



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: William F. Sherry, A.A.E.
Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: April 2, 2012

Approved

Date 4/2/12

**SUBJECT: AIRPORT REVENUE BOND SALE AND PER DAY RENTAL CAR
CUSTOMER FACILITY CHARGE AMENDMENTS**

RECOMMENDATION

Adopt 2011-2012 Appropriation Ordinance and Funding Sources Resolution amendments in the funds as detailed in Attachment A of this memorandum to reflect the issuance of City of San José Airport Revenue Bonds Series 2011A and 2011B and the change in customer facility charge (CFC) from \$10.00 per contract to \$6.00 per day.

OUTCOME

The outcome of these recommendations is to update budgeted revenue and expenses to reflect Council approved actions and to enable transfers between funds and payments as required resulting from the financial transactions described herein.

BACKGROUND

On July 28, 2011, the City issued \$236,785,000 of Airport Revenue Bonds, Series 2011A to refund outstanding variable and fixed-rate debt at Norman Y. Mineta San José International Airport. Proceeds were applied to redeem subordinated commercial paper notes, which were originally issued to refund the Airport's 2004A/B Series bonds, which were used to fund a portion of the construction of terminal and ancillary facilities at the Airport. The Bonds also refunded all of the Airport's 1998A Series bonds, as well as a portion of its outstanding 2001A Series bonds. The remaining

proceeds funded a debt service reserve fund, and paid the costs related to issuing the Bonds. Council approved the issue of 2011A Airport Revenue Bonds on June 21, 2011¹

On November 8, 2011, Council modified the customer facilities fee and customer transportation fee (collectively, "CFC") from \$10.00 per contract to \$6.00 per day, up to a maximum of five days per rental car contract effective December 1, 2011², for customers renting vehicles from On-Airport Rental Car Companies. The CFC is authorized for the purpose of paying the costs of the financing, design and construction of the Consolidated Rental Car Garage, and the costs of providing a common-use transportation system to transport rental car customers between Terminal A and the Consolidated Rental Car Garage.

On December 14, 2011, the City issued \$271,820,000 of Airport Revenue Bonds, Series 2011B. The bond proceeds were used to refund subordinated taxable commercial paper notes, which were originally issued to fund the design and construction of the consolidated rental car garage (the "ConRAC") at the Norman Y. Mineta San José International Airport, and to fund a debt service reserve fund, and to fund a coverage account, and to make capitalized interest payments, and pay the costs related to issuing the Bonds. City Council approved the issue of 2011B Bonds on November 15, 2011³.

The recommendations in this memorandum will adjust budgeted revenue and expenditures to reflect the approved issuance of Series 2011A and 2011B Bonds and implementation of the approved per day rental car customer facility charge. Generally, these types of clean-up budget adjustments are included in the Annual Report or Mid-Year Budget Review; however, due to the timing and complexity of the transactions, the final adjustment amounts were not available in time for release of the documents.

ANALYSIS

The Airport Commercial Paper Program was established to provide interim financing for Airport capital needs in anticipation of issuing Airport revenue bonds that would replace the commercial paper with permanent long-term financing. As planned, subordinated commercial paper notes were refunded with the issuance of the Series 2011A and 2011B Airport Revenue Bonds. As a result, appropriation actions are necessary to reflect the receipt of the Bond proceeds, refundings, transfers and other changes that allow cash flow to occur between Funds as expected.

¹ http://www.sanjoseca.gov/clerk/Agenda/20110621/20110621_0307.pdf

² http://www.sanjoseca.gov/clerk/Agenda/20111108/20111108_0601.pdf

³ <http://www.sanjoseca.gov/clerk/Agenda/20111115/20111115/0601a.pdf>

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EVALUATION AND FOLLOW-UP

This memorandum presents a recommendation for Council's approval of various Appropriation Ordinance and Funding Sources Resolution amendments necessary to reflect the issuance of previously approved Airport Revenue Bonds and implementation of a previously approved per day rental car customer facility charge at the Airport.

PUBLIC OUTREACH/INTEREST

- ✓ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memorandum meets Criterion 1 and will be posted on the Council Agenda for the April 24, 2012 Council agenda.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the Finance Department.

COST SUMMARY/IMPLICATIONS

The budget actions as recommended in Attachment A will reflect the issuance of previously approved Airport Revenue Bonds and implementation of a previously approved per day rental car customer facility charge at the Airport. Revised Statement of Source and Use of Funds have been included for reference in Attachment B.

Airport Customer Facility and Transportation Fee Fund

The recommended actions in this fund will recognize and appropriate revenues from customer transportation fees and establish a transfer in from the Airport Fiscal Agent Fund to fund the annual debt service coverage requirement. An increase to the Non-Personal/Equipment funding will pay for

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commercial paper fees as a result of the timing of the bond issue in December rather than July as originally anticipated. A decrease to the Transfer to the Airport Surplus Revenue Fund and an increase to the Transfer to the Airport Fiscal Agent Fund are recommended to reflect replacement of commercial paper debt with bond debt. The establishment of a reserve for Debt Service Coverage is also recommended to set aside funds for the annual debt service coverage requirement. To partially offset the actions, a decrease to the Rate Stabilization Reserve is also recommended.

Airport Revenue Fund

The recommended appropriation actions will decrease the Transfer to the Airport Fiscal Agent Fund to reflect lower interest expenses as a result of bond refunding, with a corresponding increase to the Reserve – Per Master Trust Agreement.

Airport Surplus Revenue Fund

The recommended actions in this fund will decrease the Transfers in from the Airport Customer Facility and Transportation Fee Fund as a result of the change in debt type or the replacement of commercial paper debt, recognize a Transfer in from the Airport Fiscal Agent Fund of bond proceeds used to redeem commercial paper notes, increase funding to redeem commercial paper principal and interest payment, and decreases to the Reserve – Per Master Trust Agreement and Reserve for Discretionary Expenses to partially offset the actions.

Airport Fiscal Agent Fund

The recommended actions in this fund will recognize bond proceeds, decrease the Transfers in from the Airport Passenger Facility Charge Fund and the Airport Revenue Fund as a result of reduced interest expense due to refunds of the 1998A Series bonds and a portion of the 2001A Series bonds, increase the Transfer in from the Airport Customer Facility and Transportation Fee Fund to recognize principal and interest payments on the 2011B Series bonds, and provide funding to pay principal, interest and issuance costs associated with the issuance of bonds. In addition, a Transfer to the Airport Customer Facility and Transportation Fee Fund is recommended to meet the annual debt service coverage requirement and a Transfer to the Airport Surplus Revenue Fund to redeem commercial paper notes. An increase to the Reserve for Debt Service is also recommended to meet increased debt service reserve requirements as a result of the issuance of bonds.

Airport Passenger Facility Charge Fund

The recommended appropriation actions will decrease the Transfer to the Airport Fiscal Agent Fund to reflect reduced debt service costs paid by Passenger Facility Charges, offset by an increase to the Ending Fund Balance.

CEQA

Not a project, PP10-067(b), Appropriation Ordinance.

/s/ Kimberly B. Aguirre for
WILLIAM F. SHERRY, A.A.E.
Director of Aviation

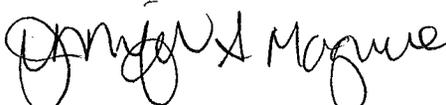


JENNIFER A. MAGUIRE
Budget Director

For questions please contact Terri Gomes, Deputy Director Airport Finance and Administration, at
(408) 392-3650.

I hereby certify that there will be available for appropriation in the designated fund and
in the amounts listed below in Fiscal Year 2011-2012 moneys in excess of those
heretofore appropriated therefrom:

Airport Customer Facility and Transportation Fee Fund	\$6,391,132
Airport Surplus Revenue Fund	\$344,273,687
Airport Fiscal Agent Fund	\$513,646,988



JENNIFER A. MAGUIRE
Budget Director

Attachments

**Appropriation Ordinance and Funding Sources Resolution Amendments for Various
Airport Funds**

1. Airport Customer Facility and Transportation Fee Fund:
 - a. Increase the estimate for Earned Revenue by \$2,996,973;
 - b. Establish a Transfer in from the Airport Fiscal Agent Fund in the amount of \$3,394,159;
 - c. Increase the appropriation to the Airport Department for Non-personal/Equipment by \$2,200,000;
 - d. Decrease the Transfer to the Airport Surplus Revenue Fund by \$9,976,313;
 - e. Establish a Transfer to the Airport Fiscal Agent Fund by \$11,369,920;
 - f. Decrease the Rate Stabilization Reserve by \$596,634; and
 - g. Establish a Reserve for Debt Service Coverage in the amount of \$3,394,159;

2. Airport Revenue Fund:
 - a. Decrease the Transfer to Airport Fiscal Agent Fund by \$1,730,735; and
 - b. Increase the Reserve-Per Master Trust Agreement by \$1,730,735;

3. Airport Surplus Revenue Fund:
 - a. Decrease the Transfer in from the Airport Customer Facility and Transportation Fee Fund by \$9,976,313;
 - b. Establish a Transfer in from the Airport Fiscal Agent Fund in the amount of \$354,250,000;
 - c. Increase the appropriation to the Airport Department for Commercial Paper Principal and Interest by \$345,840,641;
 - d. Decrease the Reserve-Per Master Trust Agreement by \$1,520,689; and
 - e. Decrease the Reserve for Discretionary Expense by \$46,265;

4. Airport Fiscal Agent Fund:
 - a. Increase the estimate for Earned Revenue by \$504,400,803;
 - b. Establish a Transfer in from the Airport Customer Facility and Transportation Fee Fund in the amount of \$11,369,920;
 - c. Decrease the Transfer in from the Airport Passenger Facility Charge Fund by \$393,000;
 - d. Decrease the Transfer in from the Airport Revenue Fund by \$1,730,735;
 - e. Establish an appropriation for Other Payments in the amount of \$6,756,039;
 - f. Increase the appropriation for Principal and Interest Payments by \$99,664,508;
 - g. Establish a Transfer to the Airport Customer Facility and Transportation Fee Fund in the amount of \$3,394,159;
 - h. Establish a Transfer to the Airport Surplus Revenue Fund in the amount of \$354,250,000;
 - i. Increase the for Reserve for Debt Service by \$49,582,282;

5. Airport Passenger Facility Charge Fund:
 - a. Decrease the Transfer to the Airport Fiscal Agent Fund by \$393,000; and
 - b. Increase the Ending Fund Balance by \$393,000.

AIRPORT CUSTOMER FACILITY AND TRANSPORTATION FEE FUND

STATEMENT OF SOURCE AND USE OF FUNDS

	2011-2012 Adopted	2011-2012 Modified	Recommended Changes	2011-2012 Revised Modified
SOURCE OF FUNDS				
Beginning Fund Balance				
OPEB Reserve	0	0	0	0
Rate Stabilization Reserve	370,464	2,278,858	0	2,278,858
Reserve for Encumbrances	4,117	115,465	0	115,465
Retirement Pre-Payment Reserve	0	0	0	0
Total Beginning Fund Balance	<u>374,581</u>	<u>2,394,323</u>	<u>0</u>	<u>2,394,323</u>
Revenues				
Customer Transport Fee	6,928,110	6,928,110	2,996,973	9,925,083
Grant Revenue	0	0	0	0
Interest	0	0	0	0
Other Revenue	0	0	0	0
Rental Car Agencies	6,512,381	6,512,381	0	6,512,381
Total Revenues	<u>13,440,491</u>	<u>13,440,491</u>	<u>2,996,973</u>	<u>16,437,464</u>
Transfers				
Airport Fiscal Agent Fund	0	0	3,394,159	3,394,159
Total Transfers	<u>0</u>	<u>0</u>	<u>3,394,159</u>	<u>3,394,159</u>
TOTAL SOURCE OF FUNDS	<u>13,815,072</u>	<u>15,834,814</u>	<u>6,391,132</u>	<u>22,225,946</u>
USE OF FUNDS				
Expenditures				
CFC Audit	7,500	7,500	0	7,500
Contingency Reserve	250,000	0	0	0
Non-Personal/Equipment	2,814,974	3,064,974	2,200,000	5,264,974
Personal Services	0	0	0	0
Total Expenditures	<u>3,072,474</u>	<u>3,072,474</u>	<u>2,200,000</u>	<u>5,272,474</u>
Transfers				
Airport Fiscal Agent Fd	0	0	11,369,920	11,369,920
Airport Rev Bond Improv Fd	0	0	0	0
Airport Surplus Revenue Fd	10,368,017	10,368,017	(9,976,313)	391,704
Total Transfers	<u>10,368,017</u>	<u>10,368,017</u>	<u>1,393,607</u>	<u>11,761,624</u>
Ending Fund Balance				
Debt Service Coverage Reserve	0	0	3,394,159	3,394,159
OPEB Reserve	0	0	0	0
Rate Stabilization Reserve	370,464	2,278,858	(596,634)	1,682,224
Reserve for Encumbrances	4,117	115,465	0	115,465
Total Ending Fund Balance	<u>374,581</u>	<u>2,394,323</u>	<u>2,797,525</u>	<u>5,191,848</u>
TOTAL USE OF FUNDS	<u>13,815,072</u>	<u>15,834,814</u>	<u>6,391,132</u>	<u>22,225,946</u>

AIRPORT REVENUE FUND

STATEMENT OF SOURCE AND USE OF FUNDS

	2011-2012 Adopted	2011-2012 Modified	Recommended Changes	2011-2012 Revised Modified
SOURCE OF FUNDS				
Beginning Fund Balance				
Curfew Reserve	247,641	339,104	0	339,104
Res-Per Master Trust Agmnt	24,099,129	34,472,103	0	34,472,103
Reserve for Future Deficit	0	0	0	0
Total Beginning Fund Balance	24,346,770	34,811,207	0	34,811,207
Revenues				
Airfield Area	2,983,703	2,983,703	0	2,983,703
Landing Fees	12,073,884	12,073,884	0	12,073,884
Miscellaneous	6,007,515	5,274,566	0	5,274,566
Parking and Roadway	40,435,864	40,435,864	0	40,435,864
Petroleum Products	1,482,250	1,482,250	0	1,482,250
Terminal Building	15,930,380	15,930,380	0	15,930,380
Terminal Rental	38,184,987	38,184,987	0	38,184,987
Total Revenues	117,098,583	116,365,634	0	116,365,634
Transfers				
Airport Capital Imprvmnt Fund	500,000	500,000	0	500,000
Airport Fiscal Agent Fund	800,000	1,734,784	0	1,734,784
Airport Rev Bond Imp Fund	5,498,849	5,498,849	0	5,498,849
Airport Surplus Revenue Fund	0	0	0	0
Total Transfers	6,798,849	7,733,633	0	7,733,633
TOTAL SOURCE OF FUNDS	148,244,202	158,910,474	0	158,910,474
USE OF FUNDS				
Transfers				
Airport Fiscal Agent Fd	50,285,442	50,017,751	(1,730,735)	48,287,016
Airport Maint and Opers Fd	83,907,189	83,907,189	0	83,907,189
Airport Rev Bond Improv Fd	0	0	0	0
Airport Surplus Revenue Fd	8,985,038	9,454,564	0	9,454,564
Total Transfers	143,177,669	143,379,504	(1,730,735)	141,648,769
Ending Fund Balance				
Curfew Reserve	0	0	0	0
Res-Per Master Trust Agmnt	5,066,533	15,530,970	1,730,735	17,261,705
Reserve for Future Deficit	0	0	0	0
Total Ending Fund Balance	5,066,533	15,530,970	1,730,735	17,261,705
TOTAL USE OF FUNDS	148,244,202	158,910,474	0	158,910,474

AIRPORT SURPLUS REVENUE FUND

STATEMENT OF SOURCE AND USE OF FUNDS

	2011-2012 Adopted	2011-2012 Modified	Recommended Changes	2011-2012 Revised Modified
SOURCE OF FUNDS				
Beginning Fund Balance				
Res-Per Master Trust Agmnt	6,065,679	1,571,700	0	1,571,700
Reserve for Discretionary Exp	3,000,000	2,530,474	0	2,530,474
Total Beginning Fund Balance	9,065,679	4,102,174	0	4,102,174
Revenues				
Interest	0	0	0	0
Total Revenues	0	0	0	0
Transfers				
Airport Capital Imprvmt Fund	0	210,000	0	210,000
Airport Facility & Transp Fee Fd	10,368,017	10,368,017	(9,976,313)	391,704
Airport Fiscal Agent Fund	0	0	354,250,000	354,250,000
Airport Rev Bond Imp Fund	0	2,308,000	0	2,308,000
Airport Revenue Fund	8,985,038	9,454,564	0	9,454,564
Total Transfers	19,353,055	22,340,581	344,273,687	366,614,268
TOTAL SOURCE OF FUNDS	28,418,734	26,442,755	344,273,687	370,716,442
USE OF FUNDS				
Expenditures				
Commercial Paper Principal and Interest Payment	14,144,038	16,662,038	345,840,641	362,502,679
Green Island Principal and Interest Payment	109,017	109,017	0	109,017
Total Expenditures	14,253,055	16,771,055	345,840,641	362,611,696
Transfers				
Airport Fiscal Agent Fd	0	0	0	0
Airport Renew & Replace Fd	4,000,000	4,000,000	0	4,000,000
Airport Rev Bond Improv Fd	0	0	0	0
Airport Revenue Fund	0	0	0	0
Total Transfers	4,000,000	4,000,000	0	4,000,000
Ending Fund Balance				
Res-Per Master Trust Agmnt	6,165,679	1,671,700	(1,520,689)	151,011
Reserve for Discretionary Exp	4,000,000	4,000,000	(46,265)	3,953,735
Total Ending Fund Balance	10,165,679	5,671,700	(1,566,954)	4,104,746
TOTAL USE OF FUNDS	28,418,734	26,442,755	344,273,687	370,716,442

AIRPORT FISCAL AGENT FUND

STATEMENT OF SOURCE AND USE OF FUNDS

	2011-2012 Adopted	2011-2012 Modified	Recommended Changes	2011-2012 Revised Modified
SOURCE OF FUNDS				
Beginning Fund Balance				
Reserve for Debt Service	50,248,910	52,906,947	0	52,906,947
Total Beginning Fund Balance	50,248,910	52,906,947	0	52,906,947
Revenues				
Bond Proceeds	0	0	504,400,803	504,400,803
Interest	1,600,000	2,332,949	0	2,332,949
Total Revenues	1,600,000	2,332,949	504,400,803	506,733,752
Transfers				
Airport Facility & Transp Fee Fd	0	0	11,369,920	11,369,920
Airport Rev Bond Imp Fund	0	0	0	0
Airport Revenue Fund	50,285,442	50,017,751	(1,730,735)	48,287,016
Airport Surplus Revenue Fund	0	0	0	0
Passenger Fac Charge Fund	21,730,000	21,730,000	(393,000)	21,337,000
Total Transfers	72,015,442	71,747,751	9,246,185	80,993,936
TOTAL SOURCE OF FUNDS	123,864,352	126,987,647	513,646,988	640,634,635
USE OF FUNDS				
Expenditures				
Interest Payment	59,379,958	59,379,958	5,954,508	65,334,466
Principal Payment	12,635,000	12,635,000	93,710,000	106,345,000
Other Payments	0	0	6,756,039	6,756,039
Total Expenditures	72,014,958	72,014,958	106,420,547	178,435,505
Transfers				
Airport Facility & Transp Fee Fd	0	0	3,394,159	3,394,159
Airport Rev Bond Imp Fund	0	0	0	0
Airport Revenue Fund	800,000	1,734,784	0	1,734,784
Airport Surplus Revenue Fund	0	0	354,250,000	354,250,000
Total Transfers	800,000	1,734,784	357,644,159	359,378,943
Ending Fund Balance				
Reserve for Debt Service	51,049,394	53,237,905	49,582,282	102,820,187
Total Ending Fund Balance	51,049,394	53,237,905	49,582,282	102,820,187
TOTAL USE OF FUNDS	123,864,352	126,987,647	513,646,988	640,634,635

AIRPORT PASSENGER FACILITY CHARGE FUND

STATEMENT OF SOURCE AND USE OF FUNDS

	2011-2012 Adopted	2011-2012 Modified	Recommended Changes	2011-2012 Revised Modified
SOURCE OF FUNDS				
Beginning Fund Balance				
Unrestricted	42,285,269	42,879,052	0	42,879,052
Total Beginning Fund Balance	42,285,269	42,879,052	0	42,879,052
Revenues				
Pssngr Facility Charge Proceeds	17,200,000	17,200,000	0	17,200,000
Interest	111,000	111,000	0	111,000
Total Revenues	17,311,000	17,311,000	0	17,311,000
TOTAL SOURCE OF FUNDS	59,596,269	60,190,052	0	60,190,052
USE OF FUNDS				
Transfers				
Airport Fiscal Agent Fund	21,730,000	21,730,000	(393,000)	21,337,000
Total Transfers	21,730,000	21,730,000	(393,000)	21,337,000
Ending Fund Balance				
Unrestricted	37,866,269	38,460,052	393,000	38,853,052
Total Ending Fund Balance	37,866,269	38,460,052	393,000	38,853,052
TOTAL USE OF FUNDS	59,596,269	60,190,052	0	60,190,052