	$568,219	$579,096	$612,208	$259,430	$269,036	**$2,915,136**

Source: Airport Department.

* The Police Department's overhead cap was removed in FY 2015-16. The Fire Department's overhead cap was removed in FY 2017-18.

[22] Refers to the provisions of Chapter 25.11 of the San José Municipal Code, Airport Living Wage and Labor Standards. Note that the Airport Living Wage applies to businesses operating at SJC (except for custodial contracts), not to personnel employed by the Airport itself. (For Airport employees and the SJC custodial team, the City's Living Wage Policy applies.) Aside from moving enforcement of the Airport Living Wage Policy to a complaint-based model, this December 2010 revision to the ordinance also changed the wage adjustment methodology. Airport Living Wage rates are now adjusted by the Consumer Price Index (CPI) rather than the federal poverty level, resulting in different annual adjustments for the Airport Living Wage rate and the City's Living Wage rate. (For FY 2017-18, the Airport Living Wage with health insurance benefits is $15.36 per hour. The City's FY 2017-18 Living Wage, at $20.57 with health benefits, is significantly higher.)

[23] For more information on public safety at SJC, please see our October 2011 audit *Airport Public Safety Level of Service*.

The Airport's Debt Is Secured by Its Revenues

The Airport is an enterprise department, meaning that it must be fully self-sustaining with fees and charges. In this way, Airport debt is secured by revenues. The City's General Fund is not legally responsible for the Airport's debt service payments.

However, while the City would not be required to cover the Airport's debt with its General Fund, the City has chosen to place a floor and ceiling on the overhead rate that the Airport pays for general City services from which it benefits (e.g. internal services by the Human Resources and Finance Departments).[24]

As mentioned earlier, it would fall on airlines to make extraordinary coverage protection payments should the Airport be unable to meet its debt service obligations. We should note that airlines have not had to make any such payments since the signing of the Airline Agreement in 2007.

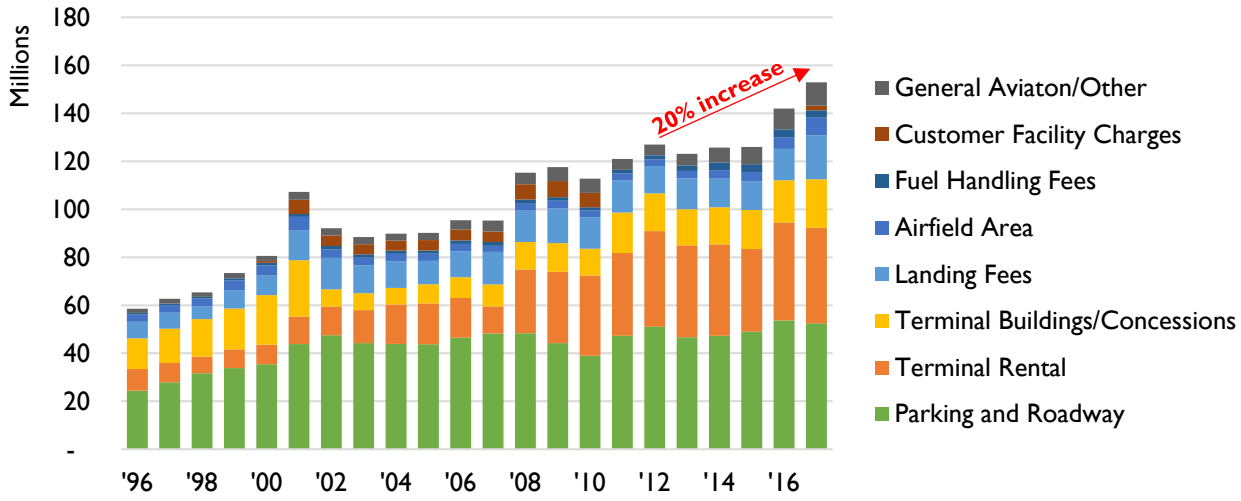
The Airport Has Made Efforts to Increase Revenues

Airline charges and fees include terminal rents and landing fees. On the other hand, non-airline revenues include those from concessions, as well as from parking, taxi, and ground transportation fees.

By establishing new business relationships and routes with airlines, increasing passenger levels, and leasing available lands, the Airport has successfully increased operating revenues. From FY 2011-12 to FY 2016-17, total Airport operating revenues increased from $127 million to $153 million, as shown in Exhibit 11.

[24] Modifications to the City's indirect cost allocation methodology portion of the overhead rate calculation were put in place due to an audit of Airport finances by the Federal Aviation Administration (FAA). (For more information on the FAA determination, see p. 137 of the City's FY 2015-16 Comprehensive Annual Financial Report.) As noted in the Airline Agreement, the overhead rate has been set between 15 and 25 percent.

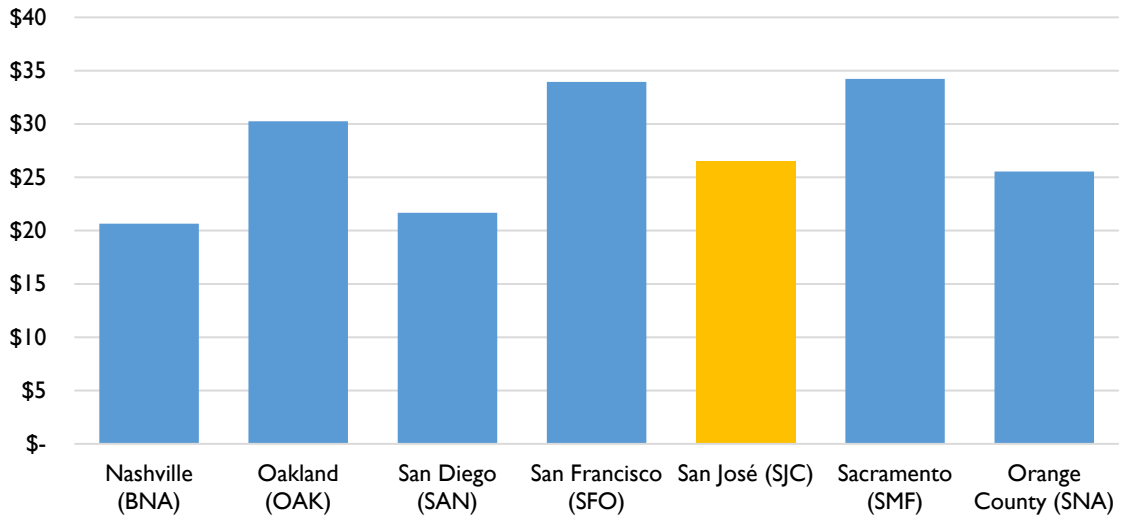
Exhibit 11: Airport Operating Revenues Breakdown (FY 1995-96 to FY 2016-17)



Source: Comprehensive Annual Financial Reports.

SJC's operating revenues per enplaned passenger are about average compared to those of benchmark airports, as shown in Exhibit 12.

Exhibit 12: Operating Revenues Per Enplaned Passenger – SJC vs. Benchmark Airports (FY 2014-15)



Source: 2016 (FY 2014-15) Airport Council International North America (ACI-NA) Airport Financial Benchmarking Survey.

Concession Revenues Have Increased

Combined food and beverage and retail gross sales per enplaned passenger increased from $6.19 in FY 2009-10[25] to $9.90 in FY 2016-17.[26] The Airport's efforts to attract new airlines, routes, and passengers have supported this increase in concessions sales. With the increase in sales, SJC concessionaires have begun paying the Airport more than the contractual Minimum Annual Guarantee (MAG)—the minimum amount of revenue they must pay the Airport regardless of their sales performance. SJC's combined food and beverage and retail revenues per enplaned passenger were relatively high compared to those of benchmark airports.[27]

The Airport Has Established New Leases

The Airport has also increased its lease revenues. In April 2013 City Council awarded a 50-year ground lease and operating permit to Signature Flight Support (Signature), a fixed base operation (FBO) facility that serves private jets owned by Silicon Valley business executives. The lease allowed Signature to develop and operate a 29-acre, $82-million facility on the west side of SJC's campus.

The lease with Signature is estimated to provide about $3 million in annual ground rent; a MAG of about $400,000 in fuel flowage fees; and a MAG of $300,000 in property, sales, and use taxes.

The Airport Collects Passenger Facility Charges and Customer Facility Charges

Two major sources of revenues are Passenger Facility Charges (PFCs),[28] which are collected from paying airline passengers, and Customer Facility Charges (CFCs),[29] which are collected by rental car companies from their customers and remitted to the City. The City currently charges a PFC of $4.50 per enplaned passenger and imposes a $7.50 CFC per contract day (for a maximum of five days) on each rental.

Exhibits 13 and 14 show the Airport's PFC and CFC revenues per enplaned passenger, as well as how they compare to those of other airports.

[25] About $25.4 million in food and beverage and retail sales divided by about 4.1 million enplaned passengers.

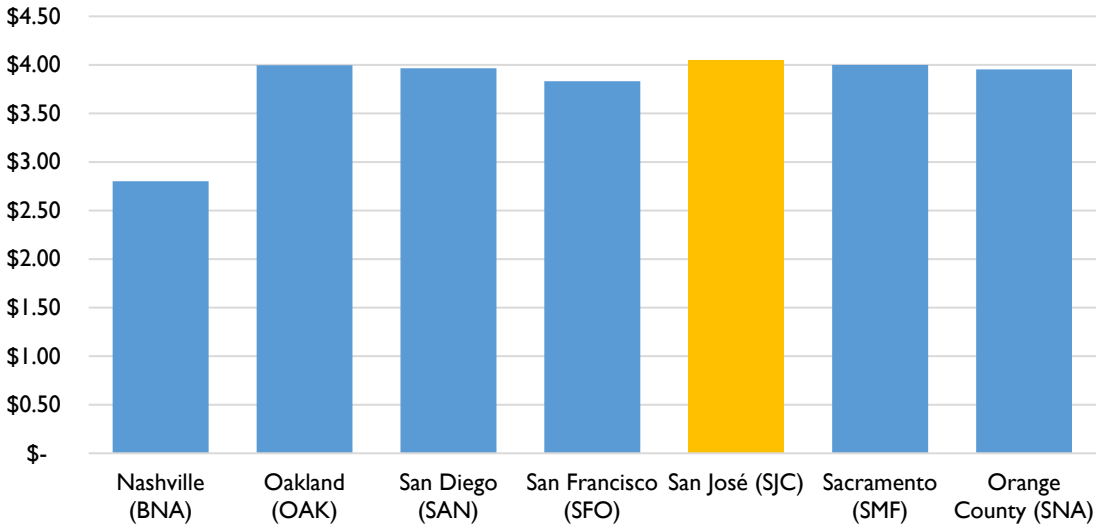
[26] About $56.6 million in food and beverage and retail sales divided by about 5.7 million enplaned passengers.

[27] As of FY 2014-15. Based on 2016 Airport Council International North America (ACI-NA) Airport Financial Benchmarking Survey.

[28] PFCs may be used to finance eligible, FAA-approved airport-related projects. They may also be used to pay debt service on PFC-eligible debt. Congress has placed a $4.50 limit on PFCs, but it is considering an increase to this maximum amount (discussed further in Finding 2).

[29] CFCs may be used to pay the reasonable costs to finance, design, and construct the Consolidated Rental Car Facility (ConRAC) and operate the ConRAC Transportation System. The City currently directs CFC revenues toward payment of debt service (only on Series 2011B Bonds) and eligible expenses.

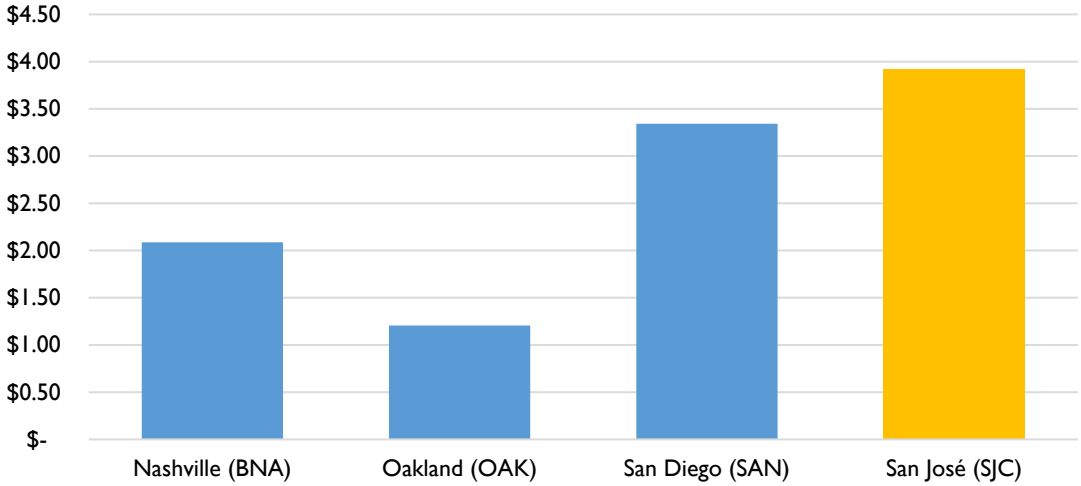
Exhibit 13: Total PFC Revenues Per Enplaned Passenger – SJC vs. Benchmark Airports (FY 2014-15)



Source: 2016 (FY 2014-15) Airport Council International North America (ACI-NA) Airport Financial Benchmarking Survey.

Note: OAK, SAN, SFO, SJC, SMF, and SNA's PFC revenues per enplaned passenger were relatively similar because they all charged $4.50 for the PFC in FY 2014-15. SJC's PFC revenues per enplaned passenger were still modestly higher than those of the other airports. BNA's PFC was $3.00.

Exhibit 14: Total CFC Revenues Per Enplaned Passenger – SJC vs. Benchmark Airports (FY 2014-15)



Source: 2016 (FY 2014-15) Airport Council International North America (ACI-NA) Airport Financial Benchmarking Survey.

Note: The CFC amount can vary from airport to airport since it is state-regulated. In FY 2014-15, BNA's CFC rate was $4.50, SAN and SJC's were $7.50, and OAK's was $10.00 per contract. Since SFO, SMF, and SNA reported no CFC revenues for FY 2014-15, they were excluded from this exhibit.

The Airport No Longer Uses Its Share of Surplus Revenues to Lower Airline Rates

Section 9.10 of the Airline Agreement provides that the Airport and airlines will evenly divide (50 percent each) the Airport's surplus net revenues at the end of each fiscal year. Although not mandated by the Agreement, from FY 2010-11 to FY 2013-14 and in FY 2015-16, the Airport chose to apply all or some of its portion of net remaining revenues to help keep airline costs competitive, incentivize their continued operation at SJC, and remain below the $12 CPE target.[30]

Given its improved financial condition and continued passenger growth, the Airport has chosen not to apply its share of Airport surplus net revenues to the airline cost centers. In the most recent fiscal years, the Airport has kept most of its 50 percent share of the surplus as reserves. In FYs 2014-15 and 2015-16, this totaled to $23.2 million in additional cash reserves.

The Airport Maintains Various Reserves

In addition to various cost-cutting and revenue enhancement measures, the Airport monitors its reserves and ensures that it meets minimum reserve requirements specified in bond agreements. Additionally, the Airport maintains:

- PFC reserves, which it has used in recent years to pay PFC-eligible debt service;[31]
- A Rate Stabilization Fund, which is capped at $9 million[32] and can be used to lower CPE if needed; and
- Unrestricted funds.

Airport staff stated that it seeks to maintain over 300 Days Cash on Hand (DCOH)—the number of days the Airport could continue to pay its operating expenses using available cash reserves.[33] The Airport's DCOH was above 600 for FY 2016-17, far exceeding its internal goal.

[30] It should be noted that, although the Airport contributed all of its portion of net remaining revenues to the airlines in FY 2011-12, the CPE in that fiscal year was still slightly above $12.

[31] As of FY 2016-17, the Airport's PFC reserves amounted to about $14.7 million. Since the recession, Airport has been depleting PFC reserves because PFC revenues have been lower than reserves expended for PFC-eligible debt. However, should passenger growth continue, PFC revenues will soon catch up to PFC expenses, allowing Airport to maintain PFC reserves rather than depleting them fully.

[32] As of October 2017, the Airport is at the $9 million maximum for the Rate Stabilization Fund.

[33] Credit rating agencies use DCOH as a measure of liquidity.

The Airport's Projected Expenses and Revenues to Meet Funding Obligations Appear to Be Reasonable Given Current Economic Conditions

The Airport projects its expenses and revenues based on conservative passenger growth estimates. For example, it used a 2 percent passenger growth estimate for its recent projections, even though passenger growth was about 5.4 percent in FY 2014-15, 6.9 percent in FY 2015-16, and 12.7 percent in FY 2016-17.

Based on our review of this conservative methodology, the bond restructuring completed in April 2017, and the Airport's measures to cut costs and increase revenues, it appears reasonable to project that the Airport can meet its debt obligations given no drastic changes to its financial outlook.

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Finding 2 As the Airport Continues to Make Sizeable Debt Service Payments, It Aims to Further Increase Revenues and Meet Customer Service Needs

Summary

To further increase revenues, the Airport has modified ground transportation fees at SJC, has engaged consultants to explore opportunities to increase revenues from parking and concessions, and is supporting advocacy efforts to raise the federal cap on Passenger Facility Charges (PFCs). In addition, raising the $12 target for the cost per enplaned passengers (CPE) would allow the Airport to increase its revenues from airline payments to help cover increased operating and capital expenditures.

Depending on the success of these efforts (i.e. should passenger levels continue to increase), the Airport will face growing customer service needs. Additional staffing and capital improvement projects may be needed—considerations which will need to be balanced with the Airport's total debt load and credit rating.

The Airport Is Examining Ways to Further Increase Revenues

While the Airport has already taken steps to increase revenues, it continues to identify ways to further increase these revenues. For instance:

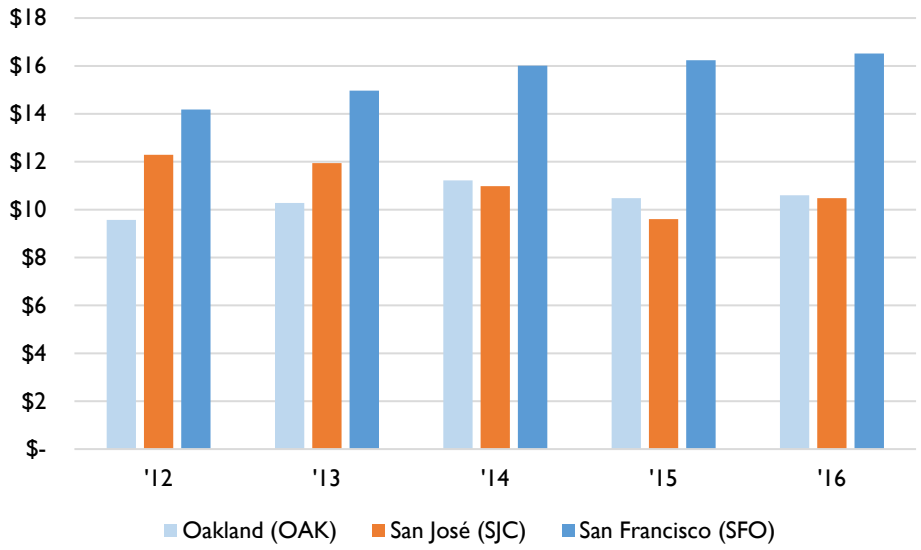
- The wide use of transportation network companies (TNCs) has slowed revenues from taxi and parking fees. In June 2017, the Airport received Council approval to increase ground transportation fees by implementing a new drop-off fee for ground transportation providers (e.g. Super Shuttle, Uber, Lyft). Prior to this action, the San José Municipal Code[34] defined requirements for permits, and fees and charges for ground transportation providers that pick up passengers, but did not allow charges for drop-offs. The drop-off fee of $3.00 took effect on October 1, 2017.
- The Airport reports that it has engaged consultants to conduct studies on increasing parking fees and concession revenues, as well as leasing its available lands. For instance, the available land beside the Signature Flight Support facility could be leased and developed by a new tenant.
- The Airport participates in advocacy efforts pushing for U.S. Congressional action to increase the PFC maximum of $4.50. The FY 2018-19 U.S. Senate appropriations bill for the Department of Transportation contains a

[34] Section 25.08.700 of the San José Municipal Code.

provision to increase the PFC cap by $4.00 at originating points (starting locations where passengers initiate their travel) only. The Senate Appropriations Committee approved this bill, but it must pass several more steps in the legislative process to be implemented.

As noted in the Background section, the City, as advised by the Airport, set a target of $12 for the cost per enplanement (CPE). The City could consider raising this $12 CPE target, which would allow the Airport to increase its revenues from airline payments as costs increase. Exhibit 15 compares the CPE of airports in the region.

Exhibit 15: Airline Cost Per Enplanement (CPE) for Bay Area Airports (FY 2011-12 to FY 2015-16)



Sources: Comprehensive Annual Financial Reports, Fitch Ratings Reports.

Potential Customer Service and Funding Challenges Will Arise Should Passenger Levels Continue to Increase

As passenger levels at SJC increase, so too do SJC's customer service needs. To meet them, the Airport will need to bolster its staffing and facilities, resulting in added costs.

As discussed in the Background of this report, the Airport made significant staffing reductions in the past decade—from 391 budgeted FTE in FY 2007-08 to 187 in FY 2015-16. In 2017, the Airport requested 24 additional full-time equivalent positions, especially in Operations and Facilities, which were most impacted by the previous staffing reductions and by current passenger growth. In conjunction with the lifting of overhead caps on Police and Fire services at SJC (discussed in Finding 1), the Airport's staffing costs have increased from $34.9 million in FY 2014-15 to $38.1 million in FY 2016-17. Further requests for additional staff would result in greater costs.

Moreover, the Airport has several ongoing capital improvement projects to ensure that SJC facilities can accommodate added traffic. Current projects include the installation of perimeter security technology, construction of additional gates, Terminal B ramp rehabilitation, and infrastructure development for zero emission buses at SJC.

Also, the Airport has met requirements to begin planning for Phase II of the Terminal Area Improvement Program (TAIP), which would aim to expand SJC's capacity by adding gates. Airport staff has indicated it plans to take a conservative approach and proceed with Phase II only as financial affordability permits, taking into consideration that additional debt may affect the Airport's credit rating.

Although the Airport has met its debt obligations in previous years and appears to have a reasonable plan to meet these obligations given its current circumstances, it must continue to balance its operational and financial needs in years to come.

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Conclusion

The Airport Department took on significant debt in 2007 (via revenue bonds) to finance a portion of the Terminal Area Improvement Program that it began in 2005. To meet its debt obligations and remain competitive in the region despite dropping passenger levels due to the economic recession, the Airport refunded its 2007 revenue bonds in 2017, implemented cost-cutting measures, and made efforts to increase its revenues. The Airport's projection that it can meet its debt obligations appears to be reasonable given current economic conditions. However, as it continues identifying ways to further increase passenger levels and revenues, the Airport must continue to balance its financial needs with operational needs (e.g. potential staffing and facility expansions).

This report has no recommendations.

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Appendix A
Airport Revenue Bonds Debt Service Requirements (Post-Refunding) (as of March 28, 2017)

	Series 2017 Bonds Debt Service Requirements					Airport Revenue Bonds Debt Service Requirements	
Fiscal Year Ended June 30	Principal Requirements on Series 2017A Bonds	Interest Requirements on Series 2017A Bonds	Principal Requirements on Series 2017B Bonds	Interest Requirements on Series 2017B Bonds	Total Debt Service on Series 2017 Bonds	Total Debt Service Requirements on Outstanding Bonds[††]	Total Debt Service Requirements on All Bonds[†]
2018	$14,145,000	$20,801,733	$4,505,000	$6,430,889	$45,882,622	$57,882,896	$103,765,518
2019	11,245,000	22,694,700	3,575,000	7,144,650	44,659,350	47,841,682	92,501,032
2020	12,210,000	22,132,450	3,890,000	7,037,400	45,269,850	47,987,767	93,257,617
2021	12,795,000	21,521,950	4,070,000	6,881,800	45,268,750	48,637,930	93,906,680
2022	13,435,000	20,882,200	4,275,000	6,678,300	45,270,500	48,739,520	94,010,020
2023	4,415,000	20,210,450	1,400,000	6,464,550	32,490,000	49,435,802	81,925,802
2024	4,970,000	19,989,700	1,575,000	6,394,550	32,929,250	49,859,395	82,788,645
2025	5,725,000	19,741,200	1,820,000	6,315,800	33,602,000	50,062,932	83,664,932
2026	4,655,000	19,454,950	1,480,000	6,224,800	31,814,750	48,955,832	80,770,582
2027	4,005,000	19,222,200	1,275,000	6,150,800	30,653,000	50,016,047	80,669,047
2028	4,420,000	19,021,950	1,400,000	6,087,050	30,929,000	50,661,475	81,590,475
2029	4,545,000	18,800,950	1,450,000	6,017,050	30,813,000	56,573,055	87,386,055
2030	4,950,000	18,573,700	1,570,000	5,944,550	31,038,250	57,328,852	88,367,102
2031	5,655,000	18,326,200	1,805,000	5,866,050	31,652,250	57,722,625	89,374,875
2032	5,465,000	18,043,450	1,735,000	5,775,800	31,019,250	59,380,565	90,399,815
2033	6,045,000	17,770,200	1,925,000	5,689,050	31,429,250	60,023,512	91,452,762
2034	6,655,000	17,467,950	2,115,000	5,592,800	31,830,750	60,314,875	92,145,625
2035	19,740,000	17,135,200	6,285,000	5,487,050	48,647,250	25,589,435	74,236,685
2036	20,730,000	16,148,200	6,590,000	5,172,800	48,641,000	26,120,465	74,761,465
2037	21,765,000	15,111,700	6,920,000	4,843,300	48,640,000	26,657,335	75,297,335
2038	22,850,000	14,023,450	7,275,000	4,497,300	48,645,750	27,237,762	75,883,512
2039	23,990,000	12,880,950	7,635,000	4,133,550	48,639,500	27,746,495	76,385,995
2040	25,190,000	11,681,450	8,015,000	3,751,800	48,638,250	28,530,232	77,168,482
2041	26,455,000	10,421,950	8,420,000	3,351,050	48,648,000	29,137,515	77,785,515
2042	27,780,000	9,099,200	8,835,000	2,930,050	48,644,250	-	48,644,250
2043	28,910,000	7,988,000	9,200,000	2,541,750	48,639,750	-	48,639,750
2044	30,360,000	6,542,500	9,660,000	2,081,750	48,644,250	-	48,644,250
2045	31,875,000	5,024,500	10,145,000	1,598,750	48,643,250	-	48,643,250
2046	33,470,000	3,430,750	10,650,000	1,091,500	48,642,250	-	48,642,250
2047	35,145,000	1,757,250	11,180,000	559,000	48,641,250	-	48,641,250
Totals	$473,595,000	$465,901,033	$150,675,000	$148,735,539	$1,238,906,572	$1,092,444,006	$2,331,350,578

Source: Series 2017A Official Statement.

Appendix B
Budgeted FTE by Functional Area (FY 2007-08 to FY 2016-17)

Functional Area	'08	'09	'10	'11*	'12	'13	'14	'15	'16	'17**	Change from '08	%Change from '08
Acoustical Treatment Program (ACT)	7	4	0	0	0	0	0	0	0	0	-7	-100%
Administration	40	35	31	27	27	27	27	28	28	30	-10	-25%
Air Service Development	5	2	2	1	1	1	1	1	1	1	-4	-80%
Airport Technology Services	21	19	16	13	13	13	13	13	11	11	-10	-48%
Airside Operations	47	47	38	35	40	42	43	43	43	51	4	9%
Customer Service and Outreach	10	8	6	5	6	7	7	6	8	10	0	0%
Capital and Airport Development	28	27	26	18	14	15	15	15	18	19	-9	-32%
Environmental	3	4	3	1	1	1	1	1	1	2	-1	-33%
Facilities (Building Services, Trades and Maintenance)	155	135	128	64	66	64	64	64	61	68	-87	-56%
Landside Operations and Services	62	56	47	34	29	9	8	8	8	9	-53	-85%
Property Management	13	12	9	8	8	8	8	8	8	10	-3	-23%
	391	**349**	**306**	**206**	**205**	**187**	**187**	**187**	**187**	**211**	**-180**	**-46%**

Sources: Comprehensive Annual Financial Reports, auditor analysis.

Note: Numbers may not sum due to rounding.

* In FY 2010-11, 55 custodial positions (Facilities) were contracted out. Further, Phase I of the Terminal Area Improvement Program was substantially complete in FY 2010-11, explaining some of the budgeted staffing reductions in that year.

** For FY 2017-18, 211 positions have been authorized for the Airport. To help address staffing challenges related to increased passenger levels, 17 of these positions were added in January 2017 (via budget modification), and 7 were added through the budget process. A significant proportion of these new positions were in Operations and Facilities.