

File No. 100473

Committee Item No. 11

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Sub - Committee: Budget and Finance

Date: April 28, 2010

Board of Supervisors Meeting

Date: _____

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Completed by: Andrea S. Ausberry

Date Friday, April 23, 2010

Completed by: _____

Date _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Adopting Five Year Financial Plans Submitted by the Port, the Airport, and the Public Utilities
Commission]

2
3 **Resolution adopting the five year financial plans submitted by the Port, the Airport, and**
4 **the Public Utilities Commission under Charter Section 9.119.**
5

6 WHEREAS, Charter Section 9.119 requires the Mayor to propose and the Board of
7 Supervisors to adopt a five-year financial plan, and sets deadlines for the implementation of
8 that requirement over time; and

9 WHEREAS, Section 9.119 provides that by July 1, 2010, the City shall adopt a five-
10 year financial plan for those non-General Fund departments designated by ordinance for early
11 adoption of the requirement; and

12 WHEREAS, Board of Supervisors Ordinance No. 21-10 designates the Port, the
13 Airport, and the Public Utilities Commission for early implementation of Section 9.119; and

14 WHEREAS, The Port, the Airport, and the Public Utilities Commission have submitted
15 their five-year plans for consideration under Section 9.119, which plans are on file with the
16 Clerk of the Board of Supervisors in File No. 100473 , which is hereby declared to be a part of
17 this resolution as if set forth fully herein; and

18 WHEREAS, These financial plans are intended to be used as tool to plan for future
19 budgets but are not binding upon those budgets; now, therefore, be it

20 RESOLVED, That the Board of Supervisors adopts the five-year financial plans
21 submitted by the Port, the Airport, and the Public Utilities Commission.
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23
24
25

San Francisco International Airport



Five-Year Financial Plan

Fiscal Year 2010/11 – Fiscal Year 2014/15

April 23, 2010

Background

San Francisco International Airport (SFO) is operated as an enterprise department of the City and County of San Francisco. Its financial operations are governed by: (1) Federal regulations and policies promulgated by the Federal Aviation Administration (FAA), which issues guidelines on the acceptable methods of developing Airport rates and charges and the appropriate use of Airport revenue, as well as the Transportation Security Administration (TSA), and; (2) the Airport-Airline Lease and Use Agreement, which defines the rights, privileges, and obligations of the airport operator and the airlines, and stipulates the way that rentals, fees, and charges paid by the Airlines for the use of the Airport are calculated and adjusted.

SFO has a residual airline agreement, which defines the rate-setting methodology and places the ultimate risk of budget deficits on the airlines. Under the agreement, SFO projects its non-airline operating revenues annually and deducts this amount from its projected operating expenditures including debt service. The residual amount remaining is the amount the airlines pay through their annual terminal rentals and landing fees. As part of the annual budget and rate-setting process, a majority-in-interest of the airlines signatory to the agreement can require the Airport to defer any capital project costing more than \$636,016 in Fiscal Year (FY) 2009/10 dollars, with exceptions such as safety and federal mandates. The airline and tenant rates are all set annually in a process that includes review and approval by the Airport Commission in May of each year.

The ability of the Airport to derive revenues from its operations depends in part on the financial health of the airline industry and the relative cost to the airlines of operating at SFO versus other competing airports. The economic recession has hit the airlines particularly hard, so the Airport must control the costs to the airlines of operating at SFO, even though enplanements are up at SFO and Terminal 2 will open in the latter half of FY 2010/11. SFO competes with other Bay Area airports for domestic flights and passengers, particularly short- and medium-haul flights, and it competes for international traffic primarily with Los Angeles International Airport (LAX) and Seattle-Tacoma International Airport. To the extent that those airports can offer facilities to serve the market segment in question at a lower cost, SFO is vulnerable to losing service and passengers to those airports.

SFO has a unique provision grandfathered into its airline agreement by the FAA which allows SFO to pay 15% of its concession revenues to the City and County of San Francisco, which is called the Annual Service Payment (ASP). The ASP provides the Airport with an added incentive to grow its concession revenues. Through the agreement Airlines also retain the right to approve capital expenditures as a measure of control over the long-term financial obligations of the Airport.

Strategic Focus and Major Challenges

Strategic Focus

The Airport's strategic focus is on the following key initiatives:

Strategy #1 Enhance SFO's image by having a flawless opening of Terminal 2

Terminal 2 has been closed since the opening of the new International Terminal in 2000. In the fall of 2007, Airport management initiated the renovation of Terminal 2 from the former 10-gate international terminal into a 14-gate domestic terminal to address the need for domestic terminal facilities at SFO. The need for additional terminal gates was triggered primarily by anticipated growth in domestic passenger traffic, particularly from new entrant airlines including JetBlue, Southwest Airlines, and Virgin America.

SFO management has mobilized staff Airport-wide to coordinate the seamless opening of Terminal 2 toward the end of FY 2010/11. That coordination has involved working toward completion of construction and developing the business terms for the tenant airlines (coinciding with renegotiation of Airline Lease and Use Agreements), selecting concessionaires, developing operating and maintenance staffing plans, creating a hiring plan, and developing marketing and communication efforts.

Strategy #2 Ensure that the airlines' cost per enplaned passenger does not exceed \$18.90 (in constant FY 2007-08 dollars)

To enhance SFO's competitiveness with other Bay Area and West Coast gateway airports, management has established a goal of limiting airline cost per enplaned passenger (CPE) to no more than \$18.90 in constant FY 2007/08 dollars from FY 2010/2011 through FY 2015/16. Managing to this CPE limit requires maximizing federal and state grants and using passenger facility charge (PFC) revenues wisely; minimizing borrowing costs for bonds and other debt; enhancing non-airline revenues from concessionaires, rental cars, parking and other sources; realizing efficiencies to control administrative, operating and maintenance costs; and attracting more air service and passengers to the Airport.

Strategy #3 Focus on the total customer experience so that we remain the Airport of choice

Senior management is also focused on preserving and enlarging SFO's role as a major West Coast gateway beyond the Pacific Rim by creating a positive business climate for airlines and other business partners, and by providing top-notch customer

service to the Airport's passengers. To do this, SFO has been identifying the key markets in which SFO is not competitive and working toward increasing service to those areas through marketing efforts, attractive business arrangements, superior technology availability and professional partnerships. SFO is also working to create new management systems and programs designed to enhance and improve business operations, service delivery, and workplace environment.

To improve customer satisfaction, SFO has also been focusing on customer service initiatives across Airport operations, such as better flight instrument display systems, kiosks, visual paging, etc., higher quality of food and beverage and retail offerings, and other initiatives to improve the travel experience through SFO.

Strategy #4 Create and execute the Airport Development Plan and Asset Management Plan

SFO has agreed with the airlines that it will deliver facilities on a just-in-time basis to meet demand. The first phase of this entails a Domestic Terminal Plan, which is in progress, and the second phase will be a Total Airport Plan, including an update of the Airport Layout Plan. As part of executing these plans, SFO must manage the implementation of critical projects to achieve on-time, within budget project performance, incorporating partnering concepts as a fundamental value in project implementation. SFO is also working on development and implementation of an Asset Management Plan for the repair and replacement of Airport facilities to identify maintenance and capital requirements.

Strategy #5 Continue to be a leader in sustainability, community support, safety and security, and quality of facilities

Sustainability—The Airport has developed a Climate Action Plan to reduce its carbon footprint. It has also initiated various efforts to reduce vehicle emissions and improve air quality, including Clean Air Vehicle policies such as providing discounts to rental car customers who rent green vehicles. SFO is also working to meet environmental commitments, and improve efficiency of compliance with environmental regulations and procedures by implementing an Environmental Management System (EMS) to track and initiate performance improvements to the environmental programs administered by various Airport Divisions.

Community Support—SFO's policy is to maximize business opportunities for small, local, and disadvantaged businesses by providing opportunities to (1) own and operate retail and food/beverage concessions at the Airport; and (2) participate as contractors/consultants in construction and professional services contracts. Over the past two years, small, local and disadvantaged businesses have operated over 50% of the concessions at the Airport, and received over 35% of total contract payments. For

the Terminal 2 project, the Airport anticipates a total of 45 to 48% local business participation in Terminal 2, and 21% certified local business participation. In addition, over the last ten years, the Airport has mentored 529 interns through a number of intern programs, including an At-Risk Youth Employment Program (Career Connect), a high school student intern program, a College Summer Intern Program, and a Student Engineering/Architecture Trainee Program, and the Airport has participated in the City's Summer Youth Employment Program (SYEP), funded by federal stimulus dollars.

Safety and Security—SFO has recently completed a comprehensive security threat assessment that has resulted in a list of actions that have been prioritized into an action plan. Management is currently establishing an internal committee to implement the plan.

Quality of Facilities—SFO management is constantly looking for other ways to improve Airport facilities, such as improving wireless service free of charge to airport customers, continuously improving AirTrain System reliability and safety/security, improving apron replacement protocols, and the like.

Strategy #6 Develop and implement succession plans

Recognizing that over 43% of the Airport's top management is likely to retire over the next two to five years, SFO is developing plans to pass along institutional knowledge so that it is not lost when those key people do retire. Succession planning includes developing plans to cross-train staff to broaden their knowledge base, recognizing and rewarding managers that get the most performance from their staff, implementing the Management Development Program Airport-wide, and providing management training and coaching.

Major Challenges

To maintain its position in the national aviation market, the Airport currently faces several major challenges. The most important ones are described below.

1. **Weak economy**—The Airport receives revenues from different types of businesses that are negatively affected by the weak economy, from airlines and rental car companies to food and retail concessionaires. The Airport must consider the needs of these businesses and control its costs to keep the airport competitive. Over the last year, SFO has been fortunate because airlines have been consolidating services into SFO from other airports and low cost carriers have continued to add service, but the pressure to keep costs low remains.

2. ***Airline financial volatility***—The Airline industry has been under tremendous financial pressure for some time and has reported significant losses in the latest economic downturn. Recent reports indicate improved airline financials, and essential premium, business and international travel are recovering. But it is in this recovery phase that mergers become more likely. While the Bay Area provides a strong and resilient origin-destination travel market for the Airport, airline mergers or service changes could have an immediate and significant financial impact.
3. ***Non-airline revenues are growing in line or above traffic growth in the forecast period, but expenses are growing faster*** —While revenues are projected to recover from the economic downturn, they will only grow slowly, in line with traffic projections, while expenses are projected to grow at a more rapid rate. The Airport will need to think creatively about managing this dynamic over time because of the impact on the CPE.
4. ***High debt burden from previous capital commitments***— Because of commitments to build the Master Plan in the late 1990s, including the International Terminal, Air Train and related projects, the Airport has a high debt burden, with annual debt service hitting a plateau of approximately \$394 million per in FY 2016/17 to FY 2019/20. Debt service payments are currently more than 40% of the annual expense budget. The amount of outstanding debt places pressure on staff to find creative ways to reduce the annual debt service and may affect SFO's ability to pursue other large-scale capital projects in the future.
5. ***Terminal Development and Asset Redevelopment***— SFO will need to balance its need to redevelop and maintain facilities with the pressure to remain competitive compared to other international gateways and Bay Area airports. While the Airport has made some investments in new facilities, such as the International Terminal and Terminal 2, it also has a number of aging assets, such as Terminal 1 and older cargo buildings, which will eventually need significant renovation.
6. ***Aviation Land Leases Renewal Risk***—The Airport has a variety of aviation maintenance and cargo-related land leases. Some of these leases, worth about \$21.8 million annually, will expire during the financial plan period. With airlines and cargo shipping firms focused on costs during a period of declining cargo and air carriers moving or consolidating maintenance functions, the future of these leases is uncertain.

Operations - Rate Setting Process and Revenue Discussion

Before establishing its budget each year, the Airport assesses how much it can afford in expenses, taking into consideration air traffic forecasts and the implications of projected revenues and expenses on airline rates and charges. The calculation of airline rates and charges is pursuant to the current Lease and Use Agreement through FY 2010/11 and is based on the new Lease and Use Agreement for FY 2011/12 on (it expires in FY 2020/21) and reflects the residual rate-making structure at SFO. The elements used to create annual rates are described below.

1. **Operating Expenses**—The Airport projects its operating expenditures including debt service. Because rates and charges are established in May of each year to provide adequate notice to the airlines regarding implementation on July 1, the expenses are based on the preliminary budget as submitted in the spring, before approval by the Board of Supervisors, and therefore do not match approved annual budgets. A balancing budget entry is made between revenues and expenses reflecting the use of the Operating Fund Balance once the budget is final.
2. **Non-Airline Operating Revenues**—Non-airline operating revenues are projected and applied against operating expenses in the airline rate calculation.
3. **Passenger Facility Charge Revenues**—SFO applies PFC revenues designated by the Commission to pay PFC-eligible debt service. PFC revenues not used in this way can be accumulated for future years and/or used on a pay-as-you-go basis to directly pay eligible capital project costs.
4. **Prior Year Deficit (Surplus)**—Any airline deficit (or surplus) from prior years is added (or subtracted). The airlines are currently owed a total of \$51 million because the Airport's financial results have been better than forecast in recent years.
5. **Airline Revenue Requirement**—The residual amount remaining will be paid by the airlines through their landing fees and terminal rents.

Air Traffic—Enplaned Passengers and Landed Weight

Airport staff uses an enplaned passenger forecast to estimate various activity-based revenues, to forecast the landed weight estimate, landing fee revenue, passenger facility charge revenues, and to serve as the denominator in calculating the Cost per Enplanement (CPE). The enplaned passenger forecast is based on the Jacobs Consultancy February 12, 2010 report and reflects a better than expected level of enplanements for FY 2009/10, primarily due to domestic growth. The forecast anticipates improved international activity and slowing domestic growth through the five-year period.

Traffic Forecast

Enplanements (000's)	Actual		Forecast					
	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Domestic	13,807 9.5%	14,004 1.4%	14,725 5.1%	14,950 1.5%	15,200 1.7%	15,415 1.4%	15,610 1.3%	15,775 1.1%
International	4,566 5.1%	4,221 -7.6%	4,190 -0.7%	4,420 5.5%	4,625 4.6%	4,815 4.1%	5,005 3.9%	5,190 3.7%
Total	18,373 8.4%	18,225 -0.8%	18,915 3.8%	19,370 2.4%	19,825 2.3%	20,230 2.0%	20,615 1.9%	20,965 1.7%

Landed Weight (lbs in millions)	Actual		Forecast					
	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Domestic	18,900 7.9%	18,791 -0.6%	19,366 3.1%	19,462 0.5%	19,869 2.1%	20,199 1.7%	20,454 1.3%	20,670 1.1%
International	8,615 7.5%	8,213 -4.7%	7,831 -4.7%	8,416 7.5%	8,839 5.0%	9,252 4.7%	9,668 4.5%	10,098 4.4%
Cargo	1,892 -15.0%	1,484 -21.6%	1,461 -1.5%	1,533 4.9%	1,573 2.6%	1,583 0.6%	1,594 0.7%	1,604 0.6%
Total	29,407 5.9%	28,488 -3.1%	28,658 0.6%	29,411 2.6%	30,281 3.0%	31,034 2.5%	31,716 2.2%	32,372 2.1%

Non Airline Operating Revenues

The Airport receives revenues from parking, concessions, non-airline rentals, interest income, and other sales and service revenues, which are based on lease agreements and fees set to recover costs. A brief discussion on the forecast and assumptions for each revenue area are included below.

Parking and Ground Transportation

The Airport receives parking revenues from the domestic terminal and international terminal garages and its long-term parking garage. No public parking rate increases are included in FY 2010/11. Modest rate increases are in the forecast every other year and are subject to change based on parking demand. Rental car revenues are forecast with steady increases, partially offset by incentives for fuel-efficient vehicle rentals. Ground transportation, which has been flat during the recession, increases in FY 2010/11 primarily due to the elimination of the taxi short trip fees (less than 30 minutes). Local trips will have a minimum fare and pay the same fee as regular trips.

Terminal Concessions

The Airport has four types of terminal concessions: duty free shops, retail shops, food and beverage concessions and passenger services. For FY 2010/11 through FY 2015/16, gross concession revenues are forecast based on enplanements and passenger spending trends. Passenger spend rates have declined recently, likely a result of both the increase in short-haul flights and the slow economy. All minimum annual guarantee (MAG) rental payments in current rental agreements remain in effect through the forecast period. Terminal 2 is expected to open in the spring of 2011 and is forecast with an increased spend rate per passenger as compared to other domestic terminals based on the mix and square footage of concessions. The plan includes the revenue loss as a result of closing Boarding Area E retail and food and beverage concessionaires during the remodeling period (from mid-year 2011 through early 2012) and that frontal gate concessionaires located in the vicinity will also experience a decline in sales. No estimate is included for potential loss-of-income claims from concessionaires. The forecast projects potential closure and lease buy-outs of up to three food and beverage providers in Boarding Area B following the relocation of airlines to the remodeled Boarding Area E.

Non-Airline Rentals

The Airport rents a variety of aviation and cargo facilities, such as the United Airline's Maintenance Operations Center, the Superbay Hangar, various cargo buildings, and airline operations facilities. The Plan includes CPI increases on fixed rents of 0% in FY 2009/10, 2.2% in FY 2010/11 and 2.5% per year thereafter.

Interest Income

Additional interest earnings are forecast at 4.19% from deposits to Debt Service fund balances, and 2.5% to 4.33% from deposits in the Debt Service Reserve Fund.

Other Sales and Services

This area includes various rentals and fees, such as utility charges, refuse fees, equipment maintenance fees, government rents, and information technology and telephone fees. During the five-year period, the current Air Train fee of \$18.50 per transaction will increase to \$20.00 in FY 2010/11 and will increase, as necessary, to achieve higher levels of cost recovery throughout the remaining forecast. In FY 2013/14, the airlines' electricity cost increases to 100% Pacific Gas and Electric rates from the current 74% per the 1981 settlement agreement with the City Public Utilities Commission (PUC). This rate change is reflected in Airport revenues and expenses. Other revenue in this area is based on additional annual rate increases for fees not at full cost recovery or market rate as appropriate.

Passenger Facility Charges (PFCs)

Passenger Facility Charges are collected by the Airlines on behalf of the Airport, which must receive approval to collect the fee by submitting applications to the FAA. SFO has FAA approval to collect \$833.1 million in PFCs, which is expected to be collected by 2017. The

Airport is applying for approval for an additional \$994 million, which is expected to be collected by 2030. The forecast assumes that 84% of enplaned passengers qualify to pay a PFC as part of the ticket purchase. The amount of PFC Revenues planned for capital projects is estimated at \$12.5 million in FY 2012/13, increasing to \$13 million in both FY 2013/14 and 2014/15. PFC revenues that are included in the rate base and will be applied to pay for debt service range from \$75.8 million to \$100.0 million during the forecast period. For purposes of this Plan, the PFC is assumed to remain at the current level of \$4.50, the maximum allowed under federal law. If the law changes to allow a higher PFC to be collected, the Airport expects to apply to charge the higher amount.

Prior Year Deficits (Surpluses)

According to the Lease and Use Agreement, any prior year deficit or surplus is applied to airline rates in subsequent years. The current surplus balance is \$51 million. In FY 2009/10, Airport staff budgeted \$32.8 million of deferred aviation revenue surplus against airline rates. The FY 2009/10 forecast (based on Second Quarter results) estimated the surplus necessary to balance revenues and expenses at \$13.7 million, in which case \$19.2 million would be available for reallocation to future rate years. FY 2010/11 reflects \$32.0 million in applied surplus, based on the surplus balance of \$51.0 million less the \$13.7 million estimated for FY 2009/10 and a reserve of \$5.3 million pending year-end results. The Plan projects a surplus of \$4 million from FY 2011/12 through FY 2014/15 would be available to apply against Airline rates.

Airline Terminal Rentals

Airlines lease a variety of space at SFO, from ticket counters to back office space, which are reflected in Terminal Rental Revenue. The Financial Plan assumes Terminal 2 reopens in late FY 2010/11, which adds approximately 611,845 square feet to the gross building area of the Terminal Area. Approximate Airline leased space for the terminal is reflected, including changes in Airline leased space per the agreement with airlines upon the signing of the new Lease and Use Agreement.

The Plan includes the assumptions that American Airlines and Virgin America move from Boarding Area E and the International Terminal, respectively, effective late FY 2010/11. For 10 months, from mid-year 2011 through early 2012, Boarding Area E remains vacant except for Air Canada. Continental Airlines and US Airways move to Boarding Area E in early 2012. Alaska Airlines and Southwest Airlines continue to operate in Boarding Area B through the forecast period.

Operations – Expense Discussion

The operating expenses included in the Financial Plan are based on the preliminary proposed budgets for FY 2010/11 and FY 2011/12. The last fiscal year is used to forecast expenses for FY

2012/13 through FY 2014/15. The forecast uses historical trend average increases of 4.8% year over year for expenses not specifically mentioned below. The proposed expense budget reflects the 12 furlough day plan. At the end of FY 2010/11, Terminal 2 will open, resulting in an additional \$5.8 million in expenses, which increases to \$17.1 million for a full year of operation in FY 2011/12. Thereafter, the Terminal 2 operating costs adjust according to the historical trend average, with exception of the baggage system maintenance contract that ends after two operating years. In FY 2010/11, hold room and baggage claim cleaning services begin in Terminal 1 at a cost of \$0.7 million, and increase in FY 2011/12 by \$1.9 million with services starting in Terminal 3. Airline electricity rates are projected to increase beginning July 2013 when the settlement agreement with the PUC is scheduled to end, adding approximately \$5.3 million in recoverable utility expense.

Facilities Maintenance

The proposed budget in FY 2010/11 includes \$6 million for Facilities Maintenance projects, which increases to \$7.0 million in FY 2011/12, and thereafter increases by \$0.5 million per year.

Debt Service

The debt service budget reflects issuance of long-term debt for capital projects in November 2009 (Series 2009E) with a total par amount of \$485.8 million at an interest cost of 5.53%. It includes lower near-term debt service on certain outstanding bonds refunded in November 2009 with the 2009C Tender and 2009D fixed refunding bonds, in January 2010 with the 2010A variable rate bond transaction and the 2010CDE fixed refunding transactions which priced on March 17, 2010. In April 2010, the Airport fixed \$100 million in Series 2008A-1 and Series 2008A-2 Notes into long-term bonds (Series 2010D). Commercial paper already issued to provide cash flow for capital projects is projected to be refinanced with \$145.9 million in long-term debt in July 2010, at an all-in true interest cost (TIC) of 6.44%. Annual liquidity fees associated with the Airport's variable rate bonds are forecast to increase approximately \$3.8 million between FY 2012/13 and FY 2014/15 due to expiring letters of credit and the projected higher cost of entering into new agreements. The Airport plans to issue its next new money bonds of approximately \$127.2 million in FY 2011/12. Pursuant to the federal stimulus legislation, all new money bonds issued in CY 2009 and 2010 are being issued as Non-AMT private activity bonds, which should result in a lower interest rate for the Airport.

Small Capital Outlays

The proposed budget for FY 2010/11 does not allocate any funds for small capital outlays from the operating budget. In FY 2011/12, the plan includes \$3.0 million for capital projects, which rises to \$3.5 million in FY 2012/13 and \$4.0 million in FY 2013/14. The allowable amount of operating revenue that can be allocated to capital projects according to the Lease and Use Agreement is approximately \$4.2 million in FY 2009/10 dollars.

Financial Plan—Results

The Airport's Five-Year Financial Plan achieves the following objectives:

- **Balanced Budget**—Revenues are sufficient to cover operating costs, including debt service, in each year.
- **Coverage Levels**—Debt service coverage is forecast to be greater than 1.38 times in every year of the forecast period, exceeding the required 1.25 times coverage requirement in the Airport's bond indenture.
- **Funding of Initiatives**—The Five-Year Financial Plan reflects Airport Management's priorities and strategic initiatives, including capital projects, through FY 2014/15.
- **Achieves CPE Goal**—The Five-Year Financial Plan keeps airline costs per enplaned passenger below the established limit of \$18.90 in constant FY 2007/08 dollars through FY 2014/15. The highest CPE in the forecast period is \$18.23 in FY 2014/15. However, it is important to keep in mind that there are uncertainties, primarily airline traffic, capital project costs, and non-airline lease renewals that could increase that CPE figure.

San Francisco International Airport Five Year Expense and Revenue Projection (in thousands)

Category	Budget		Forecast				
	09/10	10/11	11/12	12/13	13/14	14/15	
Beginning Fund Balance	40,864	40,864	40,864	40,864	40,864	40,864	
Revenues							
Terminal Concessions	64,649	65,150	65,499	68,511	69,559	70,401	
Ground Transportation Concessions	106,437	117,138	122,220	125,393	130,032	133,141	
Non Airline Rentals	67,370	67,314	70,949	73,398	75,572	77,386	
Interest Income	15,046	15,595	17,881	19,122	19,685	20,164	
Other Sales and Service	76,032	81,253	81,669	84,334	92,228	95,249	
Estimated PFC collections applied to rates	61,000	71,429	73,107	74,600	65,000	64,000	
Balances from prior years applied to rates		15,771	26,893	1,200			
Prior Year Deficit (Surplus) applied to rates	32,827	32,016	4,000	4,000	4,000	4,000	
Airline revenue (landing fees and terminal rentals)	258,422	279,334	327,833	377,393	415,417	435,607	
Total Revenues	681,783	745,000	790,051	827,951	871,493	899,948	
Expenses							
Personnel Costs	151,486	159,597	172,971	181,602	190,753	200,458	
Contractual Services	81,894	88,642	89,977	92,652	95,407	98,273	
Utilities	34,724	37,957	43,353	46,171	54,010	56,981	
Materials and Supplies	13,822	14,077	14,203	14,629	15,068	15,520	
Equipment	3,058	3,157	2,901	2,973	3,062	3,154	
Facilities Maintenance	5,000	6,000	7,000	8,501	9,001	9,500	
Small Capital Outlays	0	0	3,000	3,500	4,000	4,000	
Debt Service	295,037	332,627	345,886	362,019	378,333	384,184	
Services of Other Departments	70,537	74,474	81,892	86,071	91,154	96,577	
Annual Service Payment	26,225	28,469	28,868	29,833	30,705	31,301	
Total Expenses	681,783	742,660	787,785	825,656	869,223	897,492	
Budget Percentage Change		9.7%	6.5%	4.0%	4.8%	3.1%	
Ending Fund Balance	40,864	40,864	40,864	40,864	40,864	40,864	
Debt Service Coverage Ratio	1.46	1.34	1.42	1.41	1.39	1.38	
Enplaned Passengers	17,475	19,370	19,825	20,230	20,615	20,965	
Cost per Enplaned Passenger (FY07/08 dollars)	14.08	13.97	15.62	17.19	18.12	18.23	
FY 2009/10 Capital Plan	320,401	99,063	71,721	85,126	320,619	N/A	

Five-Year Capital Plan

The Airport has a Five-Year Capital Plan (the Capital Plan) that facilitates the Airport's initiatives and strategies and consists of key projects to be carried out through FY 2014/15. The debt service associated with past and future capital projects is more than 40% of the Airport's total operating budget, so the Capital Plan is a critical component of the Airport's financial planning.

The Airport is continuing the effort begun in FY 2008/09 to proceed with capital improvements after years of limiting projects to safety, security, and essential infrastructure. The primary objective for the Capital Plan is to improve facilities capacity, systems functionality and perform needed maintenance. The Capital Plan has 41 projects for a total of \$896.9 million and covers FY 2009/10 through FY 2013/14. It is based on a revised evaluation of projects included in previous capital plans as well as newly identified needs at the Airport. The Capital Plan contains the two remaining years of budget authority for the \$383 million project to rebuild Terminal 2 into a 14-gate domestic terminal; it also includes four new projects, such as Pre-Conditioned Air and renovation of Building 575, and a variety of continuing facilities, infrastructure, and systems projects throughout the Airport. A summary of the Capital Plan sources and uses is presented in the table below.

**San Francisco International Airport
Five-Year Capital Plan
(in millions)**

Sources	Amount	Percentage
Revenue Bonds	\$ 541.7	60.4 %
Grants	243.9	27.2 %
Passenger Facility Charges	68.0	7.6 %
<u>Other</u>	<u>43.3</u>	<u>4.8 %</u>
Total Sources	\$896.9	100.0 %
Uses	Amount	Percentage
Terminal Projects	\$367.3	41.0 %
Airfield Projects	225.1	25.1 %
Utility Projects	158.9	17.7 %
Airport Support Projects	83.8	9.3 %
Groundside Projects	57.7	6.4 %
<u>West of Bayshore Projects</u>	<u>4.1</u>	<u>0.5 %</u>
Total Uses	\$896.9	100 %

Capital Plan Sources

The sources of funding for the Capital Plan include airport revenue bonds, grant funds, Passenger Facility Charges (PFC), and other sources:

- **Airport Revenue Bonds**—The Capital Plan includes \$519.4 million in bond proceeds to fund projects. The Airport is currently in the second year of a five-year \$593.5 million appropriation approved by the Mayor and the Board of Supervisors on May 23, 2008. Approximately 86 percent of the Plan’s revenue bond sources, or \$446.7 million, are covered by this appropriation. The remaining \$72.7 million, which is projected to be needed in the fifth year of the Plan, would require Airport Commission and Board of Supervisor’s approval.
- **Grants**—The Capital Plan reflects the Airport’s efforts to pursue new grant funds. The grant amount of \$243.9 million is a \$70.3 million increase over the previous year’s capital plan. New grant-funded projects include \$7.9 million in FAA Voluntary Airport Low Emissions (VALE) Program grant funds for the Pre-Conditioned Air project and \$20.8 million in American Recovery and Reinvestment Act (ARRA) funding from the FAA to partially fund a runway repaving project and full funding from the TSA for a Checked Baggage Inspection System in Terminal 2.
- **Passenger Facility Charges (PFCs)**—The Five-Year Capital Plan also includes \$68.0 million in funding from Passenger Facility Charges.
- **Other Sources**—The Capital Plan also uses other available funding sources, such as reprogrammed proceeds from revenue bonds, interest income, and settlement funds.

Capital Plan Uses

The plan contains four new projects and 37 continuing projects with a total budget of \$896.9 million. Continuing capital projects fall into two categories: discrete projects and ongoing projects. Ongoing projects preserve, maintain and extend the useful life of critical Airport facilities and infrastructure. Examples of such projects include runway reconstruction and major utility repairs. Discrete projects are one-time in nature, and have a defined start and end date. An example of this type of project is Terminal 2.

Project Type	Number of Projects	Amount (in millions)	Percentage of Total Cost
New Projects	4	\$30.2	3.4 %
Discrete Projects	15	350.7	39.1 %
<u>Ongoing Projects</u>	<u>22</u>	<u>515.9</u>	<u>57.5 %</u>
Total	41	\$896.9	100.0 %

High Level Organization Chart- By Division

