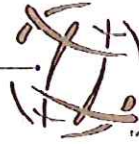


NORMAN Y. MINETA
SAN JOSE
INTERNATIONAL
AIRPORT



SILICON VALLEY'S AIRPORT

December 23, 2013

Mr. Kevin Baker
Deputy Chief Counsel
Assembly Judiciary Committee
1020 N Street, Room 104
Sacramento, CA 95814

Dear Mr. Baker:

The new consolidated rental car garage opened at Mineta San José International Airport in June 2010 as part of the major renovation and rebuild of the Airport's terminal area. When the garage opened, the Customer Facility Charge (CFC) rate was \$10 per contract, the maximum permitted under Section 1936 of the Civil Code.

However, based on the Airport's forecast of revenues needed to pay down the long term debt and other capital costs related to the consolidated rental car garage, we determined that it would be necessary to establish a \$6.00 per day alternative CFC rental rate and then increase the rate to \$7.50 per day beginning January 1, 2014 as permitted in the in Section 1936(1)(iii)(2)(c)(ii) of the Civil Code.

On November 8, 2011, the City of San José held a public hearing to obtain the support of the City Council in adopting an alternate CFC rate as permitted by Section 1936 (m)(2) of the Civil Code due to the insufficiency of the \$10 per contract CFC rate. At the public hearing the City Council approved a \$6.00 and \$7.50 CFC rental rate (up to a maximum of five days) beginning December 2011 and January 1, 2014, respectively.

Because the CFC rate at Mineta San José International will increase to \$7.50 a day on January 1, 2014, as required by Section 1936(m)(1)(1)(ii)(II) of the Civil Code, attached is an updated audit of the initial collection audit for the Assembly Judiciary Committee. The audit was completed and signed by the independent auditing firm of MGO Certified Public Accountants on November 26, 2013. As Required by Section 1936, we are providing the same information to staff of the Senate Judiciary Committee, Assembly Transportation Committee and the Senate Committee on Transportation and Housing.

If you have any questions, please feel free to call me at (408) 392-3609 or email me at jwebb@sjc.org.

Sincerely,


James Webb, Jr.
Assistant to the Director
Government & Legislative Affairs

cc: Roxanne Miller – City of San José

Enclosures: as stated

**NORMAN Y. MINETA
SAN JOSE INTERNATIONAL AIRPORT**

Independent Accountant's Report,
Schedule of Forecasted Revenues, Release of Funds, and
Costs of the Consolidated Rental Car Facility
for the Period from
July 1, 2013 through June 30, 2041
(Forecasted Schedule) and
Notes to the Forecasted Schedule



Certified Public Accountants.

**NORMAN Y. MINETA
SAN JOSE INTERNATIONAL AIRPORT**

Forecasted Revenues, Release of Funds, and Costs of the
Consolidated Rental Car Facility for the Period from
July 1, 2013 through June 30, 2041

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Certified Public Accountants.

Walnut Creek
2121 N. California Blvd., Suite 750
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Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Independent Accountant's Report

The Honorable City Council
City of San José, California

California State Controller's Office
Sacramento, California

We have examined the accompanying Schedule of Forecasted Revenues, Release of Funds, and Costs of the Consolidated Rental Car Facility of the Norman Y. Mineta San José International Airport (Airport), a Department of the City of San José, California (City), for the period from July 1, 2013 through June 30, 2041 (Forecasted Schedule). The Airport's management is responsible for the Forecasted Schedule, which was prepared for compliance with California Civil Code Section 1936, related to Customer Facility Charges (CFC) and Consolidated Rental Car Facilities (ConRAC). Our responsibility is to express an opinion on the Forecasted Schedule based on our examination.

The "Actual Amounts" column on the Forecasted Schedule represents the total amounts of the CFC receipts and disbursements for the period ending June 30, 2013. Those amounts have been subjected to the auditing procedures applied in the audits of the Airport's basic financial statements as of and for the year ended June 30, 2013, as stated in our report dated November 12, 2013.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the Forecasted Schedule. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying Forecasted Schedule is presented in conformity with guidelines for presentation of forecasted information established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

See all forecast assumptions described in detail in the Notes to the Forecasted Revenues, Release of Funds, and Costs of the Consolidated Rental Car Facility, beginning on page 5.

The accompanying Forecasted Schedule and our report are intended solely for the information and use of management, the City Council of the City, and the California State Controller's Office, and are not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Connell LLP

Walnut Creek, California
November 26, 2013

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NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
Schedule of Forecasted Revenues, Release of Funds, and Costs of the Consolidated Rental Car Facility
For the Period from July 1, 2013 through June 30, 2041
(amounts in thousands)

	Actual	Forecasted	
	July 1, 2012	July 1, 2013	
	through	through	
	June 30, 2013	June 30, 2041	Total
Revenues and release of funds:			
Customer facility charge:			
At alternate rate (transaction per day)	\$ 13,385	\$ 594,520	\$ 607,905
Facility rent	4,906	96,305	101,211
Release of funds to cover debt service:			
Debt service reserve and coverage	-	27,182	27,182
Capitalized interest fund	3,340	1,826	5,166
Coverage fund to cover debt service	-	1,956	1,956
Interest and other revenue	(19)	-	(19)
Other funds available	-	7,032	7,032
	<u> </u>	<u> </u>	<u> </u>
Total actual and forecasted revenues and other release of funds	<u>\$ 21,612</u>	<u>\$ 728,821</u>	<u>\$ 750,433</u>
 Costs:			
Financing costs:			
General Airport revenue bonds:			
Bond principal payment	\$ -	\$ 264,085	\$ 264,085
Bond interest expense	16,917	362,557	379,474
Coverage deposit	-	3,734	3,734
Commercial paper principal repayment	108	-	108
Transportation costs and other charges	2,293	98,445	100,738
	<u> </u>	<u> </u>	<u> </u>
Total actual and forecasted costs	<u>\$ 19,318</u>	<u>\$ 728,821</u>	<u>\$ 748,139</u>

See accompanying Notes to Schedule of Forecasted Revenues, Release of Funds, and Costs of the Consolidated Rental Car Facility.

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NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
Notes to Schedule of Forecasted Revenues, Release of Funds, and Costs of the
Consolidated Rental Car Facility
For the Period from July 1, 2013 through June 30, 2041

(1) Summary of Significant Forecast Assumptions

The accompanying Schedule of Forecasted Revenues, Release of Funds, and Costs of the Consolidated Rental Car Facility (Schedule) presents, to the best of management's knowledge and belief, the Norman Y. Mineta San José International Airport (Airport) expected revenues generated for, release of other available funds, and reasonable costs of the financing of the Consolidated Rental Car Facility (ConRAC), for the period from July 1, 2013 through the fiscal year of the final payment of debt service on related bonds in 2041. Accordingly, the Schedule reflects management's judgment as of November 8, 2013 of the expected conditions and its expected course of action. This presentation is intended for the use by the Airport in evaluating the revenue forecast and plan of funding, including the need to collect the alternative Customer Facility Charge (CFC) in accordance with §1936(m)(2) of the California Civil Code as amended by Senate Bill (SB) 1192 (hereinafter "Code"), in connection with the financing of the construction costs of the ConRAC and the cost of common-use transportation systems to move passengers between airport terminals and the consolidated car rental facility. The assumptions disclosed herein are those that management believes are significant to the forecasted schedule. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Pursuant to the Code, the Airport determined the need for a ConRAC to provide for the safe, secure and efficient processing of rental car transactions for the traveling public, to enhance the choice afforded to rental car customers, and to mitigate the environmental impacts of the rental car operations on the Airport's neighbors.

In order to provide for the long-term financing of the ConRAC, the Airport established collection of a CFC in accordance with the Code, effective January 1, 2008 to help pay for debt service and other capital costs associated with the ConRAC. Based on its forecasted revenue and plan of funding, the Airport has determined that it is necessary to increase the alternative CFC to \$7.50 per rental day in January 2014 as described in §1936(I)(iii)(2)(C)(ii) of the Code. The City Council approved the \$6.00 and \$7.50 per rental day CFC up to a maximum of five days on November 8, 2011 to begin collecting on December 1, 2011 and January 1, 2014, respectively.

All significant assumptions related to the forecasted revenues, release of funds, and costs are summarized in Note 7.

(2) Description of the Airport

The Charter of the City of San José created the Airport Department in 1965 as a department within the City. The City is a charter city that operates under a council-manager form of government. The eleven members of the City Council serve as the governing body that oversees the operation of the Airport. The Director of Aviation is responsible for the operation of the Department and reports directly to the City Manager. The Department operates the Airport, which is currently classified as a medium-hub domestic airport with some international service. The Department's mission is to meet the air transportation needs of the business and public communities in a safe, efficient, and effective manner.

The primary area served by the Airport consists of Santa Clara County, which is also the San José Primary Metropolitan Statistical Area and is commonly referred to as Silicon Valley. The primary service area includes the adjacent counties of Monterey, San Benito, and Santa Cruz and portions of two adjacent counties, Alameda, and San Mateo (collectively, the "Air Service Area"). The Air Service Area is part of the larger San Francisco/San José/Oakland Area. The nearby counties of Merced, Stanislaus, and San Joaquin comprise a secondary service area. Three of the six Air Service Area counties belong to the Association of Bay Area Governments (ABAG) regional

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
Notes to Schedule of Forecasted Revenues, Release of Funds, and Costs of the
Consolidated Rental Car Facility
For the Period from July 1, 2013 through June 30, 2041

planning agency and rank within the top five most populated counties of the ABAG Region, with Santa Clara and Alameda Counties ranking first and second, and the County of San Mateo ranking fifth. In addition to the Airport, two other commercial airports serve the San Francisco/San José/Oakland area: San Francisco International Airport and Oakland International Airport. A separate unit of local government operates each of the three facilities independently.

(3) Consolidated Rental Car Facility

Currently, eleven rental car company brands (associated with seven rental car companies) operate at the Airport in the seven-story ConRAC located immediately across the roadway from the entrance to Terminal B. The ConRAC includes 3,000 ready/return spaces and approximately 320 hourly public parking spaces located on the first floor. The design and construction costs of the public parking share of the facility represents 5.4 percent of the total facility costs and these costs have been excluded from the summary of project costs (see Note 5(a)). On June 30, 2010, the Airport opened the ConRAC coinciding with the opening of the first phase of Terminal B.

The ConRAC includes all facilities necessary for each of the eleven rental car company brands serving the Airport and their associated operations, including customer service, administrative offices, ready/return parking, fueling, and maintenance facilities. The facility allows the rental car company brands to wash and fuel all their cars on site in order to return them to service efficiently. The three-level indoor elevated fueling station represents a significant technological and engineering achievement to ensure reliable and safe operations.

The ConRAC was constructed with a one megawatt solar power array on the roof, with more than 4,500 solar panels covering 3.4 acres. The City estimates that this solar power system provides approximately 20 percent of the power required by the ConRAC. The ConRAC also features a public art façade/mural, known as the "Hands", which faces the community to the east. The mural spans 1,200 feet, stands seven stories tall (visible miles away), and reflects the diverse spectrum of Silicon Valley's population.

**(4) California Civil Code §1936, as amended by Senate Bill 1192 -
Background and Overview**

California Civil Code §1936, as amended by Senate Bill 1192 (Code), permits an airport sponsor to require rental car companies to collect from a renter a CFC to finance, design and construct a consolidated airport rental car facility [§1936 (a)(4)(A)(i)]; to finance, design, construct, and operate common-use transportation systems that move passengers between airport terminals and those consolidated car rental facilities, and acquire vehicles for use in that system [§1936 (a)(4)(A)(ii)]; and to finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation systems [§1936 (a)(4)(A)(iii)].

The Airport determined that the base CFC rate of \$10.00 per rental car transaction was insufficient to pay for debt service associated with the ConRAC and operating expenses related to the transportation of the rental car customers. The City held a public hearing on November 8, 2011 to obtain support of its intention to adopt an alternate CFC as permitted by §1936(m)(2) due to the insufficiency of the current CFC rate.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
Notes to Schedule of Forecasted Revenues, Release of Funds, and Costs of the
Consolidated Rental Car Facility
For the Period from July 1, 2013 through June 30, 2041

(5) Financial Model and Revenue Forecast

The Airport financed the project costs of the ConRAC totaling \$235.4 million through the issuance of City of San José, Norman Y. Mineta San Jose International Airport subordinated commercial paper notes and transaction customer facility charges. Under the commercial paper program, the Airport is able to issue commercial paper notes at prevailing interest rates for periods of maturity not to exceed 270 days. On December 2, 2011, the City issued general airport revenue bonds (GARBs) in the amount of \$271.8 million to refund the subordinated commercial paper notes issued to help fund the costs of the ConRAC; to fund a capitalized interest fund, debt service reserve fund and a coverage fund; and to pay the cost of issuing the GARBs.

The GARBs will be repaid through future alternative CFC collections together with Facility Rent paid by the rental car companies. Although the GARBs will be secured by a pledge of net general airport revenues, the debt service associated with the bonds and certain transportation expenses are expected to be repaid solely from alternative CFCs collected from rental car transactions and Facility Rent paid by the rental car companies using the ConRAC.

(a) Summary of Sources and Uses

The funding program detailed below addresses the project costs of the ConRAC (\$235.4 million) and the commercial paper notes refunded (in millions).

Project costs:	
Prior to July 1, 2004	\$ 3.8
Fiscal year 2005 through 2010	230.7
Fiscal year 2011 through 2013	0.4
Owner Controlled Insurance Program (OCIP) Reserve	<u>0.5</u>
Project costs	235.4
Customer facility charges applied towards project costs	(8.5)
Commercial paper notes repaid in fiscal year 2011	(8.4)
Pro-rata charge of interest on commercial paper notes during construction	<u>5.3</u>
Taxable commercial paper notes applied	223.8
Actual taxable commercial paper notes refunded	<u>224.7</u>
Taxable commercial paper proceeds available (*)	<u><u>\$ (0.9)</u></u>

* Resources available for transfer

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
Notes to Schedule of Forecasted Revenues, Release of Funds, and Costs of the
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In December 2011, the commercial paper notes were refunded with GARBs. The sources and uses for the GARBs are provided below (in millions):

Sources:	
Airport Revenue Bonds par amount	\$ 271.8
Original issue discount (net)	(6.8)
	<u>265.0</u>
Uses:	
Refunding of the Taxable Commercial Paper Notes	\$ 224.7
Other fund deposits:	
Capitalized interest fund	5.1
Debt service reserve fund	27.2
Coverage fund	3.4
Cost of bond issuance, underwriter's discount & insurance	4.6
Total Uses	<u>\$ 265.0</u>

(b) Airport Revenue Bonds

The \$271.8 million in Airport Revenue Bonds were issued as GARBs on parity with its outstanding Airport Revenue Bonds. As of June 30, 2013, the Airport had the following outstanding Airport Revenue Bonds (in thousands):

Name of Issue	Date of Issuance	Original Principal Amount	Outstanding Principal Amount	Final Maturity Date
City of San Jose Airport Revenue Bonds,				
Series 2001A	08/14/2001	\$ 158,455	\$ 45,710	03/01/2031
Series 2004C	06/24/2004	75,730	70,730	03/01/2026
Series 2004D	06/24/2004	34,270	34,270	03/01/2028
Series 2007A	08/22/2007	545,755	545,755	03/01/2047
Series 2007B	08/22/2007	179,260	179,260	03/01/2037
Series 2011A-1	07/28/2011	150,405	143,180	03/01/2034
Series 2011A-2	07/28/2011	86,380	82,255	03/01/2034
Series 2011B	12/02/2011	271,820	264,085	03/01/2041
Series 2012A	11/08/2012	49,140	41,710	03/01/2018
		<u>\$ 1,551,215</u>	<u>\$ 1,406,955</u>	

Although the GARBs will be secured by a pledge of net general airport revenues, the bonds will be expected to be repaid solely from alternative CFCs collected from rental car transactions and Facility Rent paid by the rental car companies using the ConRAC.

The underlying ratings of the Airport's outstanding revenue bonds are BBB+ by Fitch Ratings, A2 by Moody's Investors Service, and A- by Standard & Poor's, and were considered in developing other financing assumptions.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
Notes to Schedule of Forecasted Revenues, Release of Funds, and Costs of the
Consolidated Rental Car Facility
For the Period from July 1, 2013 through June 30, 2041

(c) Customer Facility Charges and Facility Rent

The City began collecting \$5.00 per transaction CFC for transportation operating expenses in May 2000. The City subsequently increased the CFC to fund capital costs and began collecting the \$10.00 per transaction CFC in January 2008. The City currently imposes a \$6.00 per day, up to a maximum of five days per rental car contract on vehicles rented at the Airport to help pay for debt service associated with the ConRAC construction costs and certain operating expenses related to the transportation of rental car customers from Terminal A to the ConRAC.

The City opened the ConRAC in June 2010. Five of the seven rental car companies that currently operate from the ConRAC (Airport Rental Car Companies) executed a Rental Car Operations Agreement and Lease with the City in February 2008, with an effective date June 2010, (Rental Car Agreement) for operations at the ConRAC. Subsequent to the opening, two additional companies executed its agreements. The Rental Car Agreement expires in June 2020, subject to two additional ten-year terms upon the mutual agreement of the parties. The Rental Car Agreement requires the Airport Rental Car Companies to pay certain concession, Facility Rent, and ground rent amounts to the City. Pursuant to the Rental Car Agreement, for a given fiscal year, the Airport Rental Car Companies must pay Facility Rent to the City equal to the annual debt service and transportation expenses associated with the ConRAC minus CFC Revenues.

In order to help keep Facility Rent to be paid by the Airport Rental Car Companies reasonable, the City adopted an ordinance to impose the alternative CFC rate structure, which was authorized by the State CFC Statute and began collecting a \$6.00 CFC per transaction day (subject to the 5-day maximum) per contract December 1, 2011. The City plans to increase the CFC per transaction day to \$7.50 (subject to the 5-day maximum) beginning January 1, 2014. Based on the consultant's analysis of historical rental car activity at the Airport in relation to prior increases in the cost of renting a car at the Airport, the City's plan to begin collecting a \$7.50 CFC per transaction day (subject to a five-day maximum) beginning January 2014 is not expected to have a significant impact on rental car activity at the Airport.

Should the City or the rental car companies determine at the expiration of the 10-year term not to extend the agreements, the City would not be able to continue to collect CFCs after the on-Airport rental car companies vacate the ConRAC. In such event, the City would be responsible for payment of the remaining ConRAC debt from other Airport revenues.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
Notes to Schedule of Forecasted Revenues, Release of Funds, and Costs of the
Consolidated Rental Car Facility
For the Period from July 1, 2013 through June 30, 2041

(6) Forecasted Debt Service Requirements on the ConRAC Bonds.

Fiscal Year	Debt Service Requirements			Less Release of			Net Debt Service
	Principal	Interest	Total	Capitalized Interest Fund	Debt Service Reserve Fund	Coverage Fund	
2014	\$ —	\$ 16,917	\$ 16,917	\$ 1,826	\$ —	\$ —	\$ 15,091
2015	495	16,917	17,412	—	—	—	17,412
2016	800	16,901	17,701	—	—	—	17,701
2017	1,155	16,871	18,026	—	—	—	18,026
2018	1,540	16,824	18,364	—	—	—	18,364
2019	1,945	16,759	18,704	—	—	—	18,704
2020	2,390	16,667	19,057	—	—	—	19,057
2021	2,865	16,554	19,419	—	—	—	19,419
2022	3,380	16,413	19,793	—	—	—	19,793
2023	3,930	16,241	20,171	—	—	—	20,171
2024	4,540	16,024	20,564	—	—	—	20,564
2025	5,200	15,766	20,966	—	—	—	20,966
2026	5,910	15,466	21,376	—	—	—	21,376
2027	6,675	15,127	21,802	—	—	—	21,802
2028	7,535	14,695	22,230	—	—	—	22,230
2029	8,470	14,208	22,678	—	—	—	22,678
2030	9,470	13,660	23,130	—	—	—	23,130
2031	10,550	13,048	23,598	—	—	—	23,598
2032	11,710	12,366	24,076	—	—	—	24,076
2033	12,960	11,608	24,568	—	—	—	24,568
2034	14,320	10,752	25,072	—	—	—	25,072
2035	15,785	9,804	25,589	—	—	—	25,589
2036	17,360	8,760	26,120	—	—	—	26,120
2037	19,045	7,612	26,657	—	—	—	26,657
2038	20,885	6,353	27,238	—	—	—	27,238
2039	22,775	4,971	27,746	—	—	—	27,746
2040	25,065	3,465	28,530	—	—	—	28,530
2041	27,330	1,808	29,138	—	27,182	1,956	—
	<u>\$ 264,085</u>	<u>\$ 362,557</u>	<u>\$ 626,642</u>	<u>\$ 1,826</u>	<u>\$ 27,182</u>	<u>\$ 1,956</u>	<u>\$ 595,678</u>

The financial model forecasts the required annual cost to service the debt each year until all debts have been repaid. The total bond debt service repayment cost is \$626.6 million. Interest income from the capitalized interest fund; the release of the capitalized interest, debt service reserve and the coverage funds established at the issuance of the bonds; and additional required deposits to the coverage fund will be available to pay debt service costs. Thus the net debt service requirement to be recovered through Facility Rent and CFC collections is \$595.7 million.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
Notes to Schedule of Forecasted Revenues, Release of Funds, and Costs of the
Consolidated Rental Car Facility
For the Period from July 1, 2013 through June 30, 2041

(a) Forecast Summary

Based on the assumptions discussed in Note 7, the forecast summary for the period from July 1, 2013 through June 30, 2041 is as follows (in thousands):

Revenues:	
Customer facility charge	\$ 594,520
Facility rent	96,305
Release of funds to cover debt service:	
Debt service reserve and coverage funds	29,138
Capitalized interest fund	1,826
Other funds available	<u>7,032</u>
Total revenues	<u>728,821</u>
Costs:	
Bond principal payment	264,085
Bond interest expense	362,557
Coverage deposit	3,734
Transportation costs and other charges	<u>98,445</u>
Total costs	<u>728,821</u>
Total	<u>\$ -</u>

Total revenues forecast to be collected and/or available for repayment of the Revenue Bonds total \$728.8 million, which includes the release of \$31 million of the Capitalized Interest Fund, and release of the Debt Service Reserve and Coverage Funds. Total estimate costs are forecasted to be approximately \$728.8 million.

(7) Assumptions Used

The Schedule of Forecasted Revenues, Release of Funds, and Costs is based on the factors and assumptions listed below.

1. Bond issuance delivery date was December 2, 2011.
2. First principal payment for 2011B Bond Series was March 1, 2012 and final payment date is March 1, 2041.
3. Interest for 2011B Series ranges from 1% to 6.75%, payable in semi-annual installments ranging from \$903,758 to \$8,458,541, with the final installment due in March 2041.
4. \$5.1 million was deposited in the capitalized interest fund.
5. \$27.2 million was deposited in the Debt Service Reserve Fund calculated using "Lesser of three" test (10% Par Amount).
6. \$3.4 million was deposited to the Coverage Fund calculated at 25% of fiscal year 2013 debt service, and the Airport will deposit into the Coverage Fund a required coverage amount equal to 25% of the annual GARBs debt service.
7. Interest income from the Debt Service Reserve Fund will be deposited into the Airport's Revenue Fund and will be available to fund costs.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
Notes to Schedule of Forecasted Revenues, Release of Funds, and Costs of the
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8. In any Lease Year in which there is an overpayment of Facility Rent after application of CFC revenues, the remaining Facility Rent shall be deposited by the City in the Rent Stabilization Fund maintained by the City. The Rent Stabilization Fund will be fully funded at One Million Dollars (\$1,000,000). Once the Rent Stabilization Fund has been fully funded, the On-Airport Companies' share of any excess Facility Rent shall be applied as credit to the Facility Rent for the following Lease Year, thus reducing the Facility Rent for that following Lease Year.
9. The Airport provided data on actual rental car transaction as reported by the car rental companies starting in fiscal year 2003. Rental car transaction activity at the Airport has generally followed the trends for Origination and Designation (O&D) deplaned passengers. Based on this relationship, the passenger projection for the Airport serves as the basis for the projection of rental car activity at the Airport.
10. The percentage of O&D deplaned passengers to total deplaned passengers at the Airport is assumed at 97.6 percent throughout the projection period, based on the six months average from January 2012 through June 2012. Total deplaned passengers are assumed to equal total enplaned passengers for the projection period.
11. The number of rental car transactions per O&D deplaned passenger is assumed to be 18.4% throughout the projection period, approximately equal to the average level experienced for January 2012 through June 2012.
12. The number of rental car days subject to CFC per transaction is assumed to be 2.88 throughout the projection period based on the six months average from January 2012 through June 2012 data reported by five of the seven current airport rental car companies.
13. The economic base of the Air Service Area will remain stable and diversified during the projection period.
14. The Airport's passenger projections will be realized. Deplaned passengers are assumed to grow at 2.5 percent after fiscal year 2016.
15. The current \$6.00 per transaction day (subject to 5-day maximum charge) is assumed to change to \$7.50 per transaction day (subject to a 5-day maximum charge) beginning January 1, 2014.
16. The Airport Rental Car Companies will continue to operate at the Airport for the duration of the projection period. In the event one or more Airport Rental Car Companies leave the market, the Airport Rental Car Companies remaining (and any new entrant rental car companies) will act to serve demand and capture the market share of any departing company.
17. No significant changes in the forms of alternative transportation or expansion of existing modes of alternative transportation are expected at the Airport that would influence rental car demand during the project period.
18. Transportation expenses include operating costs related to the transport of rental car customers between Terminal A to the ConRAC. These costs are primarily based on the number of service hours charged by an outside bus operator (approximately 22,000 service hours for fiscal year 2014). These costs are assumed to grow at a 2.0 percent rate after 2014.

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Consolidated Rental Car Facility
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Annual CFC receipts based on the collections starting on July 1, 2013 and estimated to end collection in fiscal year 2040 are estimated by the Airport to be \$594.5 million. This estimate is based on an average transaction length at the Airport from January 2012 to June 2012.

The summary of annual forecasted CFC and Facility Rent revenues is presented below.

Fiscal Year	CFC	Facility Rent	Capitalized Interest Fund	Release of Debt Services & Coverage Funds	Revenues Available for Expenditures
2014	\$ 14,647	\$ 2,657	\$ 1,826	\$ —	19,130
2015	16,693	2,943	—	—	19,636
2016	17,077	3,460	—	—	20,537
2017	17,504	3,423	—	—	20,927
2018	17,941	3,383	—	—	21,324
2019	18,390	3,333	—	—	21,723
2020	18,850	3,287	—	—	22,137
2021	19,321	3,240	—	—	22,561
2022	19,804	3,196	—	—	23,000
2023	20,299	3,175	—	—	23,474
2024	20,807	3,239	—	—	24,046
2025	21,327	3,304	—	—	24,631
2026	21,860	3,370	—	—	25,230
2027	22,406	3,437	—	—	25,843
2028	22,967	3,506	—	—	26,473
2029	23,541	3,576	—	—	27,117
2030	24,129	3,647	—	—	27,776
2031	24,732	3,720	—	—	28,452
2032	25,351	3,795	—	—	29,146
2033	25,985	3,871	—	—	29,856
2034	26,634	3,948	—	—	30,582
2035	27,300	4,027	—	—	31,327
2036	27,983	4,108	—	—	32,091
2037	28,682	4,190	—	—	32,872
2038	29,399	4,274	—	—	33,673
2039	30,134	4,359	—	—	34,493
2040	10,757	3,837	—	—	14,594
2041	—	—	—	29,138	29,138
	<u>\$ 594,520</u>	<u>\$ 96,305</u>	<u>\$ 1,826</u>	<u>\$ 29,138</u>	<u>\$ 721,789</u>

Source: Norman Y. Mineta San Jose International Airport management records.