

Terminal Area Improvement Program

Executive Quarterly Report 4Q08

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Terminal Area Improvement Program 4Q08 Executive Summary Program Status as of December 31, 2008

HIGHLIGHTS

The Terminal Area Improvement Program continued to make good progress during this quarter:

- ❑ The design of the major program elements reached 100% in December 2008.
- ❑ The overall construction progress is tracking very closely to the master schedule with actual progress to date at 41% compared to 40.5% planned.
- ❑ Guaranteed Maximum Price (GMP) contractual commitments for construction total \$655 million to date, which represents 87% of the total funded contract value of the design-build program.
- ❑ The TAIP forecast budget deficit decreased from \$5.4 million to \$2.0 million, 0.26 % of the total program, which is well within contingency reserves and continues the trend for closing the gap.
- ❑ Council approved the TSA grant in October 2008 to provide up to \$18 million to fund the Terminal A Baggage Handling System. Similar negotiations to secure funding for the Terminal B Baggage Handling System are still under discussion with TSA.
- ❑ Terminal B and the North Concourse remain on track to achieve a LEED “Certified” rating by the United States Green Building Council, with potential for achieving a LEED Silver rating.

SUMMARY OF PROGRAM ELEMENTS

Terminal A

- Significant construction continued on Terminal A Modifications, and the project is now 54% complete with overall completion on schedule by the end of 2009.
- Hensel Phelps completed the new airside “bump-out” structure that will provide additional space for concessions and passenger waiting lounges.

- The roofs for the North and South Ticket Lobbies and the new freight elevator near Gate A8 were completed, and the fire sprinkler and building enclosure in both lobbies were started.
- Design for the Terminal A Equity Improvement Project was substantially completed. Installation continued on infrastructure projects awarded early in the design process, including upgraded power supply, fire suppression system, and paging system.
- Design submittal by the subcontractor for the Baggage Handling System is progressing, and the 3-D mapping to identify potential construction challenges in the routing for the new baggage conveyors was completed.
- The procurement package for the new departure lounge seating was prepared for advertising for bids in the next quarter.

Terminal B

- Steel erection and installation of metal floor decking, along with the first phase apron paving, were completed.
- Other activities that started this quarter include utility rough-in, ticket counter mock-up, and roof decking over the new structural steel section.

Temporary Terminal C

- Phase One of the relocation of existing fiber optic cable from the Airfield lighting vault to Terminal C and North Concourse vaults was completed, which is required to move forward with the scheduled demolition of Terminal C.
- No further construction activity is required at Terminal C until it is vacated in the summer 2010 to allow for its demolition in 3Q10.

North Concourse

- The North Concourse construction punch list work was completed. Commissioning activities reached 75% complete with acceptance expected in 1Q09.
- Some new scope was added at the physical interfaces with airside boarding bridges and aprons as well as the building intersection with the FIS building to address security and operational requirements.
- The information technology phase of the work began with the installation of TV cameras at jet bridges and access control on doors. New-generation cameras transmit signals using Internet Protocol (IPTV) over the Airport's network.

- The early activation of the five northern gates is being planned for mid-2009. This will facilitate the overall construction phasing of the program and improve operations for Terminal A carriers during the remaining year of construction.
- The budget overrun for this \$324 million program element increased from \$837,000 to \$1.2M during this quarter reflecting the extra work order referenced above. Staff continues to discuss measures to reduce this budget overage, which represents approximately 0.37% of the project budget (which does not reflect reserves of \$3.4 million).

Roadways and Parking

- The South Loop Overcrossing auxiliary work was completed.
- The GMP was amended to include the installation of a recycled water distribution system approved by the City Council and storm water runoff prevention measures as required by the Regional Quality Control Board under Provision C3.
- Final concepts were proposed for the new Taxi Staging and Belly Freight areas.
- The Terminal C curbside drop-off lanes were modified to improve traffic flow and customer convenience, and a new ground transportation island and inner lanes in front of the Terminal C baggage claim facility were completed.
- The redesign of the Mid-field restricted parking lot (permit only) reached 60% completion. This lot will be located under the new Bypass Loop Overcrossing.

Consolidated Rental Car Garage (ConRAC)

- The ConRAC is tracking on schedule to be completed by mid-2010. Construction progress is now 29% complete.
- Design of the modifications for west façade facing Terminal B was approved and work began on the construction documents.
- Conceptual review for LED lighting enhancements for the Customer Service Building was received, and further studies and a mock-up are underway.
- Monthly meetings continued with the rental car companies and the Fire Department to obtain approval for "Alternate Materials or Methods of Construction" needed for the unenclosed stairs and the fueling of automobiles in the new facility. Approval was granted during this quarter.
- Code review of the primary superstructure package was completed.
- FAA approval was received to adjust the Airport Beacon already in place on the roof of the Terminal A Garage, thus eliminating the need to relocate the beacon to the ConRAC.

SMALL AND LOCAL BUSINESS UPDATE

- To date, Hensel Phelps has awarded 185 subcontracts of which 58 were awarded to local contractors; 50 to small contractors; 12 contractors qualified as both local and small. In total, 48% of subcontracted value awarded (\$363 million) to date including design-build subcontractors have been to either small or local contractors. That represents \$174 million awarded to small and local businesses.
- All subcontractor packages were sent to local builders' exchanges for bidder convenience, and all subcontract packages were advertised in *Challenge News*, a publication for small businesses.
- An update report to the Small Business Development Commission is scheduled on February 11, 2009.

CUSTOMER SERVICE AND PUBLIC INFORMATION

- Customer service continues to be the Airports main focus during of all the TAIP construction work. Customer service representatives and the Airport Communications Director continue to keep the public informed via e-mail, bulletins posted on the Airport website, www.flysanjose.com as well as news releases provided to Bay Area media. The last three months of 2008 were very busy with Holiday travel and there were no construction related delays during this period.
- The North Concourse is near completion, the new Terminal B is well under construction and defining how the new terminal will look. The Consolidated Rental Car is really taking shape and Terminal A modifications continue to progress on schedule.
- All of our Customer Service Representative's and Parking Control Officers (PCO's) are working together to assure our customers minimal impact during our construction. Weekly workshops continue with the airlines, TSA, vendors and other stakeholders to assure that everyone is being kept up to date on all new construction issues to minimize customer impacts.

FUTURE COUNCIL ACTIONS

- **Public Parking Garage.** Staff will return to Council whenever Congress approves reauthorization of FAA funding that could include an increase in Passenger Facilities Charges, which would enable the Airport to fully fund the planned public parking garage. This legislation likely will not occur until 2009 or 2010.
- Combined with the annual midyear budget process, Staff will ask the Council to recognize new funding for the program provided by the Airlines. The Airlines have agreed to rates and charges increases to provide additional functionality for the Terminal A and Terminal B baggage systems in the amount of \$14.9 million. Once the funding is recognized in the

midyear action, Staff will return to Council with a request to Modify Hensel Phelps contract to include the new monies.

- In March Staff will bring forward a modification to Hensel Phelps' contract to modify the terms with regard to warranties, retention, early contingency drawdown, and flexibility with regard to reallocation of monies between task orders. In addition, staff will ask the Council to consider increasing the City Managers authority to spend funds from the liquidated contingency to task orders that currently show deficits.

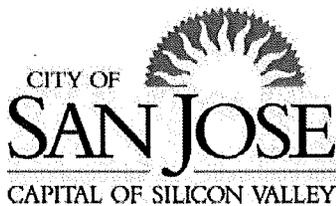
The New Airport

A MAJOR UPGRADE FOR SILICON VALLEY

Appendix

Terminal Area Improvement Program

Executive Quarterly Report 4Q08



1

2

3

4

4Q08 Budget Overview

Major CIPs Cost Summaries	Last Period	This Period	Change
	3Q08	4Q08	
Design-Build Program			
Funded (Available for Task Order Contracting)	\$750,219,896	\$752,371,674	\$2,151,778
Committed to Date (Included through CO 61)	\$624,664,022	\$655,469,316	\$30,805,294
Expenditures to Date	\$167,064,624	\$230,879,419	\$63,814,795
Budget v. Estimate Construction Cost - Under/(Over)	(\$5,431,542)	(\$1,970,000)	\$3,461,542
North Concourse Program			
Funded (Available for Task Order Contracting)	\$324,689,256	\$324,689,256	\$0
Committed to Date (Multiple Prime Contractors)	\$303,226,052	\$308,502,084	\$5,276,032
Expenditures to Date	\$279,161,330	\$288,370,895	\$9,209,565
Budget v. Estimate Construction Cost - Under/(Over)	(\$837,574)	(\$933,363)	(\$95,789)
Terminal A Equity Improvements Program			
Funded (Available for Task Order Contracting)	\$42,106,948	\$43,121,229	\$1,014,281
Committed to Date (Multiple Prime Contractors)	\$12,524,473	\$12,880,770	\$356,297
Expenditures to Date	\$3,250,365	\$4,512,472	\$1,262,107
Budget v. Estimate Construction Cost - Under/(Over)	\$0	\$0	\$0

4Q08 Schedule Overview

Program	Original Completion Deadline	Current Completion Deadline	This Report (Dec 2008)	Ahead (Behind) Schedule	Notes
Design-Build Program	29-Sep-10	30-Dec-10	22-Dec-10	(84)	1
North Concourse Program	6-Jul-08	26-Oct-08	26-Oct-08	0	2
Terminal A Equity Improvements Program	30-Jun-09	30-Jun-09	30-Nov-09	(153)	3

Notes to Explain Changes in Scheduled Completion

1. Completion of final road section after demolition of Terminal C Thumb and remainder of building.
2. North Concourse base contract work was substantially complete in October 2008. Extra work and punch list work ongoing.
3. Terminal A+ Concourse Equity Improvements to start in September 2009 and to be complete by November 2009.

Terminal A Modifications (Design-Build Program)

While remaining in operation, Terminal A will be renovated and expanded to address the imbalance that currently exists between the number of aircraft gates and the inadequate number of check-in positions/queuing area; security checkpoints and concessions. When completed the passenger queuing and check-in counters will be increased by 60%; the two existing security checkpoints will be consolidated into one central location with double the number of passenger screening lanes; the size of the airside concessions will be doubled; pre-security concessions which do not exist today will be constructed; and a new in-line outbound baggage handling system will be installed.



Bump Out Steel Completed



North Ticket Lobby Framed



North Escalator Lobby Open to Public



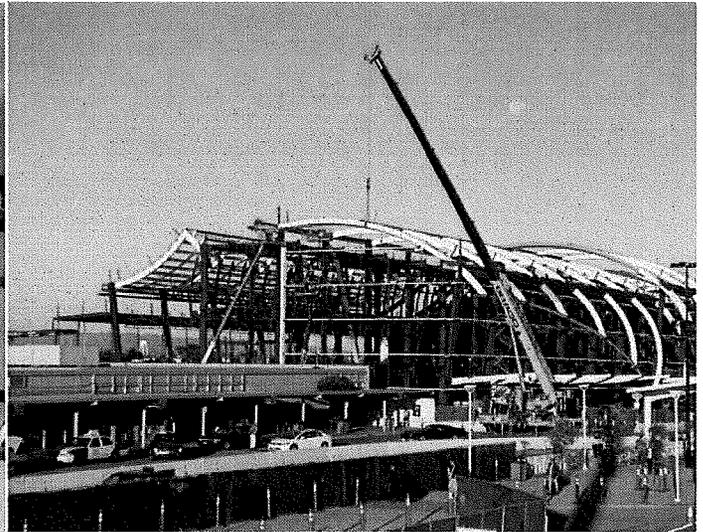
Baggage Make-up Area

Design-Build Program Terminal B

This two-phased project will replace the out-of-date and inadequately sized Terminal C. When completed, Terminal B will provide sufficient passenger queuing at the new staffed and self-service ticket counters, modern and efficient security screening checkpoints, new baggage claim devices, a new in-line outbound baggage handling system, and increased concession locations. The plan for Terminal B also provides for efficient building systems and addresses a full array of sustainable design issues. Phase 1 (the northern portion Terminal B which includes the North Concourse) is fully funded and will be constructed as part of the current Council-approved project. Phase 2 (the southern portion or South Concourse) has been designed to the 30% level and can be constructed at a future date—a date triggered by pre-determined passenger demand and flight activity.



Structural Steel Topping Off Ceremony



Structural Steel Complete



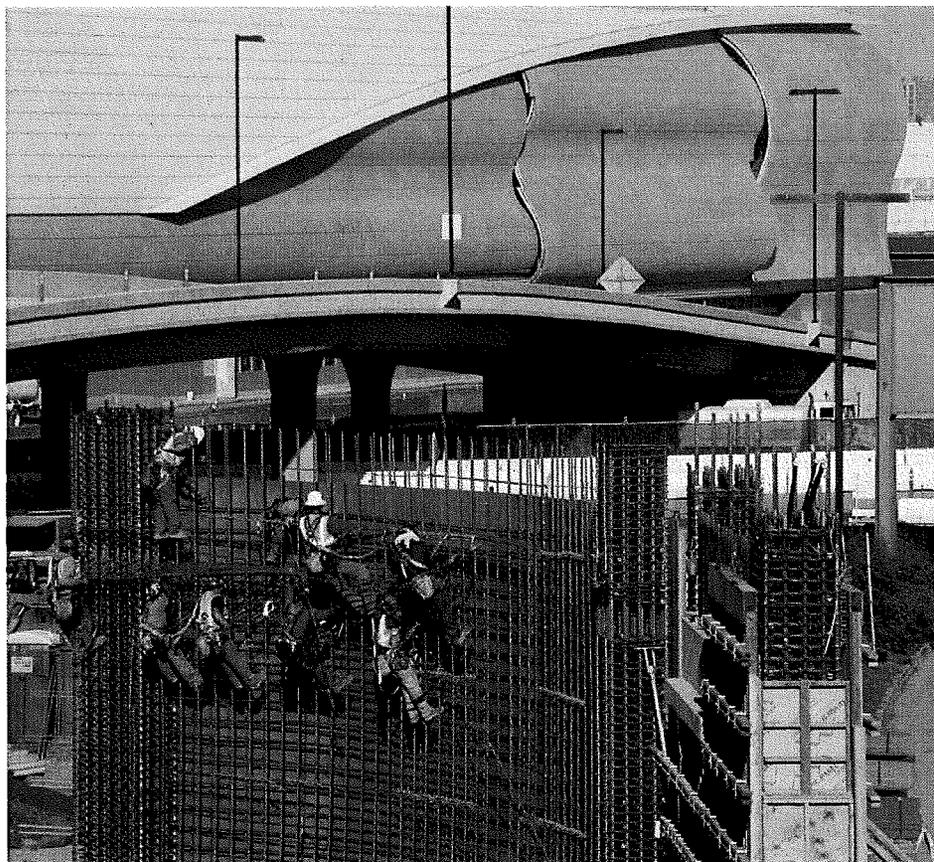
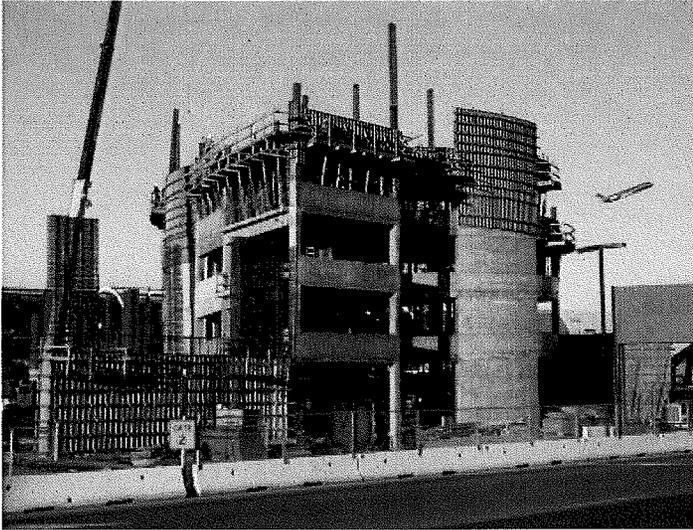
Concrete Slab Placement



Level 2 Concrete Slab

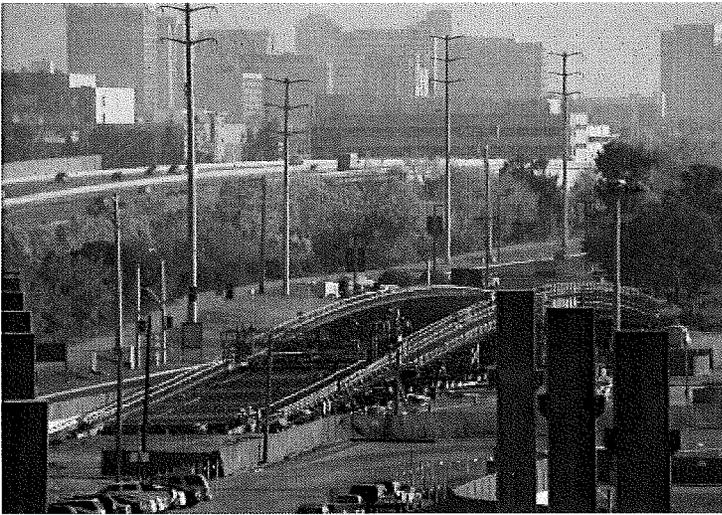
Consolidated Rental Car (ConRAC) Garage (Design-Build Program)

The opening of this 3,350 car full-service facility is scheduled to coincide with the opening of the first phase of Terminal B. The new ConRAC will provide passengers more convenient access to rental car facilities and reduce traffic on airport roadways. The garage also includes 350 public parking spaces on the ground floor.



Roadways (Design-Build Program)

The existing roadway system is being reworked to increase roadway capacity by adding vehicle lanes; to reduce traffic conflicts by constructing two bridges; to provide direct access to each terminal; to improve the ground transportation system; and to enhance motorist way-finding by straightening the roadway's alignment and introducing better signing. This infrastructure project will also modernize and improve water lines, storm drains and sanitary sewers.



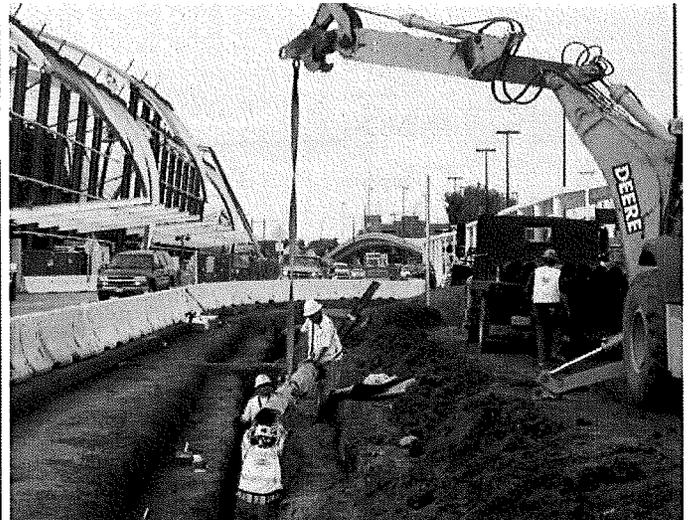
South Loop Overcrossing Prior to Concrete Pour



South Loop Overcrossing Concrete Pour



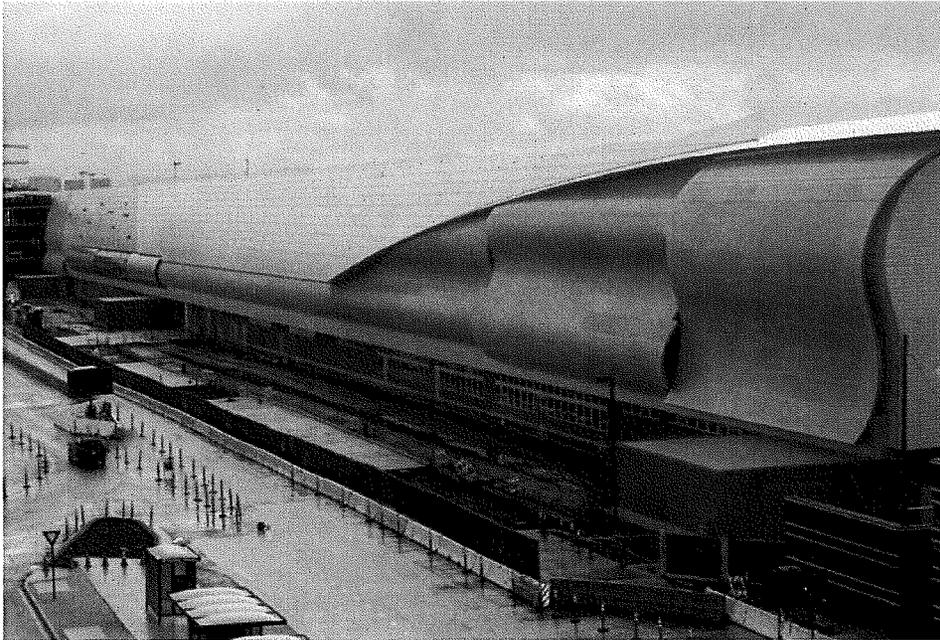
Concrete Pour at Terminal C
Ground Transportation Island



Recycled Water Pipeline Installation

North Concourse Program

This project is a three level concourse building that will provide for 9 new commercial aircraft gates. It is 376,000 square feet and has a program budget of \$324 million. The project is being delivered through a multi-prime contracting method where multiple low-bid packages are constructed and the City acts as the construction manager. Three contracts have been completed and the fourth is currently under construction. Future packages include furniture, fixtures and equipment, security, and paging.



Day Time Exterior View



Night Time Exterior View

Terminal A/A+ Equity Upgrade Program

To further enhance Airport amenities and customer services, in 2006 the airlines agreed to fund the Terminal 'A' Equity Project as part of the Airport's overall capital improvement program. This project will provide improvements to the existing Terminal A/A+ and the Terminal A Garage in order to create equitable facilities comparable to the new Terminal facilities delivered by the TAIP. The equity project has been divided into five smaller projects: General Improvements, Replacement of Passenger Boarding Bridges (PBB), Furniture, Furnishings and Equipment (FFE), Technology Improvements, and Airlines Tenant Improvements.

