OFFICIAL STATEMENT
DATED JULY 15, 2015

NEW ISSUE – Book-Entry-Only

Ratings: Fitch: "BBB+"
Moody's: "A3"
Standard & Poor's: "A-"
(See "OTHER RELEVANT INFORMATION – Ratings")

Interest on the Series 2015 Bonds is not excludable from gross income for federal tax purposes under existing law. See "TAX MATTERS" herein.

CITY OF SAN ANTONIO, TEXAS

$123,900,000
Customer Facility Charge Revenue Bonds, Taxable Series 2015
(Consolidated Rental Car Special Facilities Project)

Dated Date: July 1, 2015 (Interest to accrue from Delivery Date) **Due: July 1, as shown on the inside cover page**

The City of San Antonio, Texas (the "City") is issuing its $123,290,000 Customer Facility Charge Revenue Bonds, Taxable Series 2015 (Consolidated Rental Car Special Facilities Project) (the "Series 2015 Bonds") pursuant to an Indenture of Trust (the "Indenture"), dated as of July 1, 2015, by and between the City and U.S. Bank National Association, Dallas, Texas (the "Trustee"), and in accordance with the Constitution and general laws of the State of Texas, including (particularly) Chapter 22, as amended, Texas Transportation Code and Chapters 1201, 1371 and 1503, as amended, Texas Government Code (collectively, the "Act"), the City's Home Rule Charter, and an ordinance (the "Ordinance") adopted by the City Council on June 18, 2015, for the purpose of providing funds to pay a portion of the costs of designing, constructing, and equipping the Project (as defined and described in greater detail herein and the portion of such Project costs to be financed with proceeds of the Series 2015 Bonds to generally include a consolidated rental car facility (the "CONRAC Facility") to be located on the premises of the San Antonio International Airport (the "Airport")) and funding certain associated reserve funds. As permitted by applicable provisions of the Act, the City Council of the City has delegated to certain designated City officials the authority to finalize the terms of sale of the Series 2015 Bonds, which terms of sale will be evidenced in a "Pricing Certificate" that will complete such sale of the Series 2015 Bonds. This Pricing Certificate was executed by an authorized City official on July 15, 2015.

Interest on the Series 2015 Bonds will accrue from their date of initial delivery (the "Delivery Date") to the initial purchasers thereof named below (collectively the "Underwriters"), will be payable on January 1, 2016 and on each July 1 and January 1 thereafter (until stated maturity or prior redemption), and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Series 2015 Bonds are subject to redemption prior to stated maturity at the times and prices and in the amounts as described herein. See "THE SERIES 2015 BONDS – Redemption Prior to Stated Maturity." The City intends to utilize the Book-Entry Only System of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on the behalf of DTC to discontinue such system. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer. See "THE SERIES 2015 BONDS – Book-Entry-Only System". The Trustee will also serve as the paying agent/registrar for the Series 2015 Bonds.

The principal of and interest on the Series 2015 Bonds are payable from and secured solely by a first lien on and pledge of the Trust Estate (defined herein) established under the Indenture, which consists primarily of "Pledged Revenues", which is defined in the Indenture to primarily include funds received by the City from the Customer Facility Charge, or CFC (each as defined herein), imposed by the City on rental car transactions occurring on or about the Airport. The Trust Estate further consists of the interest of the City in the Funds and Accounts created by the Indenture and that are included in the Trust Estate, which include, among other Funds, the Construction Fund, the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Debt Service Coverage Fund, and surplus amounts held in the CFC Surplus Fund (each of which capitalized terms are defined herein). In the Indenture, the City has reserved the right to issue Additional Bonds secured by and payable from the Trust Estate on a parity with the Series 2015 Bonds, as well as Subordinated Debt (defined herein) upon satisfaction of the conditions set forth therein. See "SECURITY FOR THE SERIES 2015 BONDS".

On or prior to the Delivery Date, the City will enter into a Consolidated Rental Car Facility Lease Agreement (each, a "Lease Agreement" and, collectively, the "Lease Agreements") with the rental car companies operating at the Airport (each, an "Operator" and, collectively, the "Operators") which provides for (i) the lease of the CONRAC Facility to the Operators, (ii) the Operators' design and construction of the Operators' tenant improvements within the CONRAC Facility, and (iii) other terms governing the Operators' use and conduct of rental car activities at the CONRAC Facility. Pursuant to the terms of the Lease Agreement, the Operators will agree to charge and remit the revenues derived from the Customer Facility Charges imposed and collected thereby directly with the Trustee. Such revenues, along with CFCs charged and collected by any Off-Airport Rental Car Permittees (defined herein), constitute "CFC Revenues" under the Indenture and are a part of the Trust Estate. **No other amounts payable by the Operators to the City under the Lease Agreements (other than any "Contingent Fees" required to be paid thereunder in the event CFC Revenues are insufficient to pay debt service on the Series 2015 Bonds and make deposits into certain Funds established under the Indenture) have been pledged to the payment of the Series 2015 Bonds and any Additional Bonds hereafter issued (together, the "Bonds").**

NO MORTGAGE OF OR LIEN ON ANY OF THE PHYSICAL PROPERTIES FORMING A PART OF THE AIRPORT SYSTEM, INCLUDING THE PROJECT, OR ANY OTHER PROPERTY OR FUNDS OF THE CITY, HAS BEEN PLEDGED AS SECURITY FOR THE PAYMENT OF THE SERIES 2015 BONDS. THE SERIES 2015 BONDS ARE SPECIAL OBLIGATIONS OF THE CITY, PAYABLE ONLY FROM THE TRUST ESTATE PLEDGED AS SECURITY THEREFOR UNDER THE INDENTURE. NONE OF THE CITY, THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION THEREOF HAS PLEDGED ITS TAXING POWER AS SECURITY FOR THE SERIES 2015 BONDS.

Concurrently with its issuance of the Series 2015 Bonds, the City is issuing its $38,805,000 Airport System Revenue Improvement Bonds, Series 2015 (AMT) to provide additional funds to pay the remaining costs of the Project (including a new short term public parking garage that will be located below the CONRAC Facility, that will essentially replace the existing public parking garage currently located on the site where the CONRAC Facility will be built, and associated roadways and infrastructure at the Airport). These other bonds are secured by a lien on and pledge of the Airport revenues and not the Trust Estate, though debt service thereon is expected to be paid from CFC Revenues released from the Trust Estate. Except for the impact of these CFC Revenue releases to pay debt service on these other bonds, this Official Statement describes only the Series 2015 Bonds and not such other bonds. See "PLAN OF FINANCE".

SEE INSIDE COVER PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, OFFERING YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE SERIES 2015 BONDS

The Series 2015 Bonds are offered for delivery, when, as, and if issued and received by the Underwriters and are subject to the approving opinions of the Attorney General of the State of Texas and the legal opinion of McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. (See "LEGAL MATTERS" herein.) Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriters by their Co-Counsel, Norton Rose Fulbright US LLP and Escamilla & Poneck, LLP, both of San Antonio, Texas. The Series 2015 Bonds are expected to be available for delivery through the services of DTC on or about July 29, 2015.

WELLS FARGO SECURITIES	**CITIGROUP**
FIRSTSOUTHWEST	**J.P. MORGAN**
RICE FINANCIAL PRODUCTS COMPANY	**RAMIREZ & CO., INC.**

STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, OFFERING YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS

CUSIP No. Prefix[1]: 796246

$123,900,000
CUSTOMER FACILITY CHARGE REVENUE BONDS, TAXABLE SERIES 2015
(CONSOLIDATED RENTAL CAR SPECIAL FACILITIES PROJECT)

$27,940,000 Serial Bonds

Maturity (July 1)	Principal Amount ($)	Interest Rate (%)	Offering Yield (%)	CUSIP No. Suffix[1]	Maturity (July 1)	Principal Amount ($)	Interest Rate (%)	Offering Yield (%)	CUSIP No. Suffix[1]
2019	700,000	2.910	2.910	AQ9	2025	2,375,000	4.353	4.353	AF3
2020	950,000	3.210	3.210	AA4	2026	2,870,000	4.503	4.503	AG1
2021	1,150,000	3.648	3.648	AB2	2027	3,245,000	4.653	4.653	AH9
2022	1,450,000	3.898	3.898	AC0	2028	3,630,000	4.853	4.853	AJ5
2023	1,735,000	4.153	4.153	AD8	2029	3,810,000	5.053	5.053	AK2
2024	2,025,000	4.253	4.253	AE6	2030	4,000,000	5.203	5.203	AL0

$95,960,000 Term Bonds

$23,570,000 5.671% Term Bond due July 1, 2035; Priced at 100%; CUSIP No. Suffix[1]: AM8
$31,115,000 5.771% Term Bond due July 1, 2040; Priced at 100%; CUSIP No. Suffix[1]: AN6
$41,275,000 5.871% Term Bond due July 1, 2045; Priced at 100%; CUSIP No. Suffix[1]: AP1

Redemption. The Series 2015 Bonds are subject to optional and mandatory sinking fund redemption prior to stated maturity at the times, in the amounts, and at the prices described herein. See “THE SERIES 2015 BONDS – Redemption Prior to Stated Maturity”.

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(1) CUSIP numbers are included solely for the convenience of owners of the Series 2015 Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC, on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Co-Financial Advisors, or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

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CITY OF SAN ANTONIO, TEXAS
ADMINISTRATION

CITY COUNCIL:

Name	Tenure on City Council	Term Expires	Occupation
Ivy R. Taylor, Mayor[(1)]	6 Years, 1 Month	May 31, 2017	College Lecturer
Robert C. Trevino, District 1[(2)]	7 Months	May 31, 2017	Architect
Alan E. Warrick II, District 2[(3)]	7 Months	May 31, 2017	CEO of Nonprofit
Rebecca Viagran, District 3	2 Years, 1 Month	May 31, 2017	Business Owner
Rey Saldana, District 4	4 Years, 1 Month	May 31, 2017	Adjunct Professor
Shirley Gonzales, District 5	2 Years, 1 Month	May 31, 2017	Business Owner
Ray Lopez, District 6	6 Years, 1 Month	May 31, 2017	Retired
Cris Medina, District 7	4 Years, 1 Month	May 31, 2017	Business Owner
Ron Nirenberg, District 8	2 Years, 1 Month	May 31, 2017	Broadcast General Manager
Joe Krier, District 9	1 Year, 8 Months	May 31, 2017	Business Owner
Mike Gallagher, District 10	1 Year, 6 Months	May 31, 2017	Retired

(1) A special meeting was held on Tuesday, July 22, 2014, to fill the mayoral vacancy of Julián Castro, at which time the City Council selected Councilwoman Ivy R. Taylor, who has held a Council seat since June 9, 2009, to fill the remainder of the unexpired term, through May 31, 2015. On June 13, 2015, Ivy R. Taylor was elected as Mayor.

(2) Councilman Diego M. Bernal tendered notice of resignation from his place on the City Council on November 12, 2014. On December 11, 2014, City Council appointed Roberto C. Treviño as a member of the City Council for District 1, to serve until the elected candidate takes office. Following the canvassing of the May 9, 2015 election, Roberto C. Treviño was elected as Councilman for District 1.

(3) On August 14, 2014, the City Council voted on applicants to fill the District 2 vacancy and selected Keith Toney to serve as the temporary replacement. At a runoff election on December 9, 2014, Alan E. Warrick, II was elected as councilman and served the remainder of the unexpired term, through May 31, 2015. Following the canvassing of the May 9, 2015 election, Alan E. Warrick, II was elected as Councilman for District 2.

CITY OFFICIALS:

Name	Position	Tenure with City of San Antonio	Tenure in Current Position
Sheryl L. Sculley [(1)]	City Manager	9 Years, 9 Months	9 Years, 9 Months
Erik J. Walsh	Deputy City Manager	21 Years, 2 Months	3 Years, 10 Months
Peter Zanoni	Deputy City Manager	18 Years, 4 Months	2 Years, 8 Months
Lori Houston[(2)]	Assistant City Manager	13 Years, 2 Months	0 Months
Carlos Contreras	Assistant City Manager	6 Years, 6 Months	2 Years, 8 Months
Xavier D. Urrutia[(3)]	Acting Assistant City Manager	19 Years, 2 Months	2 Months
Martha G. Sepeda [(4)]	Acting City Attorney	11 Years, 7 Months	8 Months
Leticia M. Vacek	City Clerk	11 Years, 2 Months	11 Years, 2 Months
Ben Gorzell, Jr.	Chief Financial Officer	24 Years, 9 Months	5 Years
Troy Elliott	Director of Finance	18 Years, 11 Months	3 Years, 10 Months
Maria Villagomez[(5)]	Director of Management and Budget	17 Years, 10 Months	5 Years, 10 Months
Frank R. Miller	Aviation Director	6 Years, 3 Months	6 Years, 3 Months

(1) Hired as City Manager in November 2005 with more than 30 years of public management experience, including serving as Assistant City Manager of the City of Phoenix, Arizona for 16 years and City Manager of Kalamazoo, Michigan, for which she worked for 15 years.

(2) The City Manager appointed Lori Houston as Assistant City Manager effective July 13, 2015.

(3) Gloria Hurtado resigned as the Assistant City Manager effective May 29, 2015. The City Manager appointed Xavier D. Urrutia as an Acting Assistant City Manager effective June 1, 2015 until October 1, 2015.

(4) Robert F. Greenblum resigned as the City Attorney effective November 30, 2014. The City Council has appointed Martha G. Sepeda as the Acting City Attorney effective December 1, 2014.

(5) Maria Villagomez will be appointed Assistant City Manager effective October 1, 2015 and Chad Tustison will be appointed as Interim Budget Director.

CONSULTANTS AND ADVISORS:

Bond Counsel — McCall, Parkhurst & Horton L.L.P., San Antonio, Texas

Certified Public Accountants — Padgett, Stratemann & Co., L.L.P., San Antonio, Texas

Co-Financial Advisors — Coastal Securities, Inc., San Antonio, Texas and Estrada Hinojosa & Company, Inc., San Antonio, Texas

Airport Consultants — Ricondo & Associates, Inc., Cincinnati, Ohio, in association with InterVISTAS Consulting LLC, Washington, D.C.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances will this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation with respect to the Series 2015 Bonds, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Co-Financial Advisors or the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

THE SERIES 2015 BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE SERIES 2015 BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE SERIES 2015 BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty, or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2015 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANYTIME.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Co-Financial Advisors have provided the following sentence for inclusion in this Official Statement. The Co-Financial Advisors have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Co-Financial Advisors do not guarantee the accuracy or completeness of such information.

The agreements of the City and others related to the Series 2015 Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Series 2015 Bonds is to be construed as constituting an agreement with the purchasers of the Series 2015 Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

None of the City, the Co-Financial Advisors, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company (“DTC”) or its Book-Entry-Only System as such information has been provided by DTC.

TABLE OF CONTENTS

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OFFICIAL STATEMENT
RELATING TO THE

CITY OF SAN ANTONIO, TEXAS

$123,900,000
CUSTOMER FACILITY CHARGE REVENUE BONDS, TAXABLE SERIES 2015
(CONSOLIDATED RENTAL CAR SPECIAL FACILITIES PROJECT)

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, of the City of San Antonio, Texas (the "City") provides certain information in connection with the City's sale of its $123,900,000 Customer Facility Charge Revenue Bonds, Taxable Series 2015 (Consolidated Rental Car Special Facilities Project) (the "Series 2015 Bonds"). This Official Statement describes the Series 2015 Bonds, the Indenture (defined herein), and certain other information about the City and its Airport System (defined herein). Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Indenture. See "CERTAIN PROVISIONS OF THE INDENTURE" attached hereto as Appendix B.

All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained, upon request, from the City Finance Department, 111 Soledad, 5th Floor, San Antonio, Texas 78205 and, during the offering period, from the City's Co-Financial Advisors, Coastal Securities, Inc., 2526 North Loop 1604 West, Suite 150, San Antonio, Texas, 78248, or Estrada Hinojosa & Company, Inc., 1400 Frost Bank Tower, 100 West Houston Street, San Antonio, Texas 78205, by electronic mail or by physical delivery upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the final Official Statement will be filed with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

PLAN OF FINANCE

The Project

Current Facilities and New Facility Objectives. The current rental car operations and facilities for the San Antonio International Airport (the "Airport") are located at numerous sites scattered both on and off Airport property, necessitating that each rental car company shuttle its customers to and from the Airport passenger terminals via buses. The individual rental car company customer service sites are difficult for customers to find when returning their rental vehicles; the shuttle buses add to traffic congestion at the terminal curbs and are detrimental to air quality. The Airport and the rental car industry agreed that the current operations do not provide good customer service and are operationally and functionally inefficient. Therefore, in 2008, the Airport began evaluating the feasibility of consolidating all rental car facilities and operations into a single consolidated airport rental car facility (the "CONRAC Facility" or the "CONRAC") with the objectives of: (i) improving customer service, (ii) improving air quality and reducing vehicle emissions at the terminal curbs and on terminal roadways, (iii) enhancing operational efficiency (terminal curbsides and roadways; rental car operations and facilities), (iv) meeting future needs (public parking and rental car industry), (v) implementing a financially affordable structure, (vi) creating a stable rental car operation, and (vii) providing a more user-friendly interface between ground and air transportation.

Project Description. After evaluating potential sites, a consensus was reached between the Airport and the rental car industry that an eight-acre site that currently includes the Airport's existing short-term parking structure and the adjacent surface parking lot to the northwest thereof would be the location for the CONRAC Facility. Designs for the CONRAC Facility, prepared by a design team led by TranSystems Corporation, were completed in May 2015.

Upon completion, the CONRAC Facility will include approximately 2,040 ready/return spaces, 1,060 storage spaces, a customer service center, a Quick Turn-Around (QTA) facility that allows rental car companies (each a "RAC" and, together, the "RACs") to provide vehicle service support, and other essential supplemental functions. Additional characteristics of the CONRAC Facility are reflected below and are encompassed within the definition thereof:

- **Customer Service Center** (RAC customer counters; queue space; RAC offices; restrooms; storage areas; common walkways; customer information systems; and exclusive support space for office/breakroom).

- **Ready/Return** (customer service offices and booths; vehicle staging areas; ready parking stalls; return lanes; exclusive exit booths; customer service kiosks; perimeter security; dedicated ramp for customers; dedicated ramp for shuttle operations).

- **QTA Facility** (vehicle fueling system; fuel storage; fuel islands; electric vehicle charging stations; carbon monoxide exhaust systems).

- **Vehicle Wash Facilities/Systems** (wash bays; vehicle wash systems; waste water management systems; hazardous material capture and accountably systems; vacuum stations; vacuum systems).

- **Exclusive Use Vehicle Light Maintenance Bays** (tire change; oil change; oil/waste oil storage; parts and material storage areas; other light maintenance).

- **Traffic Planning** (patron pedestrian access to and from terminal area; RAC service vehicles access to and from facilities; RAC car customers vehicle ingress and egress to and from the CONRAC Facility without interfering with landside terminal operations).

- **Security Systems** (perimeter security; vehicle security; physical barriers; observation systems).

- **Commercial Planning** (food/beverages; news/gift; vending; advertising).

- **Related Infrastructure and Utilities**.

In addition to construction of the CONRAC Facility itself, the Airport is undertaking related public infrastructure and associated capital improvements, including integration of the CONRAC Facility with public parking, replacement of displaced public parking (which will include 1,349 replacement short-term public parking spaces), addressing associated infrastructure and interfacing it with the Airport's parking revenue control system. These other improvements are referred to herein as the "Public Parking Area" and, together with the CONRAC Facility, are referred to herein as the "Project".

Project construction is expected to commence in July 2015 and is expected to be substantially completed in September 2017; the Public Parking Area portion of the Project is expected to be completed and open for public parking in March 2017. In September 2017, the CONRAC Facility will then be turned over to each RAC with whom the City has entered into a Lease Agreement (defined herein) for approximately six (6) months for tenant finishes and a break-in period. The opening date for CONRAC Facilities operations is estimated to occur on or about March 1, 2018. The Project costs are estimated at approximately $165.6 million (excluding an additional $6,000,000 for Initial Tenant Improvements that are also provided for at the time of initial delivery of the Series 2015 Bonds and the hereinafter-defined Concurrently Issued Bonds), which costs include construction, design and other soft costs associated with construction of the Project, as well as parking operating funds reimbursements (reflecting reimbursement to the City to compensate for the loss of parking revenues during Project construction, costs of shuttle bus services to and from substitute parking during construction, and costs associated with upgrading facilities to accommodate the substitute parking, which are being funded with hereinafter-defined Prior CFC Revenues).

For a more detailed description of the Project, as well as operational use, revenue, and demographic projections relating to the CONRAC Facility and the Airport, see "REPORT OF THE AIRPORT CONSULTANTS" attached hereto as Appendix A.

The Series 2015 Bonds and the Concurrently Issued Bonds

The Project costs will be funded by the City using the proceeds of the Series 2015 Bonds, the Concurrently Issued Bonds, and other lawfully available funds of the City (generally using revenues derived by Customer Facility Charges heretofore imposed and collected by the City by the hereinafter-defined Delivery Date (the "Prior CFC Revenues")). Proceeds from the Series 2015 Bonds will be used primarily to pay the costs associated with the design, construction, and equipment of the CONRAC Facility.

Concurrently with the Series 2015 Bonds and as part of the same plan of finance, the City is issuing its $38,805,000 Airport System Revenue Improvement Bonds, Series 2015 (AMT) (defined in the Indenture as "Public Parking Area GARB Debt" and sometimes referred to herein as the "Concurrently Issued Bonds"), the proceeds from which will be used to pay a portion of the costs of the Project (primarily being the costs associated with designing and constructing the Public Parking Area). The Concurrently Issued Bonds are City obligations payable from and secured by a first lien on and pledge of the "Net Revenues" of the City's Airport System (defined herein). The Concurrently Issued Bonds are not secured by the Trust Estate, though the City anticipates paying all of the debt service on the Concurrently Issued Bonds from CFC Revenues transferred monthly from the Revenue Fund (defined herein) after satisfying debt service and reserve fund requirements relating to the Series 2015 Bonds (see "SECURITY FOR THE BONDS – Pledged Funds and Accounts; Flow of Funds"). Except for the purpose of describing this use to provide proceeds necessary to complete the Project and the impact of these CFC Revenue transfers to pay debt service on these other bonds, this Official Statement describes only the Series 2015 Bonds and not the Concurrently Issued Bonds. Investors interested in purchasing the Concurrently Issued Bonds should review the official statement related thereto.

Sources and Uses of Funds

The proceeds of the Series 2015 Bonds will be applied approximately as follows:

Sources:	
Par Amount of Series 2015 Bonds	$ 123,900,000.00
Total Sources of Funds	**$ 123,900,000.00**
Uses:	
Series 2015 Bond Proceeds Account of Construction Fund	$ 106,881,048.30
Initial Tenant Improvement Reimbursement Account of Construction Fund	6,000,000.00
Debt Service Reserve Fund	9,766,629.40
Cost of Issuance (Including Underwriters' Discount and Contingency)	1,252,322.30
Total Uses of Funds	**$ 123,900,000.00**

The proceeds of the Series 2015 Bonds, when combined with the proceeds of the Concurrently Issued Bonds and the Prior CFC Revenues delivered concurrently with the initial delivery of the Series 2015 Bonds to the Trustee under the Indenture, will be sufficient to satisfy the costs of the Project and to fully fund all funds and accounts under the Indenture required at such time to be so funded.

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THE SERIES 2015 BONDS

The following is a summary of certain provisions of the Series 2015 Bonds, including terms relating to redemption of the Series 2015 Bonds. Reference is hereby made to the Indenture, excerpts of which are attached hereto as Appendix B, for the detailed provisions pertaining to the Series 2015 Bonds.

General

The Series 2015 Bonds will be issued, in denominations of $5,000 or any integral multiple thereof, in the principal amounts and at the interest rates, and will mature in the amounts and on the dates, all as set forth on page ii hereof. Interest on the Series 2015 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Series 2015 Bonds will accrue from their date of delivery (the "Delivery Date") to the initial purchasers thereof indicated on the cover page of this Official Statement (the "Underwriters"), and will be payable on January 1, 2016 and on each July 1 and January 1 thereafter (each such date is referred to herein as an "Interest Payment Date") until maturity or prior redemption. The Series 2015 Bonds are initially to be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as securities depository for the Series 2015 Bonds. Purchases by beneficial owners of the Series 2015 Bonds (the "Beneficial Owners") are to be made in book entry form. See "THE SERIES 2015 BONDS – Book-Entry-Only System" below.

Purpose of the Series 2015 Bonds

The Series 2015 Bonds are being issued for the purposes of: (i) paying the costs of the design, construction, and equipping of the CONRAC Facility, (ii) making deposits into certain other Funds and Accounts established under the Indenture (and as described herein under "THE SERIES 2015 BONDS – Sources and Uses of Funds"), and (iii) paying the costs of issuing the Series 2015 Bonds.

Authorization

The Series 2015 Bonds are issued by the City pursuant to and under an Indenture of Trust (the "Indenture"), dated as of July 1, 2015, by and between the City and U.S. Bank National Association, Dallas, Texas (the "Trustee"), and in accordance with the Constitution and general laws of the State of Texas, including (particularly) Chapter 22, as amended, Texas Transportation Code, and Chapters 1201, 1371 and 1503, as amended, Texas Government Code (collectively, the "Act"), the City's Home Rule Charter, and Ordinance No. 2015-06-18-0546 (the "Bond Ordinance") adopted by the City Council on June 18, 2015. As permitted by applicable provisions of the Act, the City Council of the City has delegated to certain designated City officials the authority to finalize the terms of sale of the Series 2015 Bonds, which terms of sale will be evidenced in a "Pricing Certificate" that will complete such sale of the Series 2015 Bonds. This Pricing Certificate was executed by an authorized City official on July 15, 2015.

The City ordinances authorizing the issuance of the Airport System's general revenue bonds (including the Concurrently Issued Bonds) specifically allow for "special facility bonds" and excludes from "Airport Revenues" any revenues derived from "special facilities leases" relating to the use of "special facilities", which revenues are pledged to the payment of special facility bonds while such special facility bonds are outstanding. As the CONRAC Facility is considered a "special facility", and the Lease Agreements (defined herein) are "special facilities leases", under these City ordinances, the Series 2015 Bonds are consequently treated as "special facility bonds" thereunder, as well.

Security and Source of Payment

The Series 2015 Bonds, along with any Additional Bonds (defined herein) hereafter issued (the Series 2015 Bonds and any Additional Bonds are herein referred to as the "Bonds"), are payable from and secured solely by a first and prior lien on and pledge of the Trust Estate established by and under the Indenture, which includes the Pledged Revenues (defined herein), the Pledged Funds and Accounts (defined herein), and the City's rights, titles, and interests in the Lease Agreements, the Off-Airport Rental Car Permits (defined herein), and the Performance Guarantees (defined herein).

NO MORTGAGE OF OR LIEN ON ANY OF THE PHYSICAL PROPERTIES FORMING A PART OF THE AIRPORT SYSTEM, INCLUDING THE PROJECT, OR ANY OTHER PROPERTY OR FUNDS OF THE CITY, HAS BEEN PLEDGED AS SECURITY FOR THE PAYMENT OF THE SERIES 2015 BONDS. THE SERIES 2015 BONDS ARE SPECIAL OBLIGATIONS OF THE CITY, PAYABLE ONLY FROM THE TRUST ESTATE PLEDGED AS SECURITY THEREFOR UNDER THE INDENTURE. NONE OF THE CITY OR THE STATE OF TEXAS (OR ANY OTHER POLITICAL SUBDIVISION THEREOF) HAS PLEDGED ITS TAXING POWER AS SECURITY FOR THE SERIES 2015 BONDS.

See "SECURITY FOR THE BONDS" herein for a greater description of the Trust Estate and certain provisions of the Indenture concerning the source of security for and payment of the Series 2015 Bonds.

Redemption Prior to Stated Maturity

Optional Redemption. On July 1, 2025, or on any date thereafter, the Series 2015 Bonds maturing on or after July 1, 2026 are subject to redemption prior to maturity at the option of the City, in whole or in part, at the redemption price of par, plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Series 2015 Bonds maturing on July 1, 2035, July 1, 2040, and July 1, 2045 (collectively, the "Term Bonds") are subject to mandatory sinking fund redemption prior to stated maturity on July in the years and in the amounts shown below, at a redemption price of 100% of the outstanding principal amount of the Term Bonds being redeemed, plus accrued interest to the date of redemption:

Term Bonds Maturing July 1, 2035		Term Bonds Maturing July 1, 2040		Term Bonds Maturing July 1, 2045	
Redemption Date (July 1)	Principal Amount	Redemption Date (July 1)	Principal Amount	Redemption Date (July 1)	Principal Amount
2031	$4,210,000	2036	$5,545,000	2041	$7,340,000
2032	$4,445,000	2037	$5,865,000	2042	$7,770,000
2033	$4,700,000	2038	$6,205,000	2043	$8,230,000
2034	$4,965,000	2039	$6,560,000	2044	$8,710,000
2035*	$5,250,000	2040*	$6,940,000	2045*	$9,225,000

* Stated maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption requirements may be reduced, at the option of the City, by the principal amount of any such Term Bonds which, prior to the date of the mailing of notice of such mandatory redemption, (i) shall have been acquired by the City and delivered to the Trustee for cancellation, (ii) shall have been purchased and canceled by the Trustee at the request of the City, or (iii) shall have been redeemed pursuant to the optional redemption provisions described above and not credited against a mandatory redemption requirement.

Selection of Series 2015 Bonds for Redemption. When the Trustee is required or authorized to redeem Series 2015 Bonds at the option of the City, the City will determine the maturity or maturities and the amounts thereof to be redeemed. If less than all of the Series 2015 Bonds within a single maturity are to be redeemed, the Series 2015 Bonds to be redeemed will be selected on a pro-rata basis or other random method by the Trustee in such a manner as the Trustee may determine. If the Series 2015 Bonds are no longer registered to DTC or its nominee, any redemption of less than all of a maturity of the Series 2015 Bonds shall be effected by the Trustee among owners on a pro-rata basis subject to minimum authorized denominations. The particular Series 2015 Bonds or portions thereof to be redeemed shall be determined by the Trustee, using such method as it shall deem fair and appropriate. If the Series 2015 Bonds are registered in book-entry only form and so long as DTC, or a successor securities depository, is the sole registered owner of such Series 2015 Bonds and if less than all of the Series 2015 Bonds of a maturity are called for prior redemption, the particular Series 2015 Bonds or portions thereof to be redeemed shall be selected on a pro rata basis in accordance with DTC procedures. However, so long as the Series 2015 Bonds are registered in book-entry form, the selection for redemption of such Series 2015 Bonds shall be made in accordance with the operational arrangements of DTC then in effect. It is the City's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the City and the Beneficial Owners be made on a pro rata basis as described above. However, the City can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such basis. If the DTC operational arrangements do not allow for the redemption of the Series 2015 Bonds on a pro rata basis as discussed above, then the Series 2015 Bonds will be selected for redemption in accordance with DTC procedures by lot. The City can provide no assurance that DTC, its participants or any other intermediaries, will allocate redemptions of the Series 2015 Bonds of a particular maturity among the Beneficial Owners on such a proportional basis. A portion of a single Series 2015 Bond of a denomination greater than $5,000 may be redeemed, but only in a principal amount equal to $5,000 or any integral multiple therof. If such a Series 2015 Bond is to be partially redeemed, the Trustee will treat each $5,000 portion of the Series 2015 Bond as though it were a single Series 2015 Bond for purposes of selection for redemption.

Notice. When the Trustee shall receive notice from the City of its election or direction to redeem Series 2015 Bonds pursuant to, and when redemption of Series 2015 Bonds is authorized or required under, the Indenture, the Trustee shall give notice, in the name of the City, of the redemption of such Series 2015 Bonds, which notice shall specify the maturities of the Series 2015 Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such Redemption Date will be payable and, if less than all of the Series 2015 Bonds and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2015 Bonds so to be redeemed, and, in the case of Series 2015 Bonds to be redeemed in part only, such notices shall also specify the respective portions of the principal amounts thereof to be redeemed. The notice with respect to the optional redemption of Series 2015 Bonds may state (i) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the Redemption Date, or (ii) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized City representative to the Trustee instructing the Trustee to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is so rescinded. Such notice shall further state that on such Redemption Date there shall become due and payable upon each Series 2015 Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof, in the case of Series 2015 Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, first class mail postage prepaid, not less than thirty (30) days nor more than sixty (60) days before the Redemption Date, to the Registered Owners of any registered Series 2015 Bonds, or portions of registered Series 2015 Bonds which are to be redeemed, at their last addresses, if any, appearing upon the Register.

In addition to the notice of redemption required pursuant to the preceding paragraph, if any of the Series 2015 Bonds are to be redeemed, then, upon the written request of an authorized City representative received at least forty (40) days before the date fixed for redemption, the Trustee shall also give redemption notice to the Depository at least thirty (30) days before the date fixed for redemption, by (i) registered or certified mail, return receipt requested, postage prepaid, (ii) electronically confirmed facsimile or other electronic transmission, or (iii) overnight delivery service.

Failure to give the notices described herein, or any defects therein, shall not in any manner affect the validity of any proceedings for redemption of any other Series 2015 Bonds for which such notice has been duly given. Neither the City nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Series 2015 Bonds or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the City nor the Trustee shall be liable for any inaccuracy in such numbers.

Notice of Redemption While Book-Entry-Only System in Effect. So long as the book entry system is used for determining beneficial ownership of the Series 2015 Bonds, the Trustee is to send such notice to DTC or to Cede & Co., as nominee for DTC. Such notice to DTC is to be by certified mail, registered mail, or by overnight delivery service return receipt requested. DTC was organized to hold securities of its Participants (herein defined). Any failure of DTC to advise any Participant, or of any Participant to notify the beneficial owner of a Series 2015 Bond, of any such notice and its content or effect does not affect the validity of the redemption of the Series 2015 Bonds called for redemption or any other action premised on that notice. See “THE SERIES 2015 BONDS – Book-Entry-Only System”.

Defeasance

Any Series 2015 Bonds outstanding under the Indenture shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Indenture if (i) in case any of such Series 2015 Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee in form satisfactory to it written instructions containing irrevocable instructions to give notice of redemption of such Series 2015 Bonds on said date as provided in the Indenture, (ii) there shall have been deposited with the Trustee, in trust, either money in an amount which shall be sufficient, or Defeasance Securities (defined herein), the principal of and interest on which without any reinvestment thereof when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an independent certified public accountant, to pay when due the principal or Redemption Price of, and interest due and to become due on, such Series 2015 Bonds on or prior to the redemption date or maturity date thereof, as the case may be, (iii) in the event such Series 2015 Bonds are not to be redeemed within the next succeeding sixty (60) days, the City shall have given the Trustee in form satisfactory to it written instructions containing irrevocable instructions to mail, as soon as practicable, notice to the Registered Owners of all such Series 2015 Bonds that the deposit required by clause (ii) above has been made with the Trustee or an escrow agent and that such Series 2015 Bonds are deemed to have been paid in accordance with this Section and stating such maturity or Redemption Date upon which money is to be made available for the payment of the principal or Redemption Price of and interest on such Series 2015 Bonds, and (iv) there shall be delivered to the Trustee a written opinion of Bond Counsel to the effect that the applicable provisions of the Indenture have been complied with so that such Series 2015 Bonds are no longer entitled to the benefits of this Indenture (or the Trust Estate). Neither Defeasance Securities nor money deposited with the Trustee or an escrow agent nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price of and interest on said Series 2015 Bonds; provided that any cash received from such principal or interest payment on such Defeasance Securities, (i) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received, free and clear of any trust, lien, security interest, pledge or assignment securing such Series 2015 Bonds or otherwise existing under this Indenture, if all Series 2015 Bonds have been redeemed or discharged, otherwise such cash shall be deposited into the Revenue Fund, and (ii) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in a Defeasance Security maturing at the times and in amounts sufficient to pay when due the principal or Redemption Price of and interest to become due on such Series 2015 Bonds, on or prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the City as received, free and clear of any trust, lien or pledge, if all Series 2015 Bonds have been redeemed or discharged, otherwise such cash shall be deposited into the Revenue Fund. Series 2015 Bonds defeased hereunder shall no longer be subject to redemption at the option of the City, except to the extent that such Series 2015 Bonds are called for redemption at the time provision is made for the defeasance thereof, as provided in the Indenure.

The Indenture provides that "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements to defease Series 2015 Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Series 2015 Bonds.

The Trustee

The initial Trustee is U.S. Bank National Association. The City covenants that until the Series 2015 Bonds are paid, it will at all times maintain and provide a trustee for the Series 2015 Bonds. In the Indenture, the City retains the right to replace the Trustee. Any successor Trustee selected by the City must be a trust company or bank in good standing, located in the United States of America, and duly qualified to serve and perform the duties of Trustee for the Series 2015 Bonds.

Registration, Payment, Transfer and Exchange

The Series 2015 Bonds are issued in fully registered form and are initially to be registered in the name of Cede & Co., nominee for DTC. Purchases by beneficial owners of the Series 2015 Bonds are to be made in book entry form in the principal amount of $5,000 or any integral multiple thereof. Payments to beneficial owners are to be made described below under "THE SERIES 2015 BONDS – Book-Entry-Only System". The Series 2015 Bonds may be exchanged or transferred, and presented for payment on the applicable date of stated maturity or prior redemption, at the designated corporate trust office of the Trustee, initially located in Dallas, Texas.

No charge to be imposed upon registered owners in connection with the transfer or exchange except for taxes and governmental charges related thereto. Transfers by beneficial owners are to be made as described below under "THE SERIES 2015 BONDS – Book-Entry-Only System".

Book-Entry-Only System

This section describes how ownership of the Series 2015 Bonds is to be transferred and how the principal of, premium, if any, and interest on the Series 2015 Bonds are to be paid to and credited by DTC while the Series 2015 Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Co-Financial Advisors, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that: (i) DTC will distribute payments of debt service on the Series 2015 Bonds, or redemption or other notices, to Direct Participants, (ii) Direct Participants or others will distribute debt service payments paid to DTC or its nominee (as the Registered Owner of the Series 2015 Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (iii) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission ("SEC"), and the current procedures of DTC to be followed in dealing with Direct Participants are on file with DTC.

DTC will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2015 Bonds, in the aggregate principal amount of each maturity of such issue, and will be deposited with DTC.

General. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2015 Bonds, except in the event that use of the Book-Entry-Only-System for the Series 2015 Bonds is discontinued.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as defaults and proposed amendments to the Series 2015 Bond documents. For example, Beneficial Owners of the Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2015 Bonds within a stated maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC; and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Series 2015 Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2015 Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's Book-Entry-Only-System has been obtained from DTC, but the City takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the Registered Owner of the Series 2015 Bonds, the City will have no obligation or responsibility to the Direct Participants or Indirect Participants, or to the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Series 2015 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Direct Participant or Indirect Participant acquires an interest in the Series 2015 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Indenture will be given only to DTC.

Payment Record

The City has never defaulted in payments on its bonded indebtedness.

SECURITY FOR THE BONDS

Pledge of Trust Estate as Sole Source of Security

The Bonds (which, as previously noted, means the Series 2015 Bonds and any Additional Bonds issued pursuant to the Indenture) are payable from and secured solely by a pledge of the Trust Estate, made in accordance with the terms of the Indenture. Said pledge constitutes a first lien on and security interest in such assets and attaches, is perfected, and is valid and binding from and after delivery of the Series 2015 Bonds. Upon and during the continuance of an Event of Default, the Trustee is entitled to take all steps, actions, and proceedings to enforce all of the rights and obligations of the City under the Indenture.

The Trust Estate includes all of the City's right, title, and interest in: (i) the Pledged Revenues, (ii) the amounts in or required from time to time to be deposited in or credited to the Pledged Funds and Accounts, (iii) the Lease Agreements (including the rights of the City to receive from the Operators the revenues derived thereby from the collections of the Customer Facility Charge and payment of Contingent Fees, and any right to bring actions and proceedings under the Lease Agreements for the enforcement thereof), (iv) the Off-Airport Rental Car Permits (including the rights of the City to receive from the Off-Airport Rental Car Permittees the revenues derived thereby from the collection of the Customer Facility Charge and any right to bring actions and proceedings under the Off-Airport Rental Car Permits for the enforcement thereof), and (v) the Performance Guarantees (including the rights of the City to receive from the Operators the funds provided thereunder that represent Customer Facility Charges and Contingent Fees due under the Lease Agreements), and any right to bring actions and proceedings under the Performance Guarantees for the enforcement thereof.

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE FROM AND SECURED SOLELY BY A PLEDGE OF THE TRUST ESTATE. THE PROPERTIES FORMING A PART OF THE AIRPORT SYSTEM AND THE GENERAL OR OTHER SPECIAL REVENUES OF THE AIRPORT SYSTEM, OTHER THAN PLEDGED REVENUES UNDER THE INDENTURE, HAVE NOT BEEN PLEDGED AS SECURITY FOR THE BONDS, AND NO MORTGAGE OR SECURITY INTEREST HAS BEEN GRANTED OR LIEN CREATED THEREON OR ON THE PROJECT FOR THE BENEFIT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY AND THE COVENANTS AND REPRESENTATIONS CONTAINED IN THE INDENTURE DO NOT CONSTITUTE A PERSONAL OR PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OF THE CITY, THE AIRPORT SYSTEM, OR THE OPERATORS. THE CITY, THE STATE OF TEXAS (THE "STATE"), AND ANY OTHER POLITICAL SUBDIVISIONS OF THE STATE, AND THEIR RESPECTIVE OFFICERS, AGENTS, AND EMPLOYEES, SHALL NEVER BE LIABLE IN ANY MANNER FOR THE PAYMENT OF THE BONDS.

The Pledged Revenues

The Indenture defines "Pledged Revenues" to mean the aggregate of the CFC Revenues, Performance Guarantee Revenues, Contingent Fees, and Pledged Investment Income, each of which are described below.

The Customer Facility Charge. The "Customer Facility Charge" or "CFC" means the customer facility charge or charges, the imposition and establishment of which was reapproved by the City pursuant to the Bond Ordinance, on rental car transactions occurring on or about the Airport, and required to be collected by each Operator, pursuant to the applicable Lease Agreements, and by each Off-Airport Rental Car Permittee, pursuant to an Off-Airport Rental Car Permit. The revenues resultant from the imposition and collection of the CFC (the "CFC Revenues") are the principal source of Pledged Revenues.

Effective as of the Delivery Date, the City will, pursuant to the Lease Agreements and the Off-Airport Rental Car Permits (if any), require each Operator and any Off-Airport Rental Car Permittee to charge, collect, and remit to the Trustee, as assignee of the City's interest therein, the CFC Revenues. By City ordinance, Customer Facility Charge collections at the Airport began on April 1, 2012 at the rate of $4.50 for each Transaction Day; however, it increased to $5.00 per Transaction Day on July 1, 2015 pursuant to the Bond Ordinance and, as indicated in the Report of the Airport Consultant attached hereto as Appendix A, is anticipated to again increase on September 1, 2018 to $5.50 per Transaction Day. The Aviation Director is required to annually (or more often, if necessary) review the Customer Facility Charge and is authorized to adjust the rate thereof if necessary to comply with the rate covenant established under the Indenture. (See Section 2.05 of the Indenture, which is included in Appendix B of this Official Statement; see, also, "SECURITY FOR THE BONDS – The Rate Covenant".)

The Operators and any Off-Airport Rental Car Permittees are required to collect the Customer Facility Charge from all rental car customers. The amount of the Customer Facility Charge charged by an Operator or an Off-Airport Rental Car Permittee shall be the same amount as the Customer Facility Charge charged by each of the other Operators and Off-Airport Rental Car Permittees (if any) and shall be set forth as a separate line item in each rental agreement and identified as a customer facility charge. Each Operator and Off-Airport Rental Car Permittee is required to remit all CFC Revenues collected by it directly to the Trustee on or before the 15th day of each month with respect to CFC Revenues collected during the preceding month. The CFC Revenues collected by each Operator and Off-Airport Rental Car Permittee prior to remittance to the Trustee are regarded as trust funds held by the Operator and Off-Airport Rental Car Permittee, respectively, as an agent for the beneficial interest of the Trustee. All CFC Revenues collected and held by an Operator and any Off-Airport Rental Car Permittee are property in which the Operator or Off-Airport Rental Car Permittee, respectively, holds only a possessory interest and not an equitable interest, and each Operator acknowledges in its Lease Agreement, and each Off-Airport Rental Car Permit (if any) provides, that the CFC Revenues are pledged as security for the Bonds. Under the Lease Agreements and the Off-Airport Rental Car Permits (if any), the Operators and Off-Airport Rental Car Permittees, respectively, are required to maintain records and controls which are sufficient to demonstrate the correctness of the CFC Revenue collected by the Operator and by each Off-Airport Rental Car Permittee and the amount of CFC Revenue paid to the Trustee. The records shall be available for inspection and examination at all times by the Trustee or City, or their duly appointed authorized representatives. The amount of the Customer Facility Charge may be reviewed at any time and may be adjusted periodically by the Aviation Director in his or her sole discretion, for any reason, including the requirement to meet all covenants or requirements with respect to the Bonds on a current and ongoing basis. (See "SECURITY FOR THE BONDS – The Rate Covenant".)

Performance Guarantee Revenues. The Lease Agreements provide that, on the date on which the Aviation Director declares that the CONRAC Facility is open for business and can begin serving the public (the "Date of Beneficial Occupancy" or "DBO" under the Lease Agreements), each Operator will deposit with the City a sum (permitted to be satisfied by letter of credit, surety bond, and/or other instrument) equal to six (6) months of estimated CFC Revenues to be paid by such Operator to the City and projected Ground Rent, such amounts to be held by the City as security for such Operator's full, faithful, and timely performance under each Lease Agreement (together, the "Performance Guarantees"). Funds received by the City that are derived from Performance Guarantees provided by Operators and that represent Customer Facility Charges and Contingent Fees under the Lease Agreements are referred to herein as "Performance Guarantee Revenues". The Indenture provides that all Performance Guarantee Revenues received by the City under the Lease Agreements be transferred promptly by the City to the Trustee and deposited into the Revenue Fund.

Contingent Fees. As long as any Bonds remain Outstanding, in the event it is determined under the provisions of the Lease Agreements that it is necessary for the Operators and the City to pay Contingent Fees (defined herein) as required therein, the City shall pay, and shall require the Operators to pay, such Contingent Fees directly to the Trustee for deposit into the Revenue Fund. The amount of Contingent Fees to be charged shall be determined by the City in the manner set forth in the Lease Agreements, and in any event shall be set by the City at a rate sufficient, together with CFC Revenues reasonably expected to be available for such purpose, to satisfy the requirements of the hereinafter-defined Rate Covenant.

The Indenture defines "Contingent Fee" to mean the additional payment obligations required to be paid by the Operators and the City pursuant to the Lease Agreements to fund any deposits to the Debt Service Fund, the Debt Service Reserve Fund, the Debt Service Coverage Fund, the Public Parking Area GARB Debt Fund, the Subordinated Debt Fund, the Administrative Costs Fund, and the CFC Renewal and Replacement Fund in the event CFC Revenues and funds on deposit in the CFC Surplus Fund which are not held in any other Account thereunder are not sufficient to make such required deposits in full as required by the Indenture. The Lease Agreements provide that a Contingent Fee will be imposed from time to time only if there are not enough funds in the CFC projections to cover the requirements under the Indenture and then, if so imposed, shall be prorated between the Operators and the City. Prior to imposing a Contingent Fee, the Lease Agreements require that the City first consider the following options and deem them not to be fiscally responsible: (i) increasing the CFC; (ii) utilizing funds available in the CFC Renewal and Replacement Fund; and/or (iii) utilizing funds available in the CFC Surplus Fund. The proration of Contingent Fee between the City and the Operators will be based on the construction cost of the Public Parking Area compared to the cost of the CONRAC Facility, as determined by the construction contractor. Under the Lease Agreements, the City shall pay the portion of Contingent Fee relating to the Public Parking Area and the Operators shall pay the remainder of the Contingent Fee requirement.

Applicable provisions relating to the requirements of the City and the Operators to pay the Contingent Fee are included in the Lease Agreements.

Pledged Investment Income. Under the Indenture, "Pledged Investment Income" means earnings on investments in all Funds and Accounts created and exiting under the Indenture (other than the Public Parking Area GARB Debt Fund and the Subordinated Debt Fund). The Indenture requires that all Pledged Investment Income be deposited to the Revenue Fund (except when the amount on deposit in the Debt Service Reserve Fund is less than the Reserve Fund Requirement, in which case investment earnings will remain in the Debt Service Reserve Fund until such time as the amount on deposit therein equals the Reserve Fund Requirement).

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The Rate Covenant

As long as any Bonds remain Outstanding, the Operators and Off-Airport Rental Car Permittees will be required to charge and collect the Customer Facility Charge and remit to the Trustee the CFC Revenues. The Customer Facility Charge must be reviewed and adjusted (if necessary) annually (or more frequently as required below), by the Aviation Director based upon the CFC Report prepared by the City, at a rate estimated to generate during the applicable fiscal year (or such other period as applicable) CFC Revenues, together with (i) funds estimated to be transferred from the Debt Service Coverage Fund to the Debt Service Fund in the manner required by the Indenture (and as described in paragraph *First* in the hereinafter-defined Flow of Funds), (ii) funds estimated to be transferred by the Trustee in accordance with the Indenture (and as described herein under "SECURITY FOR THE BONDS – Pledged Funds and Accounts; Flow of Funds – CFC Surplus Fund") from the CFC Surplus Fund which are not held within any Account thereunder (if any), and (iii) Pledged Investment Income estimated to be transferred to the Revenue Fund during the applicable fiscal year, equal to not less than the aggregate of:

(A) 125% of the Debt Service Requirements on the Bonds under the Indenture for such fiscal year; and

(B) with the residual expected to remain after providing for the payment of actual Debt Service Requirements on the Bonds sufficient to provide the following:

(i) 125% of the debt service requirements on the Concurrently Issued Bonds for such fiscal year and

(ii) fully fund in such fiscal year all transfers from the Revenue Fund as required by the Indenture (and as described herein in paragraphs *Second*, *Third*, *Fifth*, *Sixth*, and *Seventh* of the Flow of Funds).

This required amount of CFC Revenues described above is herein referred to as the "Rate Covenant". The Indenture provides that the Customer Facility Charge required to satisfy the Rate Covenant shall be determined on the basis that no Contingent Fees will be established by the City and no draws will be made under the Performance Guarantees for the applicable fiscal year.

The Indenture requires the Aviation Director to cause the CFC Report to be prepared and filed with the Trustee prior to each fiscal year, based upon the Transaction Days and other rental information required to be provided to the City by the Operators pursuant to the Lease Agreements and by the Off-Airport Rental Car Permittees (if any) pursuant to the Off-Airport Rental Car Permits. If at any time during such ensuing fiscal year:

(i) the aggregate collections of CFC Revenues are less than 90% of the pro forma aggregate collections for the corresponding period as shown in the CFC Report filed with the Trustee, the Aviation Director, following consultation with the Operators, may promptly increase the Customer Facility Charge without waiting for the next annual review; or

(ii) for four (4) consecutive months the monthly collections of the CFC Revenues are less than 80% of the pro forma monthly collections for the corresponding periods as shown in the most recent CFC Report filed with the Trustee,

then, the Aviation Director shall promptly engage an Airport Consultant to review the Transaction Day and CFC collection history and issue and deliver to the City, the Trustee, and the Operators a new CFC Report recommending appropriate action with respect to the CFC rate and other appropriate actions (including, but not limited to, transferring funds from the Renewal and Replacement Fund in accordance with the Indenture), which CFC Report recommendation shall be implemented as promptly as practicable; provided, that if such CFC Report is to be issued within the final three (3) months of a calendar year, it may also include recommendations for the ensuing calendar year, in which case no additional CFC Report for such ensuing calendar year will be required, except as may be required by applicable provision of the Indenture.

The Aviation Director must file a certificate with the Trustee no later than annually setting forth the Customer Facility Charge and stating whether the actions described within (i) and (ii) above have been taken during the previous twelve (12) months. The Trustee has no duty or obligation to monitor whether or not any recommendations made by an Airport Consultant described above are implemented and has no independent duty to confirm that the Rate Covenant has bene complied with.

In the event the Rate Covenant described above is not satisfied in any fiscal year, it will not constitute an Event of Default under the Indenture so long as no payment default has occurred and the Aviation Director promptly causes the recommendations in the CFC Report to be enacted, including (but not limited to) increasing the Customer Facility Charge to the recommended rate, making transfers from funds on deposit in the CFC Surplus Fund which are not held in any Account thereunder, or implementing Contingent Fees.

Pledged Funds and Accounts; Flow of Funds

The Indenture provides that "Pledged Funds and Accounts", which are included in and comprise a part of the Trust Estate, means the Construction Fund, the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Debt Service Coverage Fund, the CFC Renewal and Replacement Fund, the Subordinated Debt Fund, and amounts from time to time on deposit and held in the CFC Surplus Fund which are not held in any other Account thereunder. A description of each of the Funds and Accounts included in the Pledged Funds and Accounts is provided below.

The Construction Fund. Under the Indenture, there is created, established, and maintained the Construction Fund and, within such Construction Fund, the Series 2015 Bond Proceeds Account, the Initial Tenant Improvement Reimbursement Account, and the Prior CFC Revenues Account. The Indenture provides that, upon issuance of the Series 2015 Bonds, there shall be deposited into the Series 2015 Bond Proceeds Account and the Initial Tenant Improvement Reimbursement Account of the Construction Fund the amounts required by the Indenture (such amounts presented herein under "PLAN OF FINANCE – Sources and Uses of Funds"). Additionally, the Indenture provides that, simultaneously with the aforementioned deposit, there shall be deposited to the Prior CFC Revenues Account of the Construction Fund all Prior CFC Revenues which remain after using Prior CFC Revenues to fund the Airport Parking Operating Funds Account of the CFC Surplus Fund ($8,500,000), the CFC Renewal and Replacement Fund Requirement in the CFC Renewal and Replacement Fund ($7,500,000), and the initial Debt Service Coverage Fund Requirement in the Debt Service Coverage Fund ($2,441,657.35). Such remaining amount of Prior CFC Revenues to be available for deposit into the Prior CFC Revenues Account of the Construction Fund is expected to be approximately $1,260,000. There may also be deposited into the Construction Fund until the completion and opening of the CONRAC Facility any moneys received by the Trustee from any source with the express written direction from an Authorized City Representative and an Authorized Aviation Department Representative to deposit such moneys in an Account of the Construction Fund unless otherwise required to be applied by the Indenture.

Funds on deposit in the Series 2015 Bond Proceeds Account of the Construction Fund are to be primarily used for the payment of costs incurred or paid by City in connection with the design, permitting, construction and equipping of the CONRAC Facility (defined in the Indenture as "Project Costs"), including but not limited to design costs, permitting costs, construction costs, architectural and engineering fees, capitalized interest for payment of interest on the Series 2015 Bonds, bond issuance and underwriting expenses, the funding of any reserves required in connection with the Series 2015 Bonds, demolition associated with the CONRAC Facility, environmental costs (including remediation of environmental conditions discovered during construction of the CONRAC), construction costs, costs associated with contract administration or construction management, and a reasonable allocation of administrative costs of the City associated with the design and construction of the CONRAC Facility. Funds on deposit in the Prior CFC Revenues Account of the Construction Fund are available for use to pay Project Costs after the Trustee has first called on the Series 2015 Bond Proceeds Account to make such payments. Funds on deposit in the Initial Tenant Improvement Reimbursement Account are to be used to reimburse Operators for the costs of Initial Tenant Improvements as permitted and in accordance with the applicable provisions of the Lease Agreements.

The Indenture requires that requests for withdrawal of proceeds from all Accounts of the Construction Fund made to the Trustee be accompanied by a requisition form and documentation evidencing the timeliness and appropriateness of the requested withdrawal amount. Final disbursement of any Account of the Construction Fund additionally requires a certification from an Authorized City Representative and an Authorized Aviation Department

Representative to the effect that construction of the CONRAC Facility and/or the Initial Tenant Improvements, as applicable, have been completed and, following such final disbursement of funds from the Construction Fund, no amounts will remain to be paid to any contractors, vendors or other entities related to the construction thereof of the CONRAC Facility and/or the Initial Tenant Improvements.

Subsequent to its satisfying the final disbursement request, the Trustee shall transfer any amount remaining in the Series 2015 Bond Proceeds Account and the Initial Tenant Improvement Reimbursement Account, respectively, to the Debt Service Fund, which funds shall be used to pay principal on the Series 2015 Bonds when due, and the Series 2015 Bond Proceeds Account shall thereafter be closed. In the event any funds remain on deposit in the Prior CFC Revenues Account of the Construction Fund, the Trustee shall transfer the amount remaining therein to the CFC Surplus Fund and such Account of the Construction Fund (and the Construction Fund itself) shall thereafter be closed.

The Revenue Fund. Under the Indenture, there is created, established, and maintained the Revenue Fund. A description of the Indenture's requirements regarding deposits to and withdrawals from the Revenue Fund is hereinafter provided.

Deposits to the Revenue Fund. The Indenture provides that deposits shall be made to the Revenue Fund from the following sources and at the following times:

i. Pursuant to the Lease Agreements, each Operator is required to remit to the Trustee (A) all CFC Revenues collected and held by such Operator on or before the fifteenth (15th) day of each month following the month in which the CFC Revenues were collected, and (B) its pro rata share of any Contingent Fee, if a Contingent Fee has been imposed by the City on all Operators in accordance with the Lease Agreements, on or before the fifteenth (15th) day of each month following the month in which the Contingent Fee was collected and continuing for so long as a Contingent Fee is being imposed by the City in accordance with the Lease Agreements. Such CFC Revenues and Contingent Fees received by the Trustee from the Operators shall be deposited upon receipt to the Revenue Fund.

ii. Similarly, pursuant to the Off-Airport Rental Car Permits, each Off-Airport Rental Car Permittee is required to remit to the Trustee all CFC Revenues collected and held by such Off-Airport Rental Car Permittee on or before the fifteenth (15th) day of each month following the month in which the CFC Revenues were collected. Such CFC Revenues received by the Trustee from the Off-Airport Rental Car Permittees shall be deposited upon receipt to the Revenue Fund.

iii. All amounts received by the City under a Performance Guarantee provided by an Operator pursuant to the applicable Lease Agreement that represent Customer Facility Charges and Contingent Fees due under such Lease Agreement shall be transferred promptly by the City to the Trustee and deposited into the Revenue Fund.

iv. All earnings on Permitted Investments required to be deposited into the Revenue Fund pursuant to the Indenture shall be deposited by the Trustee into the Revenue Fund.

Withdrawals and Transfers from the Revenue Fund. On the last Business Day of each month, commencing August 31, 2015 (unless otherwise provided in the Indenture), the Trustee is required to make the deposits, transfers, or payments indicated below from amounts then on deposit in the Revenue Fund in the priority listed below, which includes curing any deficiency in deposits, transfers, or payments required in prior months, the requirements of each Fund, Account, deposit, transfer, or payment to be fully satisfied, leaving no deficiencies, prior to any deposit, transfer or payments later in priority, unless as otherwise specifically provide in the Indenture. These monthly transfer requirements, referred to herein as the "Flow of Funds", are described below:

(i) *First*, to the **Debt Service Fund**, (A) approximately equal monthly installments of the total amount of interest coming due on all Outstanding Bonds (including the Series 2015 Bonds) on the next Debt Service Payment Date, plus (B) commencing with the twelfth (12^{th}) month prior to the first principal payment date for a Series of Bonds (or commencing on the month immediately following the issuance of a Series of Bonds if the delivery of such Series of Bonds is made less than twelve months prior to the first principal payment date), equal installments of the total amount of principal (including sinking fund installments) coming due on all Outstanding Bonds on the next Debt Service Payment Date;

(ii) *Second*, if the Debt Service Reserve Fund contains less than the Reserve Fund Requirement, to the **Debt Service Reserve Fund** an amount equal to the amount required to replenish the Reserve Fund Requirement;

(iii) *Third*, to the **Debt Service Coverage Fund** the amount necessary to cause the amount on deposit therein to equal the Debt Service Coverage Fund Requirement;

(iv) *Fourth*, to the **Public Parking Area GARB Debt Fund**, WHICH IS A FUND CREATED AND MAINTAINED UNDER THE INDENTURE BUT THAT IS NOT A PART OF THE TRUST ESTATE, (A) approximately equal monthly installments of the total amount of interest on the City's outstanding Public Parking Area GARB Debt coming due during the applicable fiscal year, plus (B) commencing with the twelfth (12^{th}) month prior to the first principal payment date for the City's outstanding Public Parking Area GARB Debt (or commencing on the month immediately following the issuance of such Public Parking Area GARB Debt if the delivery of such Debt is made less than twelve months prior to the first principal payment date), approximately equal monthly installments of the total amount of principal (including sinking fund installments) coming due on all Public Parking Area GARB Debt on the next Debt Service Payment Date, and plus (C) approximately equal monthly installments of the amount necessary to restore any deficiency in the debt service reserve fund related to the Public Parking Area GARB Debt within sixty (60) months following the month during which such deficiency first occurred;

(v) *Fifth*, to the **Subordinated Debt Fund**, approximately equal monthly installments to satisfy the payment of principal of, redemption premium, if any, interest on, and reserve fund requirements related to any Subordinated Debt in accordance with the provisions of each Supplemental Indenture related to such Subordinated Debt;

(vi) *Sixth*, to the **Administrative Costs Fund**, WHICH IS A FUND CREATED AND MAINTAINED UNDER THE INDENTURE BUT THAT IS NOT A PART OF THE TRUST ESTATE, all funds remaining on deposit in the Revenue Fund until there has been deposited thereto an amount equal to the then budgeted Administrative Costs for such fiscal year as provided by the City to the Trustee in writing (thereafter, no additional transfers to the Administrative Costs Fund shall be made during such fiscal year unless the City amends the budgeted Administrative Costs for such fiscal year and, in such event, the Trustee shall transfer to the Administrative Costs Fund all moneys until there shall have been deposited thereto an amount equal to the increased budgeted Administrative Costs for such fiscal year);

(vii) *Seventh*, to the **CFC Renewal and Replacement Fund**, approximately equal monthly installments to restore the amount on deposit in the CFC Renewal and Replacement Fund within the period specified in the Indenture (and described herein under "SECURITY FOR THE BONDS – Pledged Funds and Accounts; Flow of Funds – The CFC Renewal and Replacement Fund)); and

(viii) *Eighth*, to the **CFC Surplus Fund**, a Fund created and maintained under the Indenture portions of which are not a part of the Trust Estate, the balance, if any, remaining in the Revenue Fund for further use, and disbursement into the Accounts therein as specified in the Indenture (and described herein under "SECURITY FOR THE BONDS – Pledged Funds and Accounts; Flow of Funds – The CFC Surplus Fund").

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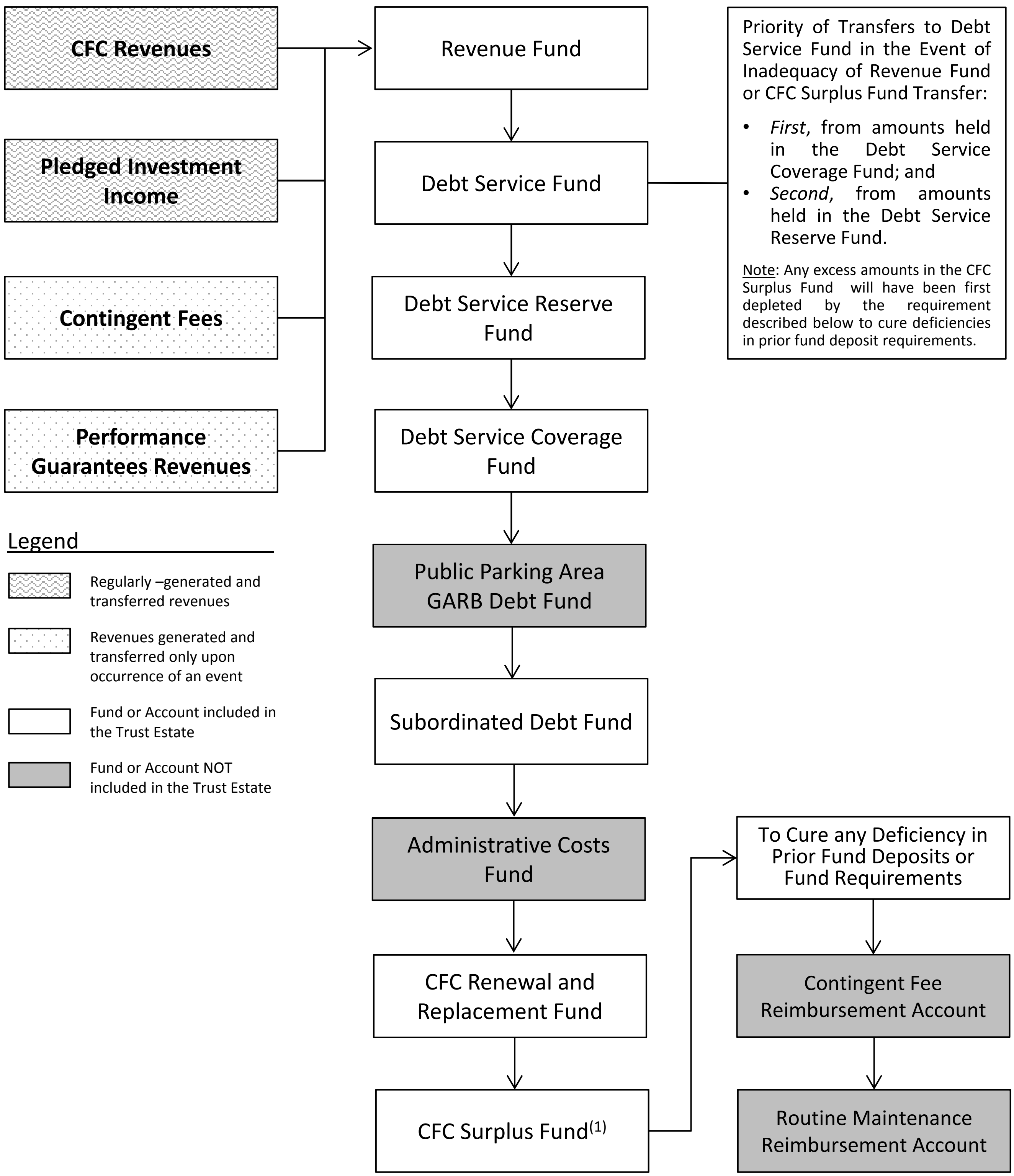
A depiction of the Flow of Funds is provided in the following illustration.



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(1) Transfers from the CFC Surplus Fund are in specified amounts pursuant to terms of the Indenture. Excess CFC Revenues after making such requisite transfers are held in the CFC Surplus Fund, where they remain (and are a part of the Trust Estate) until use in subsequent months to cure prior fund deposit deficiencies or for another permitted purpose under the Indenture. See "SECURITY FOR THE BONDS – Pledged Funds and Accounts – The CFC Surplus Fund" for a description of authorized uses of excess amounts held in the CFC Surplus Fund.

The Debt Service Fund. Under the Indenture, there is created, established, and maintained the Debt Service Fund. All amounts to be transferred to the Debt Service Fund from whatever source (including, but not limited to, amounts deposited from the Revenue Fund at the specified level of priority) shall be deposited into the Debt Service Fund. In the event the amount actually transferred from the Revenue Fund to the Debt Service Fund in accordance with the *First* level of priority specified in the Flow of Funds on any monthly transfer date is less than the amount which would fully satisfy the amount which should have been transferred on such date, the Trustee shall, in accordance with the Indenture, transfer from funds on deposit in the CFC Surplus Fund which are not held in any Account thereunder an amount necessary to satisfy any deficiency in the Debt Service Fund for such month. In the event the amount on deposit in the Debt Service Fund prior to any Debt Service Payment Date is less than the amount required to pay all debt service on Bonds coming due on such date, the Trustee shall satisfy any such deficiency by transferring to the Debt Service Fund from, *first*, the Debt Service Coverage Fund an amount equal to such deficiency and, *second*, if necessary, from the Debt Service Reserve Fund an amount equal to any remaining deficiency therein.

On or before each Debt Service Payment Date, there shall be paid out of the Debt Service Fund the amount required to pay Debt Service coming due and payable on such Debt Service Payment Date. On or before any Redemption Date for Bonds to be redeemed, there shall also be paid out of the Debt Service Fund, from available amounts deposited therein from time to time, the Redemption Price of the Bonds then to be redeemed.

The Debt Service Reserve Fund. Under the Indenture, there is created, established, and maintained the Debt Service Reserve Fund. The amount to be on deposit therein is equal to the maximum Debt Service payable on all Bonds during any fiscal year, calculated as of the date of issuance of the Series 2015 Bonds and any Additional Bonds and as of the first day of each fiscal year thereafter (the "Reserve Fund Requirement"). Simultaneously with the initial delivery of the Series 2015 Bonds, the City shall cause to be deposited in the Debt Service Reserve Fund, from proceeds derived from the sale of the Series 2015 Bonds, an amount equal to the Reserve Fund Requirement (i.e., \$9,766,629.40) as of the date of issuance of the Series 2015 Bonds. When and so long as the money and investments in the Debt Service Reserve Fund total not less than the Reserve Fund Requirement, no deposits need be made to the credit of the Debt Service Reserve Fund; but when and if the Debt Service Reserve Fund at any time contains less than the Reserve Fund Requirement, such deficiency in the Reserve Fund Requirement shall be cured within twenty-four (24) months from the date the deficiency first occurred by making monthly deposits from funds on deposit in the Revenue Fund in accordance with the *Second* level of priority specified in the Flow of Funds, in approximately equal amounts required to restore the balance in the Debt Service Reserve Fund to the Reserve Fund Requirement by the end of such twenty-four (24) month period.

After first transferring to the Debt Service Fund funds on deposit in the Debt Service Coverage Fund in accordance with the Indenture to make good any deficiency in the Debt Service Fund which is required to make requisite debt service payments on the Bonds, and if a deficiency still remains in the Debt Service Fund to be able to make such debt service payments required under the Indenture, then the Trustee shall transfer from the Debt Service Reserve Fund an amount equal to such remaining deficiency. When the amount in the Debt Service Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to fully pay all Bonds then outstanding in accordance with their terms (including principal or Redemption Price and interest), the amount on deposit in the Debt Service Reserve Fund, together with the amount on deposit in the Debt Service Fund may, at the direction of the City, be transferred to the Debt Service Fund and applied to pay the principal and Redemption Price of and interest on all Outstanding Bonds.

If on the last Business Day of any month the amount on deposit in the Debt Service Reserve Fund exceeds the Reserve Fund Requirement, such excess shall be deposited into the Revenue Fund.

The Debt Service Coverage Fund. Under the Indenture, there is created, established, and maintained the Debt Service Coverage Fund. The amount required to be on deposit therein is equal to 25% of the maximum annual Debt Service on all Outstanding Bonds, which amount shall be calculated as of the date of issuance of each series of Bonds and on the first day of each fiscal year. Simultaneously with the initial delivery of the Series 2015 Bonds, the City shall cause to be deposited in the Debt Service Coverage Fund an amount equal to the Debt Service Coverage Fund Requirement (i.e., \$2,441,657.35) as of the date of issuance of the Series 2015 Bonds, such requirement to be initially satisfied by the City's deposit thereto of Prior CFC Revenues. If the amount on deposit in the Debt Service Coverage Fund is at least equal to the Debt Service Coverage Fund Requirement, no further deposits shall be made; however, if the Trustee determines that the amount credited to the Debt Service Coverage Fund is less than the Debt

Service Coverage Fund Requirement, the Trustee shall promptly resume making deposits in accordance with the *Third* level of priority specified in the Flow of Funds in order to restore the Debt Service Coverage Fund to the Debt Service Coverage Fund Requirement.

Additionally, each increase, if any, in the Debt Service Coverage Fund Requirement resulting from the issuance of Additional Bonds shall be funded at the time of issuance and delivery of such series of Additional Bonds by depositing to the credit of the Debt Service Coverage Fund from the proceeds of such Additional Bonds or other lawfully appropriated funds in an amount sufficient to cause the amount credited to the Debt Service Coverage Fund to equal the Debt Service Coverage Fund Requirement after taking into account the issuance of such Additional Bonds.

Amounts credited to the Debt Service Coverage Fund shall be used by the Trustee for the following purposes and in the following order of priority:

(i) *First*, transfer to the Debt Service Fund on or before each Debt Service Payment Date an amount necessary to make good any deficiency in the Debt Service Fund which is required to pay debt service on the Bonds; and

(ii) *Second*, upon receipt by the Trustee of prior written authorization of an Authorized City Representative and an Authorized Aviation Department Representative, transfer to the Debt Service Fund (A) on or before an optional redemption date of any series of Bonds an amount authorized by such Authorized City Representative and Authorized Aviation Department Representative to be applied to pay the redemption price of such Bonds, or (B) on or before the date directed by the Authorized City Representative and Authorized Aviation Department Representative in such written authorization an amount to be applied to make the final payments for the retirement or defeasance of any Bonds; provided, however, that after giving effect to such application of moneys pursuant to this clause (ii) and the redemption, payment or defeasance of such Bonds, as applicable, the amount remaining on deposit in the Debt Service Coverage Fund must equal or exceed the Debt Service Coverage Fund Requirement with respect to all Bonds to remain outstanding under the Indenture.

The Subordinated Debt Fund. Under the Indenture, there is created, established, and maintained the Subordinated Debt Fund. All amounts to be transferred from the Revenue Fund in accordance with the *Fifth* level of priority specified in the Flow of Funds shall be deposited into the Subordinated Debt Fund. Amounts credited to the Subordinated Debt Fund shall be used by the Trustee solely for the purpose of paying the principal of, redemption premium, if any, interest on, and reserve fund requirements related to Subordinated Debt in accordance with the provisions of each Supplemental Indenture pursuant to which such Subordinated Debt is issued.

The CFC Renewal and Replacement Fund. Under the Indenture, there is created, established, and maintained the CFC Renewal and Replacement Fund. Amounts credited to the CFC Renewal and Replacement Fund are designated under the Indenture for payment of the costs of Major Maintenance to the CONRAC Facility. Amounts credited to the CFC Renewal and Replacement Fund are to be used for the purpose of (i) paying the costs of Major Maintenance to the CONRAC Facility upon the written direction from an Authorized City Representative and an Authorized Aviation Department Representative, and (ii) transferring funds to the Debt Service Fund, the Debt Service Reserve Fund, the Debt Service Coverage Fund, the Public Parking Area GARB Debt Fund, the Subordinated Debt Fund and/or the Administrative Cost Fund (in connection with the City determining whether it is necessary to impose a Contingent Fee on the Operators in accordance with the Lease Agreement) upon the written direction from an Authorized City Representative and an Authorized Aviation Department Representative.

Under the Indenture, the amount to be on deposit in the CFC Renewal and Replacement Fund is $7,500,000 (the "CFC Renewal and Replacement Fund Requirement"), which amount shall be initially deposited to such Fund on the date of initial delivery of the Series 2015 Bonds and shall be deposited thereto by the City using Prior CFC Revenues. Thereafter, when and so long as the money and investments in the CFC Renewal and Replacement Fund total not less than the CFC Renewal and Replacement Fund Requirement, no deposits need be made to the credit of such Fund. Upon the withdrawal of funds on deposit in the CFC Renewal and Replacement Fund in accordance with the applicable provisions of the Indenture (and as described above) which causes the amount on deposit therein to fall below the CFC Renewal and Replacement Fund Requirement, the amount of each respective withdrawal shall be replenished within sixty (60) months from the date of each such respective withdrawal by the Trustee making approximately equal monthly deposits to the CFC Renewal and Replacement Fund in accordance with the *Seventh* level of priority specified in the Flow of Funds.

In the event funds available to be deposited from the Revenue Fund into the CFC Renewal and Replacement Fund to reimburse a deficiency therein are not sufficient to fully fund such amount in any given fiscal year, such failure shall not constitute an Event of Default and any deficiency in any fiscal year shall be carried over and, to the extent funds are available therefor, shall be transferred therein during the next succeeding fiscal year until such deficiency has been fully satisfied.

The CFC Surplus Fund. Under the Indenture, there is created, established, and maintained the CFC Surplus Fund. Within the CFC Surplus Fund, the City has, under the Indenture, established the Contingent Fee Reimbursement Account, the Routine Maintenance Reimbursement Account, and the Airport Parking Operating Funds Account (funded with Prior CFC Revenues at initial delivery of the Series 2015 Bonds; no transfers from the Revenue Fund shall be made to this Account). None of these Accounts of the CFC Surplus Fund are included in and a part of the Trust Estate, though amounts and deposits held in the CFC Surplus Fund that are not held in any other Account therein are so included.

All amounts credited to the CFC Surplus Fund from the *Eighth* level of priority specified in the Flow of Funds, together with any funds then on deposit in the CFC Surplus Fund which are not then held within an Account of the CFC Surplus Fund, shall be transferred by the Trustee in the following order of priority (which funds, upon such transfer into the two Accounts identified below, are no longer a part of the Trust Estate or are subject to the liens thereon created under the Indenture):

(i) *First*, to satisfy a deficiency in any Fund, and in the order of priority set forth in *First* through *Seventh* levels of priority specified in the Flow of Funds, with the amount of deficiency in a Fund with a higher priority being fully satisfied before satisfying a deficiency in a Fund of lower priority;

(ii) *Second*, to make a deposit into the Contingent Fee Reimbursement Account up to an aggregate amount equal to the Contingent Fee Reimbursement Account Requirement (which means, at any time, the amount reported in a CFC Report as being the total amount of Contingent Fees paid by all Operators and the City, if any, and for which the Operators and the City have not been reimbursed), which funds shall be used to reimburse the Operators and the City for the payment of Contingent Fees made under the Lease Agreements, if any; and

(iii) *Third*, to make a deposit into the Routine Maintenance Reimbursement Account to an amount equal to the Routine Maintenance Reimbursement Recommended Amount, which funds shall be used to pay CFC Eligible Routine Maintenance (as defined and provided for in the Lease Agreements) and disbursed in accordance with the Indenture; provided, however, that in making such deposit to the Routine Maintenance Reimbursement Account to fully restore the balance therein to the Routine Maintenance Reimbursement Recommended Amount would cause the amount on deposit in the CFC Surplus Fund which is not held in any Account of the CFC Surplus Fund to be reduced below $2,000,000, the amount to be deposited to the Routine Maintenance Reimbursement Account shall be reduced by an amount necessary so as not to cause the amount on deposit in the CFC Surplus Fund which is not held within any Account thereof to go below $2,000,000.

All remaining funds on deposit in the CFC Surplus Fund after making such required transfers described above shall remain therein and may be used for any lawful purpose related to the Project, including but not limited to (i) satisfying any future monthly deposits described in clauses *First* through *Third* immediately above, (ii) transferring funds therein for deposit in the CFC Renewal and Replacement Fund in order to pay the costs of Major Maintenance, (iii) making other improvements, enlargements, extensions, additions, replacements, repairs, or other capital expenditures related to the Project as deemed necessary or appropriate by the Aviation Director, and (iv) transferring funds therein for deposit into the Debt Service Fund for the purpose of optionally redeeming or otherwise retiring then-outstanding Bonds.

Disbursements from Funds and Accounts; Description of Non-Trust Estate Funds and Accounts

The Indenture provides the manner of disbursement from funds held in any Fund and Account created and maintained therein, as well as those Funds and Accounts that are not included in and are not a part of the Trust Estate. See “CERTAIN PROVISIONS OF THE INDENTURE” attached hereto as Appendix B for a description of these disbursement procedures and a description of these non-Trust Estate Funds and Accounts.

Enforcement of Lease Agreements and Off-Airport Rental Car Permits

In the Indenture, the City covenants to take, for so long as Bonds are Outstanding, all actions required on its part to keep the Lease Agreements in effect in accordance with their terms and will take all reasonable actions to enforce compliance by the Operators with the Lease Agreements, including seeking specific performance by each of the Operators of their respective obligations to charge, collect and pay the Customer Facility Charges to the Trustee, and to pay the Contingent Fees, if any, to the Trustee pursuant to the terms of the Lease Agreements. Similarly, the City covenants to take all actions required on its part to keep the Off-Site Rental Car Permits in effect in accordance with their terms and will take all reasonable actions to enforce compliance by the Off-Airport Rental Car Permittees with the Off-Airport Rental Car Permits, including seeking specific performance by each of the Off-Airport Rental Car Permittees of their respective obligations to charge, collect and pay the Customer Facility Charges to the Trustee.

Covenants Regarding Contingent Fees, Customer Facility Charge, and Collection of CFC Revenues

In the Indenture, the City covenants that, as long as any Bonds remain Outstanding and in the event it is determined under the provisions of the Lease Agreements that it is necessary for the Operators and the City to pay Contingent Fees as required therein, it will pay, and require the Operators to pay, such Contingent Fees directly to the Trustee for deposit into the Revenue Fund. The amount of such Contingent Fees to be charged will be determined by the City in the manner set forth in the Lease Agreements, and in any event shall be set by the City at a rate sufficient, together with CFC Revenues reasonably expected to be available for such purpose, to satisfy the Rate Covenant.

Additionally, the City, in the Indenture, has covenanted that as long as any Bonds are Outstanding, the City will continue to impose a customer facility charge and provide for the collection of revenues from such customer facility charge in a manner which is substantially similar to those provisions relating to the imposition of the Customer Facility Charge and the collection of the CFC Revenues contained in the Lease Agreements, and any such customer facility charges shall constitute Customer Facility Charges under the Indenture.

Additional Debt

Additional Bonds. In the Indenture, the City reserves the right to issue “Additional Bonds”, which are any bonds or other obligations, secured by and payable from a lien on and pledge of the Trust Estate on parity with the lien thereon on and pledge thereof securing the Series 2015 Bonds, issued by the City as permitted by, and in accordance with the provisions of, the Indenture for the purpose of making future renovations or improvements to the CONRAC Facility, making deposits into the Debt Service Fund and/or the Debt Service Reserve Fund, and/or refunding any outstanding Bonds, pursuant to an indenture supplemental to the Indenture. Prior to the issuance of Additional Bonds, which are secured by a pledge of and lien on the Trust Estate that is on parity with the pledge thereof and lien thereon securing the Bonds, the Indenture requires that an Authorized City Representative deliver to the Trustee an executed certification that states that:

(i) upon the issuance of such Additional Bonds, the City will not be in default under any term or provision of any series of Bonds then Outstanding, the Indenture, any Supplemental Indenture, or any ordinance pursuant to which any of such Bonds were issued;

(ii) upon the issuance of such Additional Bonds, the Debt Service Reserve Fund and the Debt Service Coverage Fund will contain the applicable Debt Service Reserve Fund Requirement and the Debt Service Coverage Fund Requirement, after giving effect to the issuance of such Additional Bonds; and

(iii) according to the books and records of the City, the Pledged Revenues deposited to the Revenue Fund for the last completed fiscal year, or for twelve (12) consecutive months out of the eighteen (18) months immediately preceding the month the Supplemental Indenture authorizing the issuance of such Additional Bonds is executed and delivered, are at least equal to (A) 1.25 times the maximum annual Debt Service requirements for all Bonds outstanding under the Indenture and after giving effect to the issuance of such Additional Bonds (and any Additional Bonds theretofore issued and that then remain outstanding under the Indenture) and (B) the amounts reasonably expected to be necessary to fund during the first complete fiscal year following the issuance of such Additional Bonds all transfers from the Revenue Fund as required by the Indenture (excluding transfers from the Revenue Fund to the Debt Service Fund, which is covered in clause (i) above).

In lieu of the certificate of an Authorized City Representative described in clause (iii) above, the City may provide a written report of an Airport Consultant setting forth projections which indicate that the estimated Pledged Revenues for each of the three (3) consecutive fiscal years beginning in the earlier of (i) the first fiscal year following the estimated date of completion and initial use of all revenue producing facilities to be financed with Additional Bonds, based upon a certified written estimated completion date by the consulting engineer appointed by the City for such facility of facilities, or (ii) the first fiscal year in which the City will have scheduled payments of interest on or principal of the Additional Bonds to be issued for the payment of which provision has not been made as indicated in the report of such Airport Consultant from proceeds of such Additional Bonds, investment income thereon or from other sources (other than Pledged Revenues), are equal to at least (i) 1.25 times maximum annual Debt Service Requirements on all Bonds outstanding under the Indenture (and any Additional Bonds theretofore issued and that then remain outstanding under the Indenture) scheduled to occur during each such respective fiscal year after taking into consideration the additional annual Debt Service requirements for the Additional Bonds to be issued, and (ii) the amounts projected to be necessary to fund in each respective fiscal year all transfers from the Revenue Fund as required by the Indenture (excluding transfers from the Revenue Fund to the Debt Service Fund, which is covered in clause (i) of this paragraph).

Additional Bonds issued for purposes of refunding less than all Bonds that then remain Outstanding under the Indenture do not require the certification or Airport Consultant report evidencing minimum levels of Debt Service coverage so long as an Authorized City Representative provides to the Trustee a certification that demonstrates that the annual debt service requirements on those Additional Bonds in each fiscal year will not exceed the annual debt service requirements of the obligations being refunded in each fiscal year.

Subordinated Debt. In addition to Additional Bonds, the City may, under the Indenture, issue "Subordinated Debt", which is defined therein to mean any bonds, notes or other obligations from time to time issued or incurred by or on behalf of the City pursuant to a Supplemental Indenture, for the purpose of making repairs, extensions and improvements to the CONRAC Facility or refinancing any Outstanding Bonds or Subordinated Debt hereafter issued, which expressly provides that all payments on any such Subordinated Debt shall be subordinated to the timely payment of all Bonds and Public Parking Area GARB Debt then outstanding or subsequently issued. Subordinated Debt is secured by a subordinated lien on and pledge of the Trust Estate and may only be issued to the extent that the then-available Pledged Revenues are sufficient for payment of Debt Service on all Bonds and Subordinated Debt at such time Outstanding and all Funds and Accounts created and maintained under the Indenture, and any Supplemental Indenture at such time in effect, have on deposit therein the requisite balances (after taking into account such anticipated issuance of Subordinated Debt).

Public Parking Area GARB Debt. The Indenture provides for the City's issuance of "Public Parking Area GARB Debt", which is defined therein to mean the Concurrently Issued Bonds referenced in this Official Statement and any bonds or obligations issued or incurred by the City (or a related entity) in the future to refund the Concurrently Issued Bonds, and any bonds or other obligations of the City (or a related entity) issued or incurred to make improvements to the Public Parking Area which are necessitated by events or requirements related to the CONRAC Facility. Public Parking Area GARB Debt, including the Concurrently Issued Bonds, are NOT secured by a pledge of and lien on the Trust Estate; however, debt service thereon is payable from Pledged Revenues transferred from the Revenue Fund at the *Fourth* level of priority specified in the Flow of Funds (see Section 5.04(b) *Fourth* and Section 5.08 of the Indenture, included in "CERTAIN PROVISIONS OF THE INDENTURE" attached hereto as Appendix B).

Permitted Investments

Indenture Requirements Regarding Investments. The Indenture provides that funds on deposit in any Fund or Account thereunder may be invested only in Permitted Investments (defined herein). All funds on deposit in any Fund or Account so held shall be invested and reinvested by the Trustee as promptly as practicable, in accordance with written instructions of an Authorized City Representative or an Authorized Aviation Department Representative. Notwithstanding any provision of the Indenture to the contrary, Permitted Investments in all Funds and Accounts shall mature, or the principal of and accrued interest on such Permitted Investments shall be available for withdrawal without penalty, not later than such times as shall be necessary to provide moneys when needed for payment to be made from such Funds and Accounts. The Trustee shall not be responsible for determining whether or not any Permitted Investments are legal investments under the Indenture, nor shall the Trustee be responsible for any loss in any investment in any Fund or Account as long as the Trustee was following written instructions provided by an Authorized City Representative or an Authorized Aviation Department Representative or as otherwise set forth herein.

Permitted Investments Defined. The Indenture provides that "Permitted Investments" means any of the investment securities that are authorized under (i) the Texas Public Funds Investment Act (the "PFIA"; codified at Chapter 2256, Texas Local Government Code, as amended), and (ii) the City's Investment Policy, which may be amended from time to time.

Under the PFIA, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) (a) certificates of deposit and share certificates issued by a depository institution that has its main office or branch office in the State, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or are secured as to principal by obligations described in clauses (1) through (5) and clause (13) or in any other manner and amount provided by law for City deposits, and in addition (b) the City is authorized, subject to certain conditions, to invest in certificates of deposit with a depository institution that has its main office or branch office in the State and that participates in the Certificate of Deposit Account Registry Service® network (CDARS®) and as further provided by State law; (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), requires the securities being purchased by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer or a financial institution doing business in the State; (8) bankers' acceptances with the remaining term of 270 days or less, which will be liquidated in full at maturity, is eligible for collateral for borrowing from a Federal Reserve Bank, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (9) commercial paper with a stated maturity of 270 days or less and is rated at least "A-1" or "P-1" or the equivalent by either (i) two nationally recognized credit rating agencies or (ii) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (10) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission (the "SEC") that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and provide the City with a prospectus and other information required by the Securities and Exchange Act of 1934 or the Investment Act of 1940; (11) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent; and conforms to the requirements for eligible investment pools; (12) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or "AAA-m" or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days; (13) bonds issued, assumed, or guaranteed by the State of Israel; and (14) guaranteed investment contracts secured by obligations of the United States of America or its agencies and instrumentalities, other than prohibited obligations described in the next succeeding paragraph, with a defined termination date, and pledged to the City and deposited with the City or a third party selected and approved by the City.

Entities such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (5) and clause (13) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (5) and clause (13) above, clause (9) through (11) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City or a third party selected and approved by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pool is rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

City's Investment Policies. Under the PFIA, the City is required to invest its funds in accordance with written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pool fund groups, and the methods to monitor the market price of investments acquired with public funds and the requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type; (2) preservation and safety of principal; (3) liquidity; (4) marketability of each investment; (5) diversification of the portfolio; and (6) yield.

The PFIA requires that City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived". At least quarterly the investment officers of the City must submit to the City Council an investment report detailing (1) the investment position of the City; (2) that all investment officers jointly prepared and signed the report; (3) the beginning market value, any additions and changes to market value, the fully accrued interest, and the ending value of each pooled fund group; (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period; (5) the maturity date of each separately invested asset; (6) the account or fund or pooled fund group for which each individual investment was acquired; and (7) the compliance of the investment portfolio as it relates to (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council.

Under the PFIA, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in said ordinance or resolution; (3)

require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, or other investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in no-load mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Discharge of Indenture and Trust Estate

If the City, its successors or assigns, shall well and truly pay, or cause to be paid, all of the principal and Redemption Price of and interest on the Bonds, at the times and in the manner provided in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made into the Funds and Accounts established under the Indenture and in the amounts required thereby, or shall provide for the payment thereof by depositing with or for the account of the Trustee an amount sufficient to provide for payment of the entire amount due or to become due thereon, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it on or prior to the date such payments are made, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions thereof, then, upon such payment and performance, this Indenture and the rights and liens thereby granted shall cease, determine and be void; otherwise, the Indenture is to be and shall remain in full force and effect. In the event that the Indenture is discharged, the Trustee shall execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City all moneys or securities held by them pursuant to the Indenture in respect of such Bonds which are not required for the payment of principal or Redemption Price, and interest on the Bonds not theretofore surrendered for such payment or redemption.

Events of Default; Remedies

Events of Default. Under the Indenture, any one or more of the following events constitutes an "Events of Default":

(i) failure to make punctual payment of the debt service on any Bond when due and payable, whether at maturity or mandatory sinking fund redemption, or otherwise;

(ii) a default in the performance or observance of any other of the covenants, agreements or conditions on the part of the City in the Indenture and the continuance thereof for a period of sixty (60) days after written notice thereof is given to the City by the Trustee;

(iii) if proceedings shall be commenced by or against the City in bankruptcy or seeking reorganization, arrangement, readjustment or composition of its debts or for any other relief under the federal bankruptcy laws or under any other insolvency act or law, State or federal, now or hereafter existing, or seeking the appointment of a receiver or trustee of the City or for all or a substantial part of its property, and, if not commenced by the City, the same shall continue for sixty (60) days undismissed or undischarged or shall result in the adjudication of bankruptcy or insolvency; and

(iv) any representation or warranty made by the City in the Indenture or in any document, instrument or certificate furnished to the Trustee in connection with the issuance of any Series of Bonds shall at any time prove to have been incorrect in any material respect as of the time made; provided that if it can be corrected by the City and such default was unintentional, the City shall have a sixty (60)-day period to make such correction prior to an Event of Default occurring.

Remedies Upon Event of Default. If an Event of Default occurs and is continuing, then (under the Indenture) the Trustee shall, upon having been indemnified to its reasonable satisfaction (except with respect to the exercise of the remedy described in clause (i) below for which the Trustee is not entitled to require indemnification as a precondition to the exercise of such remedy), take any or all or any combination of the following actions:

(i) by mandamus or other suit, action or proceeding at law or in equity require the City to perform its covenants, representations and duties with respect to the Bonds under the Indenture;

(ii) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of the Bonds;

(iii) request that a court of competent jurisdiction appoint, to the extent permitted by law, a receiver or receivers of the Trust Estate, and the income, revenues, profits and use thereof, it being the intent hereof that, to the extent permitted by law, the Trustee is be entitled to appointment of such a receiver as a matter of right;

(iv) upon the occurrence of an Event of Default described in clause (i) under "Events of Default" above, transfer moneys from any Pledged Funds and Accounts to the Debt Service Fund as necessary and as permitted under the Indenture;

(v) take such actions, including the filing and prosecution of lawsuits, as may be required to enforce for the benefit of the Registered Owners the terms of any agreements or instruments relating to the Bonds, or any part thereof, which the Trustee may be entitled to enforce, including without limitation (i) the Lease Agreements, the Off-Airport Rental Car Permits, and the Performance Guarantees, (ii) any construction contracts, design contracts or consulting contracts or operating agreements, (iii) any insurance policies, completion guaranties or the payment and performance bond, and (iv) any other agreements or instruments which the Trustee may be entitled to enforce;

(vi) take such other steps to protect and enforce its rights and the rights of the Registered Owners of the Bonds, whether by action, suit or proceeding in aid of the execution of any power herein granted or for the enforcement of any other appropriate legal or equitable remedy, including, but not limited to, proceeding by suit or suits, at law or in equity or by any other appropriate legal or equitable remedy, to enforce payment of the principal and Redemption Price of and interest then due on the Bonds.

Application of Proceeds. The proceeds received by the Trustee during the continuation of an Event of Default under the Indenture shall, together with all securities and other moneys which may then be held by the Trustee as a part of the Trust Estate, be applied in order, as follows:

First, to the payment of the reasonable charges, expenses and liabilities of the Trustee, including the fees and expenses of its attorneys and agents;

Second, to the payment to the Registered Owners entitled thereto of all installments of interest (together with interest due on overdue installments of interest to the extent allowed by law) then due on the Bonds in the order of the maturity of such installment, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Third, to the payment to the Person entitled thereto of the unpaid principal of or Redemption Price of the Bonds with respect to which such remedy was exercised which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

Fourth, any remainder to the City.

ANNUAL DEBT SERVICE REQUIREMENTS

Annual debt service requirements for the Series 2015 Bonds and the Concurrently Issued Bonds are provided in the following table. For projected debt service coverage, see the table appearing under the caption "PROJECTED CFC REVENUES AND DEBT SERVICE COVERAGE RATIOS" herein.

	The Series 2015 Bonds			The Concurrently Issued Bonds			
Fiscal Year Ending September 30	Principal ($)	Interest($)	Total Debt Service ($)	Principal ($)	Interest ($)	Total Debt Service ($)	Total Annual Debt Service Requirements ($)
2016	-	6,292,770	6,292,770	-	1,789,342	1,789,342	8,082,112
2017	-	6,823,485	6,823,485	-	1,940,250	1,940,250	8,763,735
2018	-	6,823,485	6,823,485	-	1,940,250	1,940,250	8,763,735
2019	700,000	6,823,485	7,523,485	-	1,940,250	1,940,250	9,463,735
2020	950,000	6,803,115	7,753,115	760,000	1,940,250	2,700,250	10,453,365
2021	1,150,000	6,772,620	7,922,620	795,000	1,902,250	2,697,250	10,619,870
2022	1,450,000	6,730,668	8,180,668	835,000	1,862,500	2,697,500	10,878,168
2023	1,735,000	6,674,147	8,409,147	880,000	1,820,750	2,700,750	11,109,897
2024	2,025,000	6,602,093	8,627,093	925,000	1,776,750	2,701,750	11,328,843
2025	2,375,000	6,515,970	8,890,970	970,000	1,730,500	2,700,500	11,591,470
2026	2,870,000	6,412,586	9,282,586	1,015,000	1,682,000	2,697,000	11,979,586
2027	3,245,000	6,283,350	9,528,350	1,070,000	1,631,250	2,701,250	12,229,600
2028	3,630,000	6,132,360	9,762,360	1,120,000	1,577,750	2,697,750	12,460,110
2029	3,810,000	5,956,196	9,766,196	1,180,000	1,521,750	2,701,750	12,467,946
2030	4,000,000	5,763,677	9,763,677	1,235,000	1,462,750	2,697,750	12,461,427
2031	4,210,000	5,555,557	9,765,557	1,300,000	1,401,000	2,701,000	12,466,557
2032	4,445,000	5,316,808	9,761,808	1,365,000	1,336,000	2,701,000	12,462,808
2033	4,700,000	5,064,732	9,764,732	1,430,000	1,267,750	2,697,750	12,462,482
2034	4,965,000	4,798,195	9,763,195	1,505,000	1,196,250	2,701,250	12,464,445
2035	5,250,000	4,516,629	9,766,629	1,580,000	1,121,000	2,701,000	12,467,629
2036	5,545,000	4,218,902	9,763,902	1,655,000	1,042,000	2,697,000	12,460,902
2037	5,865,000	3,898,900	9,763,900	1,740,000	959,250	2,699,250	12,463,150
2038	6,205,000	3,560,431	9,765,431	1,825,000	872,250	2,697,250	12,462,681
2039	6,560,000	3,202,340	9,762,340	1,920,000	781,000	2,701,000	12,463,340
2040	6,940,000	2,823,763	9,763,763	2,015,000	685,000	2,700,000	12,463,763
2041	7,340,000	2,423,255	9,763,255	2,115,000	584,250	2,699,250	12,462,505
2042	7,770,000	1,992,324	9,762,324	2,220,000	478,500	2,698,500	12,460,824
2043	8,230,000	1,536,147	9,766,147	2,330,000	367,500	2,697,500	12,463,647
2044	8,710,000	1,052,964	9,762,964	2,450,000	251,000	2,701,000	12,463,964
2045	9,225,000	541,600	9,766,600	2,570,000	128,500	2,698,500	12,465,100
Total	**123,900,000**	**147,912,554**	**271,812,554**	**38,805,000**	**38,989,842**	**77,794,842**	**349,607,396**

THE PROJECT

General

A description of the Project, upon completion, is included herein under the caption "PLAN OF FINANCE – The Project". This section provides additional descriptions concerning the construction of the Project and the operation of the CONRAC Facility upon its completion.

Design, Construction Administration, and Oversight

In accordance with permissible construction delivery methods available under the laws of the State, and adopted by the City for professional services, the City's Aviation Department prepared and released in November 2012 a Request for Qualifications to solicit a firm and team to provide design and construction administration related services during construction of the CONRAC Facility. Five (5) firms and teams responded to the solicitation, whose proposals were reviewed by the Selection Committee. The Selection Committee recommended the firm and team led by TranSystems Architects for approval to the full City Council. In February 2013, City Council awarded a not-to-exceed contract (the "Design Contract") for an amount of $12 million. The Design Contract runs concurrently with the pre-construction portion and the construction phases of the Construction Contract and is an all-inclusive agreement that requires a team of firms to provide comprehensive design for the CONRAC Facility. The Design Contract describes the work task to facilitate an effective facility, identifies manning levels and commitments with hourly rates, estimates the number of hours required to accomplish the defined tasks, along with usual and acceptable reimbursement expenses, and standard industry acceptable overhead and profit.

The Design Contract has been amended to (i) adjust the insurance and indemnity language, (ii) include services with Cardno ATC Environmental, which provided independent environmental discovery at the request of the RACs in an effort to confirm the Phase One Environmental Assessment performed by the Aviation Department's contracted engineering services firm, and (iii) increase the total contract for design-related services with TranSystems to $12.3 million. The Design Contract includes dollars for undefined design considerations that were included in concept during the program development stage, an amount for additional design services to support special services not included in the original teaming, but may be needed, owner's design contingency, and an amount for out-of-pocket reimbursable expense.

Construction Manager at Risk Process; Guaranteed Maximum Price Construction Contract

In accordance with permissible construction delivery methods available under the laws of the State, and adopted by the City, the City's Aviation Department selected the Construction Manager at Risk ("CMR") process for the construction of the CONRAC Facility and, pursuant thereto, has awarded and entered into the Construction Contract (defined herein). The Construction Contract runs concurrently with design activity for the CONRAC Facility. The Aviation Department chose the CMR approach after considering the benefits of each acceptable procurement method available under applicable law. Some benefits of the CMR process include close collaboration with the design team during the design phase to ensure constructability, confirm budget, and recommend alternatives in the use of materials and design considerations that will have impact on the overall budget, perform period estimating and value engineering-related services during design and during the Guaranteed Maximum Price, or "GMP", process, and prepare phasing plans and schedules that will guide construction.

In January 2013, a Request for Qualifications was released soliciting firms and teams interested in providing CMR services. Eight (8) construction companies and teams responded to this solicitation. The City's selection committee included a member from the City Manager's Office, the Aviation Director, Assistant Aviation Director, designated representatives from the rental car industry, a member from the Airport Advisory Commission, and other members of City and Airport staff that served either in a voting or non-voting capacity (together, the "Selection Committee"). Upon receiving a recommendation from the Selection Committee, the City Council, in May 2013, approved and awarded a contract to Turner Construction Company ("Turner"), for a total contract amount of $105 million, to construct the CONRAC Facility (the "Construction Contract"). During the design programming stage and with the collaboration of the RACs, the collaborative planning process revealed the demand for space, function and use of the CONRAC Facility to be greater than the initial plans, resulting in an increase in size and corresponding budget. Some of the factors contributing to this modification involved the review of current demand plus 50% growth and a decision to maximize the space available to meet the twenty (20) year growth demands of the public. The impact of refined programming resulted in a larger CONRAC Facility. Similarly, the corresponding estimate grew from the initial award value under the Construction Contract to a final contract to Turner of $135 million including a GMP of $129.5 million. The total contract under the Construction Contract, in addition to the construction of the CONTRACT Facility to agreed-upon specifications, includes contingency amounts and a "public art" component that will serve as a building exterior cover.

The Construction Contract establishes certain milestone completion dates and the liquidated damages to be imposed if the CMR misses those dates. There are three completion milestones:

(i) Substantial completion of the Public Parking Area (being the lower two levels of the CONRAC Facility; must be substantially completed within twenty (20) months of the date the public is no longer able to access the current short-term (hourly) parking area. Failure to meet the established substantial completion date will result in the imposition of liquidated damages in the amount of $14,500.00 per day until substantial completion is attained.

(ii) Substantial completion of the entire Project; determined by the time established by the parties to the Construction Contract. Failure to meet this substantial completion date will result in the assessment of liquidated damages in the amount of $5,000.00 per day until substantial completion is reached.

(iii) Final completion of the Project; must be attained within sixty (60) calendar days of the date of substantial completion of the Project. Failure to meet this date will result in the imposition of liquidated damages in the amount of $2,500.00 per day until the Project has attained final completion.

In addition to the foregoing, the Initial Tenant Improvements are required to be completed within six (6) months of the CONRAC being turned over to the RACs, but this requirement is neither included in the Construction Contract nor is failure to comply subject to any liquidated damages provisions.

The Operators

Six rental car companies, operating ten (10) different rental car brands, currently operate at the Airport and have entered into Lease Agreements with the City to operate at the CONRAC Facility. Those are Avis Rent A Car System, LLC, d/b/a Avis Rent a Car and Payless; SATRAC, Inc. d/b/a Budget Rent a Car; Dollar Rent A Car and Thrifty Car Rental; EAN Holdings, LLC, d/b/a Enterprise Rent-A-Car, Alamo Rent-A-Car and National Car Rental; Simply Wheelz, LLC, d/b/a Advantage Rent-A-Car; and The Hertz Corporation d/b/a Hertz Rent-A-Car (individually, an "Operator" and collectively, the "Operators"). All Operators operating rental car concessions at the Airport have participated in the development of the CONRAC Facility with Airport management and will execute and deliver, on or prior to the date of delivery of the Series 2015 Bonds, the Lease Agreements, giving each Operator the right and obligation upon completion to occupy and operate rental car concessions in the CONRAC Facility.

In the Lease Agreements, the City has reserved the right to enter into a new Lease Agreement (and a new Concession Agreement) with a "New Entrant" rental car company to operate in the CONRAC Facility in the event that a Lease Agreement (and related Concession Agreement) is terminated with respect to a particular Operator.

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The following table sets forth the Operators, the rental car brand or brands that each operates, and its fiscal year ending September 30 in 2010 through 2014 market shares, based on the gross sales revenue generated at the Airport:

Brand	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)
Hertz Corporation[1]	**27.2**	**24.8**	**36.4**	**36.7**	**37.5**
Hertz	23.4	21.4	21.7	22.1	21.3
Dollar Thrifty Group/Firefly[2]	-	-	14.8	14.6	16.1
Advantage Rent A Car	3.8	3.4	-	-	-
EAN Holdings, LLC	**36.8**	**38.2**	**38.7**	**36.7**	**36.3**
Enterprise Rent-A-Car	15.9	16.1	16.8	15.9	14.7
Alamo Rent a Car	10.8	10.6	9.4	7.9	8.2
National Car Rental	10.1	11.5	12.6	12.9	13.4
Avis Budget Car Rental LLC[3]	**16.9**	**17.8**	**17.6**	**18.1**	**18.5**
Avis Rent A Car System, LLC	16.9	17.8	17.6	18.1	17.6
Payless Rent A Car	-	-	-	-	0.9
Advantage OPCO, LLC[1]	**-**	**-**	**3.0**	**3.7**	**2.8**
Advantage Rent A Car	-	-	3.0	3.7	2.8
Dollar Thrifty Group[1]	**13.6**	**15.0**	**-**	**-**	**-**
Dollar Thrifty Group	13.6	15.0	-	-	-
Satrac Inc. dba Budget Rent a Car	**5.4**	**4.3**	**4.3**	**4.8**	**4.9**
Budget Car and Truck Rental[4]	5.4	4.3	4.3	4.8	4.9

(1) Hertz Global Holdings sold the Advantage-Rent-A-Car brand to Macquarie Capital and Franchise Services of North America, Inc. (Simply Wheelz LLC) in December 2012, and Thrifty Dollar Automotive Group was acquired by Hertz Global Holdings, Inc. in November 2012.

(2) In March 2013, Hertz launched Firefly Car Rental that currently operates across Europe and the United States. As show, the Airport combines gross revenues of Firefly and Dollar Thrifty Group. As of March 2015, Firefly no longer operates at the Airport.

(3) Avis Budget Group acquired by Payless Car Rental on July 15, 2013.

(4) Budget Car & Truck Rental operates as a franchise at the Airport.

In 2014, the three leading Operators held a combined market share of 97.2% of gross rental car revenues generated at the Airport. Hertz Corporation, with 37.5% of gross sales, was the largest, followed by Enterprise Holdings, Inc. at 36.3%, and Avis/Budget Rent a Car LLC at 23.4%.

On August 26, 2012, Hertz Global Holdings and Dollar Thrifty Automotive Group (DTAG) announced that they had agreed to the purchase of DTAG by Hertz. The purchase price agreed to was $2.3 billion. This transaction closed on November 20, 2012. Separately, as part of obtaining approval from the Federal Trade Commission for the purchase of DTAG, Hertz announced that it had agreed to sell Advantage Rent a Car to Franchise Services of North America, Inc. and Macquarie Capital. Franchise Services owns and primarily licenses the U-Save car rental brand. This transaction closed in December 2012.

For a further description of each of the Operators, the rental car brand or brands that each operates, historical market shares of each concession at the Airport, as well as a discussion of the rental car industry and market, both nationally and at the Airport, see Chapter 5 of the Report attached hereto as Appendix A.

The Lease and Concession Agreements

The Operators/Lessees. The rental car companies operating at the Airport are: Avis Rent A Car System, LLC; Payless Rent A Car; Hertz; Dollar Rent A Car; Thrifty Car Rental; Enterprise Rent-A-Car; Alamo Rent A Car; National Car Rental; Budget Car & Truck Rental; and Advantage Rent A Car. Each of the Concessionaries, along with new rental car companies not currently operating at the Airport (but scheduled to operate at the CONRAC Facility), will execute and deliver on or prior to the date of delivery of the Series 2015 Bonds a New Concession Agreement and a Lease Agreement.

The Lease Agreements. In accordance with the Lease Agreement, the City has entered into contracts for the design, construction and equipping of the Project effective upon Delivery Date. The Lease Agreement will be effective as of the date the respective documents are fully executed by all parties to the applicable Lease Agreement (the "Effective Date"). The Lease Term shall commence on the date on which the City issues a Temporary Certificate of Occupancy and turns over the Exclusive Use Premises of the CONRAC Facility to the Operators for the construction of the Initial Tenant Improvements (the "Commencement Date") and, unless terminated earlier pursuant to its terms, extends until the last day of the twentieth (20th) full fiscal year.

Under the Lease Agreement, the Operators are required to collect and remit CFC Revenues to the Trustee on a monthly basis (see "SECURITY FOR THE BONDS – The Pledged Revenues – The Customer Facility Charge"). If CFC Revenues are projected to be insufficient, Contingent Fees will also be imposed on the Operators (see "SECURITY FOR THE BONDS – The Pledged Revenues – Contingent Fees").

Effective as of the DBO, each Operator is additionally required to pay Ground Rent. Ground Rent constitutes general revenues of the Airport System and is security for the Concurrently Issued Bonds and any other bonds currently outstanding or hereinafter issued which are secured by general revenues of the Airport System. Ground Rent is not a part of the Trust Estate and is not pledged as security for the Series 2015 Bonds.

Throughout the term of the Lease Agreement, the Operator must remain in compliance with the separate Concession Agreement by and between each applicable Operator and the City (see "THE PROJECT – The Lease and Concession Agreements – The Concession Agreements").

Not later than one hundred eighty (180) days prior to the opening of the CONRAC Facility, the Operators must enter into a CONRAC Management Agreement with a financially responsible, experienced CONRAC Manager to manage the daily operations of the CONRAC Facility. The CONRAC Manager shall have significant experience in the management and operation of commercial facilities, including fueling, similar in nature and scale to such facilities as those that comprise the CONRAC Facility, in a competent and professional manner in accordance with operating standards and policies standard in the industry, and have the financial strength and management competency to operate, maintain and manage the commercial fueling facilities.

Upon the occurrence of an event of default by an Operator, the City shall have the right to terminate the Operator's right of possession to the Leased Premises and to re-let the Leased Premises. Notwithstanding any such surrender and re-letting, the Operator's obligations under the Lease Agreement shall remain in full force and effect.

The Lease Agreement provides that an election by the City to cease use of the CONRAC will be conditioned on the City's prior defeasance of all Bonds at such time Outstanding.

See "SUMMARY OF CERTAIN PORTIONS OF THE LEASE AGREEMENTS" attached hereto as Appendix D.

The Concession Agreements. The City has previously entered into, and there is currently in effect, Prior Concession Agreements with the Operators. The Prior Concession Agreements remain in full force and effect until the date on which the CONRAC Facility opens for business. The New Concession Agreement becomes effective on the date in which the respective documents are fully executed by all parties to the applicable Concession Agreement. The term of the New Concession Agreement begins on the first (1st) day of the month following the date on which the CONRAC Facility opens for business and extends until the last day of the tenth (10th) full fiscal year thereafter.

Pursuant to the terms of the Concession Agreement, the Operators agree to pay the City the Concession Fee. Such amount paid to the City constitutes general revenues of the Airport System and is security for the Concurrently Issued Bonds and any other bonds currently outstanding or hereinafter issued which are secured by the general revenues of the Airport System. Any amount paid pursuant to each Concession Agreement is not a part of the Trust Estate and is not pledged as security for the Series 2015 Bonds.

Upon the occurrence of an event of default by an Operator, the City shall have the right to terminate the applicable Concession Agreement. An event of default under the Concession Agreement triggers an event of default under the Lease Agreement.

See "SUMMARY OF CERTAIN PROVISIONS OF THE CONCESSION AGREEMENTS" attached hereto as Appendix C.

REPORT OF THE AIRPORT CONSULTANTS

The Airport Consultants

The City has retained Ricondo & Associates, Inc., Cincinnati, Ohio, in association with InterVISTAS Consulting LLC, Washington D.C. (together, the "Airport Consultants") as independent consultants to the Airport System. In such capacity, the Airport Consultants delivered on June 17, 2015, their "Report of the Airport Consultants" (the "Report") detailing the Airport System's past, and forecasting its financial performance. The Report includes descriptions of the Capital Improvement Program, the Airport's service area and economic base, summaries of the historical aviation activity at the Airport System and analyses of factors impacting such statistics. The Report also provides projections of future revenues and expenses, aviation activity at the Airport, debt service requirements, and debt service coverage rates. The Report is attached hereto as Appendix A and made a part hereof for all purposes.

Ricondo & Associates, Inc., is headquartered in Chicago and has established U.S. offices in Atlanta, northern and southern California, Cincinnati, the Dallas/Fort Worth area, Denver, Honolulu, Miami, Orlando, Phoenix, and the Washington, D.C., area, and also has international offices in Abu Dhabi, U.A.E. and London, England.

The InterVISTAS Consulting Group ("IVG") is comprised of several integrated companies that provide a range of services to the world-wide travel and tourism industry. InterVISTAS Consulting Inc. is a U.S. company based in Washington, DC, that specializes in aviation industry consulting, regulatory and legislative advocacy, travel and tourism marketing, security and border facilitation, international transportation policy, and a wide range of related services. In total, InterVISTAS has a staff of 65 professionals in North America, Latin America, and Europe. InterVISTAS has completed more than 2,000 projects with over 500 clients in over 70 countries worldwide.

Content

The Report is being prepared in conjunction with the delivery of the Series 2015 Bonds and the Concurrently Issued Bonds to demonstrate the sufficiency of the CFC Revenues and the Airport System's revenues in meeting the debt service requirements of its outstanding and contemplated debt obligations. Accordingly, its findings specifically address the Series 2015 Bonds and the Concurrently Issued Bonds; however, the Report also contains general information relating to the operation of the Airport System and all debt obligations, existing or proposed, supported by the revenues therefrom.

The City is under no obligation to update the Report, nor is it required at any time in the future to obtain another such report relating to the Airport System and its outstanding or proposed debt. In addition, the contents of the Report are not subject to the City's continuing disclosure requirements (such requirements detailed herein under "CONTINUING DISCLOSURE OF INFORMATION").

Assumptions

In its development, the Report utilizes a number of assumptions. Such assumptions are based on present circumstances and certain currently available information provided to the Airport Consultants by the City, as well as by other sources. None of the City, the Co-Financial Advisors, or the Underwriters make any representations or give any assurances that the assumptions incorporated in the Report are valid. Such information may be incomplete and may not necessarily disclose all material facts that might affect the CFC Revenues, Gross Revenues, PFC Revenues, the CIP, and the financial analysis contained in the Report. Accordingly, prospective investors should carefully evaluate the assumptions and other information in the Report in the light of the circumstances then prevailing. The Report has been attached hereto as Appendix A in reliance upon the knowledge and experience of the Airport Consultants. The accuracy of the Report is dependent upon the occurrence of specified assumptions and other future events that cannot be assured; therefore, the actual results achieved during the period will vary from the forecasts contained therein. Those differences may be material. None of the City, the Co-Financial Advisors, or the Underwriters have independently verified the statistical data included in the Report and neither of such parties make any representations or give any assurances that such data is complete or correct.

As noted in the Report, any projection is subject to uncertainties. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between projected and actual results, and those differences may be material. Specifically, to the extent the actual interest rates on the Series 2015 Bonds are different from those rates assumed in the Report, the amount of the actual Customer Facility Charges established by the City is likely to vary from the Customer Facility Charges assumed in the Report. See “CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS”. See “CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS – Report of the Airport Consultants” for a description of certain risks inherent in the reliance upon the Report.

As summarized in the following table, the Airport Consultants forecast that CFC Revenues will be sufficient to meet the rate covenant of the Indenture, as described above under “SECURITY FOR THE BONDS – Rate Covenant”. The projected CFC Revenues and projected debt service coverage, which includes both the Series 2015 Bonds and the Concurrently Issued Bonds, set forth in the following table may differ from the actual annual debt service requirements. See Chapter 6 of the Report attached hereto as Appendix A.

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PROJECTED CFC REVENUES AND DEBT SERVICE COVERAGE RATIOS

	Fiscal Year Ending September 30								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Pledged Revenues									
CFC Revenues[1]	$ 2,467,755	$10,467,600	$10,723,800	$10,980,000	$12,359,820	$12,641,640	$12,923,460	$13,205,280	$13,487,100
Contingent Fees	-	-	-	-	-	-	-	-	-
Pledged Investment Income[2]	20,767	145,127	158,945	166,578	171,279	186,856	189,100	185,129	171,455
Total Pledged Revenue	**$ 2,488,522**	**$10,612,727**	**$10,882,745**	**$11,146,578**	**$12,531,099**	**$12,828,496**	**$13,112,560**	**$13,390,409**	**$13,658,555**
Series 2015 Bonds Debt Service	-	$ 6,292,770	$ 6,823,485	$ 6,823,485	$ 7,523,485	$ 7,753,115	$ 7,922,620	$ 8,180,668	$ 8,409,147
Series 2015 Bonds Debt Service Coverage	**N/A**	**1.69**	**1.59**	**1.63**	**1.67**	**1.65**	**1.66**	**1.64**	**1.62**
Debt Service Coverage Fund	$ 2,441,657	$ 2,441,657	$ 2,441,657	$ 2,441,657	$ 2,441,657	$ 2,441,657	$ 2,441,657	$ 2,441,657	$ 2,441,657
Total Resources available for Series 2015 Bonds Debt Service	$ 4,930,179	$13,054,384	$13,324,402	$13,588,235	$14,972,756	$15,270,153	$15,554,217	$15,832,066	$16,100,212
Debt Service Coverage Ratio (All Resources)	**N/A**	**2.07**	**1.95**	**1.99**	**1.99**	**1.97**	**1.96**	**1.94**	**1.91**
Concurrently Issued Bonds Debt Service	-	$ 1,789,341	$ 1,940,250	$ 1,940,250	$ 1,940,250	$ 2,700,250	$ 2,697,250	$ 2,697,500	$ 2,700,750
Total Debt Service (Series 2015 Bonds and Concurrently Issued Bonds)	**-**	**$ 8,082,111**	**$ 8,763,735**	**$ 8,763,735**	**$ 9,463,735**	**$10,453,365**	**$10,619,870**	**$10,878,168**	**$11,109,897**
Debt Service Coverage Ratio (All Debt Service vs. Pledged Revenues)	**N/A**	**1.31**	**1.24**	**1.27**	**1.32**	**1.23**	**1.23**	**1.23**	**1.23**

Source: City's Co-Financial Advisors for debt service; the Airport Consultants for revenue projections.

(1) CFC Revenues for the first nine (9) months of fiscal year 2015 will be applied to Project costs. CFC collections began on April 1, 2012 at a rate of $4.50 per Transaction Day. The CFC is was increased to $5.00 per Transaction Day, effective July 1, 2015 and is projected to increase to $5.50 per Transaction Day on September 1, 2018. CFC Revenues remittance to the City for each rate increase begins one month after the effective date of such increase.

(2) Assumed investment income interest rate of 0.50% on Fund balances.

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THE AIRPORT SYSTEM

General

The San Antonio International Airport (the "Airport" or "SAT"), located on a 2,600-acre site that is adjacent to Loop 410 freeway and U.S. Highway 281, is nine miles north of the City's downtown business district. The Airport consists of three runways with the main runway measuring 8,502 feet and able to accommodate up to and including Group V passenger aircraft. Its two terminal buildings contain 25 second-level gates. Presently, the following domestic air carriers provide scheduled service to San Antonio: American Airlines, Delta Air Lines, Southwest Airlines, United Airlines, and US Airways, as well as associated affiliates of certain of the aforementioned air carriers. AeroMexico, Southwest, United, Interjet, Volaris, VivaAerobus and associated affiliates, provide passenger service to five Mexico destinations. VivaAerobus, the newest entrant carrier, started two weekly non-stop flights to Monterrey, Mexico in November 2014 (but recently announced that this service will cease in August 2015). Interjet increased weekly flights to Monterrey, Mexico from two to six in February 2015. New air services that started in March and April 2015 include American to Miami, Florida and Southwest to New Orleans, Louisiana, respectively. In addition to Southwest and United, both American and Delta introduced new non-stop flights to Los Angeles in late 2014 and early 2015, respectively.

The Airport is classified as a medium hub facility by the FAA. A "medium hub facility" is defined as a facility that enplanes between 0.25% and 0.50% of all passengers enplaned on certificated route air carriers in all services in the 50 states, the District of Columbia, and other designated territorial possessions of the United States. According to Airports Council International – North America ("ACI-NA"), an airport industry group, the Airport ranked 43rd based on preliminary total U.S. airport's passenger traffic for calendar year 2013. For the calendar year ended December 31, 2014, the Airport enplaned approximately 4.2 million passengers. Airport management has determined that approximately 90% of the Airport's domestic passenger traffic is origination and destination in nature, which is important because it demonstrates strong travel to and from the City independent from any one airline's hubbing strategies. A variety of services are available to the traveling public from approximately 245 commercial businesses, which lease facilities at the Airport and Stinson Municipal Airport ("Stinson" and, together with the Airport, the "Airport System").

The City updated the Master Plan ("Vision 2050") for the Airport, which was approved by City Council on March 31, 2011 and provides direction for the development of the Airport for five, ten, and 20 years into the future. For the five-year plan, the Vision 2050 update recommends modest improvements to complement the Capital Improvement Plan (defined below). Among the recommended improvements to be financed and constructed by the City are renovating and renewing Terminal A, land acquisition, and constructing a taxiway connector, Airport maintenance facility, and an administrative center. Additionally, recommended improvements included in Vision 2050 to be financed and constructed by non-City sources, such as the CFC and third party and/or tenant financing, include an expansion of the Airport fuel farm, a consolidated rental car center and short-term parking garage (which is represented by the CONRAC Facility and the Public Parking Area, respectively), and the expansion of tenant ground service equipment maintenance and storage facilities.

Stinson, located on 300 acres approximately 5.2 miles southeast of the City's downtown business district, was established in 1915, and is one of the country's first municipally owned airports. It is the second oldest continuously operating airport in the U.S. and is the FAA's designated general aviation reliever airport to the Airport. The Airport Master Plan for Stinson was updated in May 2013 to establish a long range development strategy or "blueprint" for the sustained, and fiscally responsible, growth of the Airport through 2031. The Airport Master Plan for Stinson seeks to balance airport growth against the need to minimize impacts on the surrounding environment. In doing so, the study focused on optimizing operations at the airport, providing flexible options for growth, while identifying possible areas suitable for new facilities.

Associated with Stinson, the City entered into an Airport Project Participation Agreement with TxDOT for a Federally Assisted Airport Development Grant on April 11, 2013 for engineering/design services for: evaluation of FAA Advisory Circular 1050/5300-13A on Runway 14/32 and Taxiway A; overlay and mark Runway 14/32; overlay Taxiway A, B, and C; replace medium intensity lights on Taxiway A, B, and C; replace medium intensity runway lights on Runway 14/32; upgrade airfield guidance signs on Runway 14/32 and Taxiway A, B, and C. A second agreement with TxDOT was made on April 18, 2013 for engineering/design services to relocate the air traffic control tower.

Capital Improvement Plan

The adopted six-year (fiscal years 2015 – 2020) Capital Improvement Plan (the "CIP") totals approximately $261 million, which is comprised of certain projects including the design and construction of the CONRAC, airfield improvements, land acquisition, residential acoustical treatment, road improvements, aircraft apron expansion, and cargo improvements.

The CIP consists of the following:

Terminal Facilities

- Terminal A Renovations and Refurbishments, Phase II. This project is for design and construction for the expansion of the customs facility in Terminal A which will be constructed in phases along with addressing building infrastructure not captured in the first phase.
- TSA-Advanced Surveillance Program. This project provides greater surveillance of the various Terminal locations to enhance security, aid in the speedy resolution of claims, and assist in the resolution of law enforcement issues.
- Terminal A Security Checkpoint Expansion. This project designs and constructs the expansion of Terminal A Security Checkpoint for additional security lines and provides a connector between Terminals A and B to improve checkpoint congestion.

Airfield Improvements

- Terminal Area Reconstruction. Phased to minimize construction impacts on airport operations. Package I provides the reconstruction of the southeastern section of Taxiway G, from Runway 4/22 to Taxiway A. Package II provides a reconstruction of Taxiway G at intersections of Taxiway N and L, along with the South Inner Taxilane parallel to Terminal A.
- Perimeter Road Reconstruction. This project provides for the design and phased reconstruction of critical areas of the perimeter road.

Acoustical Treatment Program

- Acoustical Program. Continuation of the Residential Acoustical Treatment Program.

Other Projects

- Consolidated Rental Car Facility. This project provides a consolidated rental car facility, which centralizes Airport rental car operators into a single facility. This is the CONRAC Facility described herein. (See 'PLAN OF FINANCE – The Project".)
- Support Service Building. Provides for the construction of an administrative office facility to house the Airport System staff.
- Outside Plant Campus IT Ring. This project will complete the Outside Plant Communication Ring around the campus.
- Other Capital Projects. Miscellaneous projects at the Airport and at Stinson.

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The anticipated sources of funding for the CIP are as follows:

Funding Sources	Projected Funding ($)
Federal Grants	
Entitlements	6,400,000
Discretionary	16,623,760
General Discretionary	
Noise Discretionary	6,400,000
TxDOT Grant	50,000
Passenger Facility Charges ("PFCs")	
Pay-As-You-Go	122,500
PFC-Secured Bonds	1,600,000
Other Funding	
Airport Funds	71,919,251
Airport Revenue Bonds	6,937,278
Customer Facility Charge Bonds	150,551,805
Total	**260,604,594**

The CIP includes capital improvements, which are generally described as follows:

Improvement	Amount ($)
Airport	
Terminal Facilities	17,249,134
Airfield Improvements	31,278,773
Acoustical Treatment Program	8,300,000
Consolidated Rental Car Facility	150,551,805
Other Projects	48,325,882
Stinson	4,899,000
Total	**260,604,594**

PFC Projects. Public agencies wishing to impose PFCs are required to apply to the FAA for such authority and must meet certain requirements specified in the 49 USC § 40117, and the implementing regulations issued by the FAA.

The FAA issued a "Record of Decision" on August 29, 2001 approving the City's initial PFC application. The City, as the owner and operator of the Airport, received authority to impose a $3.00 PFC and to collect, in the aggregate, approximately $102,500,000 in PFC Revenues. On February 15, 2005, the FAA approved an application amendment increasing the PFC funding by a net amount of $13,893,537. On February 22, 2005, the FAA approved the City's application for an additional $50,682,244 in PFC collections to be used for 11 new projects. On June 26, 2007, the FAA approved two amendments to approved applications increasing the PFC funding by a net amount of $121,611,491 for two projects and $67,621,461 for four projects. Additionally, the FAA approved the increased collection rate from $3.00 to $4.50, effective October 1, 2007. In May 2010, the FAA approved amendments to the City's PFC collection authorization to increase the scope of the PFC funding for certain PFC projects and permitted the addition of several elements. The May 28, 2010 FAA approvals increased the PFC funding amount from $380,958,549 to $574,569,629. On March 18, 2015, the City submitted an amendment to reduce the PFC collection authority from the current amount of approximately $573.8 million to approximately $463.7 million (a reduction of approximately $110.1 million). This reduction is due to (i) estimated finance and interest costs were overstated in the submittals compared to actual finance and interest costs and (ii) lower project costs in some cases. The FAA issued the Final Agency Decision on April 13, 2015, approving the proposed PFC amendment.

On October 1, 2007, the City began collecting a $4.50 PFC (less an $0.11 air carrier collection charge) per qualifying enplaned passenger. The City has received PFC "impose and use" authority, meaning that it may impose the PFC and use the resultant PFC Revenues for all projects, contemplated to be completed using proceeds of the Parity PFC Bonds. As of May 31, 2015, the City has collected $176,221,081.79 (unaudited) in PFC Revenues since authority to impose and collect the PFC was received. The estimated PFC collection expiration date is June 1, 2028.

To date, the following projects have been approved as "impose and use" projects:

- Replace Remain Overnight Apron
- Implement Terminal Modifications
- Reconstruct Perimeter Road
- Construct New Terminal B
- Acoustical Treatment Program
- Construct Elevated Terminal Roadway
- Upgrade Central Utility Plant
- Construct Apron – Terminal Expansion
- Install Utilities – Terminal Expansion
- Replace Two Aircraft Rescue and Fire Fighting Vehicles
- Conduct Environmental Impact Statement
- Reconstruct Terminal Area Roadway
- Install Noise Monitoring Equipment
- Install Terminal and Airfield Security Improvements
- Install Airfield Electrical Improvements
- PFC Development and Administration Costs

CFC and CFC Projects. As described in greater detail herein, the City Council, by ordinance adopted on March 8, 2012, authorized the Airport to impose the collection of a $4.50 per Transaction Day CFC for rental car customers to pay for all costs and expenses associated with the planning, financing, construction and certain other costs for the CONRAC Facility. The RACs began collecting the CFC on all car rentals at the Airport on April 1, 2012. The CFC was reapproved at a collection rate of $5.00 per Transaction Day, effective July 1, 2015, pursuant to the Bond Ordinance adopted by the City Council on June 18, 2015. As of May 31, 2015, the City has received $28,281,275 (unaudited) in CFC Revenues since the April 1, 2012 inception of the CFC. (See "PLAN OF FINANCE", "SECURITY FOR THE BONDS" and "THE PROJECT".)

Airport Operations

Direct supervision of airport operations is managed by the Department of Aviation (the "Department"). The Department is responsible for: (i) managing, operating, and developing the Airport System and any other airfields that the City may control in the future; (ii) negotiating leases, agreements, and contracts; (iii) computing and supervising the collection of revenues generated by the Airport System under its management; and (iv) coordinating aviation activities under the FAA.

The Department is an enterprise fund of the City. The operations and improvements at the Airport and Stinson are paid for by airport user charges, bond funds, and funds received from the FAA. No general tax fund revenues are used to operate or maintain the Airport System. The City Council appoints a 19-member Airport Advisory Commission (the "AAC" or the "Commission"). The Commission's primary purpose is to advise the Department regarding policies, including any noise-related issues affecting the Airport System and air transportation initiatives.

Frank R. Miller, Aviation Director, has overall responsibility for the management, administration and planning of the Airport System. Mr. Miller has an experienced staff to aid him in carrying out the responsibilities of his position. The principal members of the Department's staff include the Director, the Assistant Aviation Director – Operations, the Assistant Aviation Director – Finance and Administration, and the Assistant Aviation Director – Planning and Development, Construction, and Facilities Maintenance.

The Airport System has police and fire departments on premises. The police and fire fighters are assigned to duty at the Airport System from the City's police and fire departments, but their salaries are paid by the Department as an operation and maintenance expense of the Airport System.

The FAA has regulatory authority over navigational aid equipment, air traffic control, and operating standards for the Airport System.

The passage of the Aviation and Transportation Security Act in November of 2001, created the Transportation Security Administration ("TSA"). The Department has worked closely with the TSA to forge a higher level of security for the traveling public. TSA employs about 300 individuals at the Airport System to meet the federal security requirements.

As of October 1, 2014, the Airport System has 458 authorized positions:

Planning, Development & Maintenance	159
Airport Operations	142
Police	58
Fire Rescue	32
Finance & Administration	31
Aviation Director	28
Stinson Airport	8

Senior Management.

Aviation Director. Frank R. Miller, A.A.E., has over 30 years' experience managing airports. He has held the position of Aviation Director with the City since 2009. He held the position of Airport Director in Pensacola, Florida for 22 years prior to joining the City. He has held similar positions in Juneau, Alaska, and with the Walker Field Airport Authority in Grand Junction, Colorado. Mr. Miller is a member of the Governing Board for ACI-World. Mr. Miller has previously served as Chairman of ACI-NA's Small Airports Committee and served on the ACI-NA Board of Directors in 2000-2001 and 2004-2006. Mr. Miller is a member of the American Association of Airport Executives ("AAAE") and has served on the AAAE Board of Directors. Mr. Miller is also a member of the Texas Commercial Airports Association and served as Treasurer from 2011-2012. Mr. Miller was Chairman of the Secure Airports for Florida's Economy Council created by the Florida legislature and charged with identifying new and innovative financing sources to help Florida's airports address increasing security and infrastructure needs. Mr. Miller is also past president of the Southeast Chapter of AAAE and of the Florida Airport Managers Association and past chair of the Northwest Region of the Continuing Florida Aviation System Planning Process and of the statewide CFASPP committee.

Assistant Aviation Director – Finance and Administration. Ellen Erenbaum is responsible for Airport System finance, properties, procurement and administration. Ms. Erenbaum has over 30 years' experience in airport management. She has held the position of Assistant Aviation Director since June 2010. Prior to joining the City, she was with the Houston Airport System for 12 years. She also has airport related experience with the Piedmont Triad Airport Authority, KPMG Peat Marwick's Airport Consulting Group, and the City of Atlanta Finance Department. She has participated in the issuance of over $4.0 billion of airport revenue bonds. Ms. Erenbaum is an active member of the ACI-NA Economic Committee and the ACI-NA CFO Forum. Ms. Erenbaum earned a Master of Business Administration in real estate and urban affairs from Georgia State University and a Bachelors of Business Administration in accounting from Oglethorpe University. Ms. Erenbaum is an accredited International Airport Professional ("IAP").

Assistant Aviation Director – Planning and Development, Construction, and Facilities Management. Loyce D. Clark has accomplished more than 44 years combined experience in management in the areas of aviation, airport consulting, airport management and development, real estate, property development, planning and regulatory affairs interface. Mr. Clark has held the position of Assistant Aviation Director since January 2011, overseeing the Planning and Development, Facilities, Airside, and Landside Maintenance, Information Technology, Environmental Stewardship, Custodial and Terminal Services. His career includes the founder, President and Owner of Excel Aviation Consulting Service, a small airport consulting firm, a practicing Architect with the firm of Wiseman, Bland, Foster and O'Brian Architects, Apprentice Air Traffic Controller with the Federal Aviation Administration, Manager of Design and Engineering with Trammell-Crow Corporation, Project Manager and Manger of Properties and Facilities with Federal Express Corporation, and Director of Planning and Development with Birmingham Airport Authority where he managed over $900 million of capital projects over approximately 20 years. Mr. Clark was successful in the development of many public and private facilities throughout the eastern, southeastern and southwestern United States including 499 facilities with Federal Express Corporation. He has chaired many boards and served in the capacity of president with various private and non-profit boards and private organizations such as

Kiwanis International, National YMCA, and Travelers Aid Society. He holds a degree in Architectural Engineering from West Tennessee Community College and is a Commissioned Kentucky Colonel.

Assistant Aviation Director – Operations. Tim O'Krongley, A.A.E., has held the position of Assistant Aviation Director since 2007. Mr. O'Krongley has over 20 years of experience in airport management and currently oversees the Operations Unit, which includes Security, Communications, Strategic Planning, ARFF, Safety Management Systems ("SMS"), Wildlife, Parking/Ground Transportation, Operations, and Stinson. Mr. O'Krongley has also overseen other divisions at the Airport, including Planning and Development, Facilities and Airfield Maintenance, Business Development, Information Technology Environmental Stewardship. Prior to his appointment as the Assistant Aviation Director, Mr. O'Krongley was the Airport Manager for Stinson for nine years. During his tenure at Stinson, Stinson experienced the largest growth since World War II, to include an expanded terminal building, a runway extension, a new Master Plan, an increase in tenant occupancy from 50% to 100% and aircraft operations tripled to 165,000 operations per year. Mr. O'Krongley earned his Masters of Science and Bachelors of Science degrees from Embry-Riddle Aeronautical University and is an Accredited Airport Executive (A.A.E.) and an Accredited IAP.

Airport Advisory Commission. As stated earlier, the Airport Advisory Commission, or "AAC", is comprised of 19 members appointed by City Council at-large for staggered two-year terms. Membership on the AAC includes representation from the following: (i) three aviation industry members, including but not limited to, representatives from the military, commercial airlines, national air transportation association, national business aircraft association, aircraft manufacturers, private aircraft pilots, and Airline Pilots Association; (ii) six community representatives to include a minimum of four neighborhood associations from neighborhoods located near the Airport, each representing a different association; (iii) two travel and tourism industry representatives; (iv) five business community representatives to include one local Chamber of Commerce representative; one taxi cab industry representative; one Airport business - lessee; one Alamo Area Council of Governments representative; and one FAA representative. The purpose of the AAC is to advise the City's Aviation Director on policies affecting the City's Airport System and air transportation initiatives.

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Airport Activity

The following Tables 1 through 6 present historical operating performance of the Airport System, all of which have been prepared by the City's Aviation Department.

The total domestic and international enplaned passengers at the Airport on a monthly basis, along with year to year percentage changes for each of the last five calendar years are shown as follows:

Total Domestic and International Enplaned Passengers **Table 1**

	2010	2011	2012	2013	2014
January	286,314	291,442	300,104	301,797	301,855
February	266,241	271,345	288,861	286,286	278,607
March	347,406	354,980	356,855	363,612	363,472
April	342,751	337,932	341,161	344,955	350,667
May	344,753	354,245	350,308	356,178	365,538
June	377,165	382,325	380,919	383,576	394,884
July	398,187	384,521	388,330	381,639	409,555
August	338,102	342,832	352,989	340,113	355,064
September	304,635	321,083	303,788	305,816	317,860
October	349,750	350,901	347,570	351,458	358,858
November	330,582	338,426	348,831	337,121	333,621
December	336,184	341,749	343,648	366,488	361,410
Total	4,022,070	4,071,781	4,103,364	4,119,039	4,191,391
Increase (Decrease)					
Over Prior 12-Month Period		49,711	31,583	15,675	72,352
% Increase (Decrease)					
Over Prior 12-Month Period		1.24%	0.78%	0.38%	1.76%

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The total enplanements at the Airport by airline for each of the last five calendar years, are shown below:

Domestic and International Enplaned Passengers by Airline **Table 2**

Airlines	2010 Number	2010 % Total	2011 Number	2011 % Total	2012 Number	2012 % Total	2013 Number	2013 % Total	2014 Number	2014 % Total
ABC Aerolineas dba InterJet(1)	--	--	--	--	75,281	1.83	101,140	2.46	101,527	2.42
Aerolitoral(2)	22,890	0.57	28,862	0.71	--	--	--	--	--	--
Aeromexico	106	0.00	44,181	1.08	79,984	1.95	69,174	1.68	56,963	1.36
AirTran(3)	135,917	3.38	115,315	2.83	--	--	--	--	--	--
Alaska Airlines(1)	--	--	--	--	13,846	0.34	49,809	1.21	50,280	1.20
American	724,228	18.01	691,986	16.99	697,723	17.00	660,081	16.03	689,482	16.45
American Eagle(4)	--	--	18,809	0.46	--	--	--	--	--	--
Atlantic Southeast(5)	--	--	36,128	0.89	--	--	--	--	--	--
Continental(6)	436,879	10.86	399,848	9.82	--	--	--		--	--
Delta	561,028	13.95	609,943	14.98	641,332	15.63	618,427	15.01	602,157	14.37
Frontier	62,120	1.54	81,709	2.01	15,931	0.39	--	--	--	--
Mexicana	42,342	1.05	--	--	--	--	--	--	--	--
SkyWest	170,108	4.23	--	--	--	--	--	--	--	--
Southwest	1,497,648	37.24	1,519,659	37.32	1,701,994	41.48	1,732,478	42.06	1,748,380	41.71
United	104,617	2.60	296,296	7.28	627,886	15.30	619,712	15.04	665,649	15.88
US Airways	198,139	4.93	207,994	5.11	218,585	5.33	238,768	5.80	234,504	5.60
Viva AeroBus(1)	--	--	--	--	15,249	0.37	7,109	0.17	1,590	0.04
Other Carriers	66,048	1.64	21,051	0.52	15,553	0.38	22,341	0.54	40,859	0.97
Total	4,022,070	100.00	4,071,781	100.00	4,103,364	100.00	4,119,039	100.00	4,191,391	100.00
% Increase (Decrease) Over Prior 12-Month Period			1.24%		0.78%		0.38%		1.76%	

(1) Commenced operations in 2012.
(2) Combined and shown under Aeromexico beginning in 2012.
(3) Combined and shown under Southwest.
(4) Combined and shown under American.
(5) Combined and shown under Delta.
(6) Combined and shown under United.

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The total enplaned and deplaned international passengers at the Airport are shown below:

Total Enplaned and Deplaned International Passengers **Table 3**

	2010	2011	2012[(1)]	2013[(2)]	2014
January	12,526	8,705	27,029	38,614	37,488
February	10,094	9,854	22,337	27,331	25,047
March	13,441	14,600	28,677	37,564	31,032
April	13,203	13,996	28,766	35,241	32,637
May	13,001	13,684	27,550	35,683	34,570
June	13,284	13,370	38,127	42,877	42,407
July	19,274	19,222	50,764	53,630	52,933
August	12,579	13,116	43,086	45,861	45,247
September	6,701	11,125	28,033	32,141	34,611
October	7,023	11,388	33,690	34,997	37,660
November	7,605	14,351	44,274	41,140	39,629
December	8,239	38,620	49,385	49,530	51,504
Total	136,970	182,031	421,718	474,609	464,765
Increase (Decrease) Over Prior 12-Month Period		45,061	239,687	52,891	(9,844)
% Increase (Decrease) Over Prior 12-Month Period		32.90%	131.67%	12.54%	(2.07%)

(1) The increase in total enplaned and deplaned international passengers from 2011 to 2012 is attributable to three new airlines operating in 2012. These airlines are AirTran, InterJet, and Viva AeroBus.

(2) Calendar year 2013 international passengers total was revised to reflect the latest available information.

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The historical aircraft landed weight at the Airport, in 1,000 pound units, by air carrier, in the designated calendar year is shown below. Landed weight is utilized in the computation of the Airport's landing fee.

Air Carrier Landed Weight (1,000 lbs.) **Table 4**

Carriers	2010		2011		2012		2013[8]		2014	
	Weight	% Total	Weight	% Total	Weight	% Total	Weight	% Total	Weight	% Total
ABC Aerolineas dba InterJet[1]	--	--	--	--	120,015.30	2.07	133,097.30	2.30	137,062.40	2.42
Aerolitoral[2]	25,022.50	0.45	32,630.00	0.57	--	--	--	--	--	--
Aeromar	576.70	0.01	202.40	0.00	--	--	--	--	--	--
Aeromexico	279.00	0.00	57,702.00	1.01	103,109.20	1.77	92,191.20	1.59	61,335.50	1.08
AirTran[3]	154,698.50	2.75	121,632.50	2.13	--	--	--	--	--	--
Alaska Airlines[1]	--	--	--	--	15,266.30	0.26	52,898.10	0.92	51,905.40	0.92
American	763,731.00	13.56	739,589.00	12.96	729,526.20	12.55	734,065.70	12.69	742,969.60	13.12
American Eagle[4]	17,943.30	0.32	26,666.00	0.47	--	--	--	--	--	--
Atlantic Southeast[5]	11,438.60	0.20	40,639.90	0.71	--	--	--	--	--	--
Chautauqua	3,875.20	0.07	--	--	--	--	--	--	--	--
Comair	19,762.70	0.35	94.00	0.00	--	--	--	--	--	--
Compass Air[5]	67,941.90	1.21	66,691.10	1.17	--	--	--	--	--	--
Continental[6]	475,545.00	8.44	442,583.00	7.75	--	--	--	--	--	--
Continental Express	20,828.00	0.37	20,846.30	0.37	--	--	--	--	--	--
Delta	487,363.10	8.65	625,328.70	10.96	769,667.60	13.24	797,096.90	13.78	740,963.20	13.09
Federal Express	334,244.70	5.93	401,113.80	7.03	414,223.80	7.13	446,275.90	7.71	464,246.70	8.20
Frontier	77,483.80	1.38	94,732.90	1.66	17,568.40	0.30	--	--	--	--
Go Jet[6]	78,658.00	1.40	74,169.00	1.30	--	--	--	--	--	--
Martinaire	5,233.00	0.09	4,972.50	0.09	--	--	--	--	--	--
Mesa	18,425.00	0.33	--	--	--	--	--	--	--	--
Mesaba[5]	76,753.90	1.36	40,403.80	0.71	--	--	--	--	--	--
Mexicana	62,251.40	1.11	142.20	0.00	80.00	0.00	--	--	--	--
Northwest[7]	17,601.50	0.31	--	--	--	--	--	--	--	--
Pinnacle[5]	42,308.70	0.75	19,492.30	0.34	--	--	--	--	--	--
SkyWest	205,167.50	3.64	--	--	--	--	--	--	--	--
Spirit	138.00	0.00	--	--	--	--	--	--	--	--
Southwest	1,932,976.00	34.32	1,929,756.00	33.81	2,140,012.00	36.82	2,163,256.00	37.40	2,058,814.00	36.37
US Airways	230,879.40	4.10	235,673.30	4.13	247,815.20	4.26	264,650.10	4.58	270,185.60	4.77
United	60,506.30	1.07	270,513.90	4.74	744,779.10	12.82	721,435.60	12.47	764,769.30	13.51
United Parcel	297,698.60	5.29	330,302.10	5.79	366,660.90	6.31	262,089.60	4.53	256,428.50	4.53
Viva AeroBus[1]	--	--	--	--	17,898.00	0.31	8,715.40	0.15	2,513.20	0.04
Other Carriers	142,871.70	2.54	131,417.10	2.30	125,605.10	2.16	108,965.80	1.88	110,360.10	1.95
Total	5,632,203.00	100.00	5,707,293.80	100.00	5,812,227.10	100.00	5,784,737.60	100.00	5,661,553.50	100.00

(1) Commenced operations in 2012.
(2) Combined and shown under Aeromexico beginning in 2012.
(3) Combined and shown under Southwest.
(4) Combined and shown under American.
(5) Combined and shown under Delta.
(6) Combined and shown under United.
(7) Ceased as Northwest and become Delta as of January 1, 2010.
(8) Calendar year 2013 air carrier landed weight was revised to reflect the latest available information.

The following represents a summary of cargo activities at the Airport by calendar year:

Enplaned Air Cargo Weights (U.S. Tons) **Table 5**

Calendar Year	Mail	Freight	Total Cargo	% Change
2010	13,412.89	45,154.32	58,567.21	--
2011	14,824.95	43,488.21	58,313.16	(0.43)
2012	15,046.02	40,224.04	55,270.06	(5.22)
2013	16,634.27	35,067.62	51,701.89	(6.46)
2014	17,821.48	36,857.80	54,679.28	5.76

Tables 6 and 7 reflect the historical performance of parking operations at the Airport. The current parking rates at the Airport are shown below.

Current Parking Rates (effective October 1, 2014) **Table 6**

Hourly Parking Rates	
First 15 Minutes	Free
16 Minutes – ½ Hour	$2
½ Hour – 1 Hour	$3
1 – 2 Hours	$5
2 – 3 Hours	$8
3 – 4 Hours	$11
4 – 5 Hours	$14
5 – 6 Hours	$18
6 – 24 Hours	$24
Lost Ticket	$24
Long Term Parking Rates(1)	
First 15 Minutes	Free
16 Minutes – 1 Hour	$2
1 – 2 Hours	$4
2 – 3 Hours	$6
3 – 4 Hours	$8
4 – 24 Hours	$11
Lost Ticket	$24

(1) The overflow parking lot is utilized once the long term parking lot is at full capacity at a rate of $8 per day. On June 18, 2015, the Airport amended the rate to $2 per hour with a maximum charge of $8 per day.

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Airport Parking System Revenues **Table 7**

	Fiscal Year Ended September 30				
	2010	2011	2012	2013	2014
Parking Revenues	$17,169,664	$19,319,267	$19,999,670	$20,060,853	$22,667,121
Parking Expenses	(3,602,059)	(3,629,456)	(3,541,257)	(3,698,270)	(3,694,785)
Net Parking Revenues	$13,567,605	$15,689,811	$16,458,413	$16,362,583	$18,972,336
Gross Parking Revenues as a % of Airport System Gross Revenues	26.81%	23.20%	22.18%	22.46%	24.90%
Net Parking Revenues as a % of Airport System Net Revenues	56.13%	40.43%	38.17%	42.68%	47.32%
Airport System Gross Revenues	$64,045,889	$83,288,806	$90,163,733	$89,323,659	$91,034,569
Airport System Net Revenues	$24,172,125	$38,808,642	$43,114,987	$38,336,258	$40,096,367

Source: City of San Antonio, Department of Finance.

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The historical financial performance of the Airport System for the fiscal years ending September 30 is shown in Tables 8 and 9 and has been provided by the City's Finance Department.

A comparison of the major categories comprising Gross Revenues and Operation and Maintenance Expenses for the past five fiscal years is shown below.

Comparative Statement of Gross Revenues and Expenses **Table 8**

	Fiscal Year Ended September 30				
	2010	2011	2012	2013	2014
Gross Revenues					
Airline Revenues					
Scheduled Carrier Landing Fees	$7,236,225	$8,664,750	$9,266,975	$6,904,626	$8,310,006
Non-Scheduled Carrier Landing Fees	2,360,307	1,446,665	1,570,581	1,054,829	1,219,699
Terminal Building Rentals(1)	11,973,132	19,007,289	16,550,453	15,979,397	15,075,197
FIS Space Fees	511,187	600,585	1,562,989	1,926,746	1,830,730
Ramp Fees	398,366	2,109,150	2,728,096	2,788,155	2,490,665
Baggage Handling System Charges	-0-	5,105,855	2,438,722	1,547,663	1,224,651
Passenger Loading Bridges	-0-	782,666	297,011	194,997	376,732
City Gate Fees	-0-	-0-	1,118,592	1,221,634	831,956
Subtotal Airlines Revenues	$22,479,217	$37,716,960	$35,533,419	$31,618,047	$31,359,636
Non-Airline Revenues					
Concession Contracts	$15,635,177	$16,776,304	$18,603,922	$18,698,313	$19,111,671
Parking Fees	17,169,664	19,319,267	19,999,670	20,060,853	22,667,121
Property Leases	7,488,208	7,697,458	7,533,494	7,632,686	7,674,649
Stinson Airport	331,355	401,957	372,843	343,983	329,679
General Aviation Fuel	-0-	593,364	597,077	599,487	595,879
Interest Income	192,354	186,599	211,455	348,876	291,622
Misc. Revenues	749,914	596,897	901,456	1,132,886	2,057,299
Transfer from Other Funds	-0-	-0-	5,432,543	8,003,233	6,066,119
RON Fees	-0-	-0-	977,854	885,295	880,894
Subtotal Non-Airline Revenues	$41,566,672	$45,571,846	$54,630,314	$57,705,612	$59,674,933
Total Gross Revenues	$64,045,889	$83,288,806	$90,163,733	$89,323,659	$91,034,569
Operating & Maintenance Expenses					
Airfield Area	$2,499,112	$2,189,071	$-0-	$-0-	$-0-
Service Area	354,503	291,297	-0-	-0-	-0-
Terminal B	3,156,933	3,414,755	-0-	-0-	-0-
Terminal A	4,601,709	4,857,592	-0-	-0-	-0-
Fire & Rescue	3,895,150	4,433,517	4,694,290	4,314,351	4,306,043
Access	833,489	728,766	-0-	-0-	-0-
Central Plant	659,252	609,264	-0-	-0-	-0-
Commercial & Industrial	41,676	78,246	-0-	-0-	-0-
Other Buildings & Area	37,927	25,532	-0-	-0-	-0-
Parking	3,602,059	3,629,456	3,541,257	3,698,270	3,694,785
Stinson Airport	704,100	641,799	658,596	723,107	775,251
Administration	8,822,961	10,577,136	12,081,007	14,224,694	14,414,896
Maintenance & Control	1,605,743	1,823,892	8,617,127	8,322,856	8,632,737
Security	5,822,768	5,813,629	6,272,464	6,784,156	7,310,119
Operations	1,276,138	1,228,199	1,280,662	1,328,252	1,448,867
Ground Transportation	636,006	723,263	-0-	-0-	-0-
Contract Monitoring	696,833	-0-	-0-	-0-	-0-
Environmental Stewardship	627,405	807,744	528,018	717,568	718,714
Airport Safety/Wildlife Programs	-0-	301,190	454,582	472,368	500,613
Baggage Handling System	-0-	2,250,199	-0-	-0-	-0-
Passenger Loading Bridges	-0-	55,617	-0-	-0-	-0-
Airside & Landside Maintenance	-0-	-0-	2,970,794	3,651,151	3,209,795
Custodial & Terminal Service	-0-	-0-	4,994,179	5,343,822	4,681,033
Fleet Maintenance	-0-	-0-	955,770	1,406,806	1,245,349
Total Operating & Maintenance Expenses	$39,873,764	$44,480,164	$47,048,746	$50,987,401	$50,938,202
Net Revenues	$24,172,125	$38,808,642	$43,114,987	$38,336,258	$40,096,367

(1) In 2010, the Signatory Airlines were eligible to receive a credit against their terminal rents, in an amount equal to 50% of funds available in excess of the 25% debt service coverage requirement after the payment of all Operation and Maintenance Expenses, debt service requirements, and deposits to the bond funds. Terminal building rentals are shown net of credit. Beginning in fiscal year 2011, there is no rebate; however, the Signatory Agreement provides for certain credits which will apply toward the next fiscal year's rates and charges. Therefore, the first credits are applied during fiscal year 2012.

Airport Financial Update and Historical Debt Service Coverage

As part of its annual Budget Process, the City re-estimates revenues and expenditures for the current fiscal year. During the most recent Budget Process, the fiscal year 2015 Net Revenues for the Airport System were projected at $31.44 million (exclusive of transfers for capital improvements and debt service).

The ratios of Gross Revenues and Net Revenues to the debt service requirements of the outstanding Parity GARBs for the past five fiscal years ended September 30 are shown below:

Historical Debt Service Coverage **Table 9**

	Fiscal Year Ended September 30				
	2010	2011	2012	2013	2014
Gross Revenues[1]	$64,045,889	$83,288,806	$90,163,733	$89,323,659	$91,034,569
Airline Rental Credit	4,178,122	-0-	-0-	-0-	-0-
Adjusted Gross Revenues	$68,224,011	$83,288,806	$90,163,733	$89,323,659	$91,034,569
Operating Expenses	(39,873,764)	(44,480,164)	(47,048,746)	(50,987,401)	(50,938,202)
Net Revenues	$28,350,247	$38,808,642	$43,114,987	$38,336,258	$40,096,367
Annual Debt Service Requirements	$17,150,414	$24,985,745	$23,044,827	$23,940,121	$23,314,205
Less: Capitalized Interest	-0-	734,451	1,391,591	-0-	-0-
Less: PFC Allocated Debt Service	-0-	1,803,587	3,597,679	3,599,179	3,812,929
Net Annual Debt Service Requirements	$17,150,414	$22,447,707	$18,055,557	$20,340,942	$19,501,276
Gross Revenue Debt Service Coverage[2]	3.98x	3.33x	3.91x	3.73x	3.90x
Net Revenue Debt Service Coverage	1.65x	1.55x	1.87x	1.60x	1.72x
Net Revenue Debt Service Coverage – Including Reduction of Debt Service Due to Capitalized Interest and PFC Allocated Debt Service[3]	1.65x	1.73x	2.39x	1.88x	2.06x

(1) As reported in the City's audited financial statements.
(2) Calculated using Gross Revenues adjusted for airline rental credit in fiscal year 2010.
(3) Beginning in fiscal year 2011, the Debt Service Coverage also includes the reduction of Debt Service due to PFC Allocated Debt Service.
Source: City of San Antonio, Department of Finance.

CERTAIN INVESTMENT CONSIDERATIONS

General

The principal of and interest on the Series 2015 Bonds is payable pursuant to the Indenture solely from the CFC Revenues. The ability to pay debt service on the Series 2015 Bonds will depend on the receipt of sufficient CFC Revenues.

The collection of CFC Revenues in amounts sufficient to pay debt service on the Series 2015 Bonds when due is subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. No representation or assurance is given or can be made that CFC Revenues will be realized in amounts sufficient to pay debt service when due on the Series 2015 Bonds.

The receipt of CFC Revenues is subject to, among other factors, the origin and destination passenger activity levels at the Airport in the future, the level of car rental activity at the Airport in the future, future economic conditions, and other factors which are impossible to predict and most of which are beyond the City's control. The future collection and remittance of CFC Revenues will have a direct impact upon the payment of principal and interest on the Series 2015 Bonds.

The following is a discussion of certain investor considerations that should be taken into account in evaluating an investment in the Series 2015 Bonds. This discussion does not purport to be either comprehensive or definitive. Any one or more of the risks and other considerations discussed below, or any others, could lead to a decrease in the market value and/or marketability or liquidity of the Series 2015 Bonds. No assurance can be given that other risk factors and investment considerations will not become material in the future. The order in which risks are presented is not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event.

Further, the financial forecasts in this Official Statement are based generally upon certain assumptions and projections as to estimated CFC Revenues. (See "REPORT OF THE AIRPORT CONSULTANTS" attached hereto as Appendix A.) Inevitably, some underlying assumptions and projections used to develop forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual receipts achieved during the forecast periods will vary from the forecasts, and such differences may be adverse and material.

In considering the matters set forth in this Official Statement, prospective purchasers should carefully review all investment considerations set forth throughout this Official Statement, specifically consider certain risks associated with the Series 2015 Bonds, and confer with their own legal, tax and financial advisors before considering a purchase of the Series 2015 Bonds. The Series 2015 Bonds may not be suitable investments for all persons.

Project Completion

The City's collection of CFC Revenues is at least in part dependent upon successful and timely completion and operation of the Project, in general, and in particular, the CONRAC Facility. The ability of the CMR to complete the construction of the Project within budget and on schedule may be adversely affected by various factors. Although the Construction Contract is for a GMP that includes contingency amounts and payment and performance bonding that reduce the likelihood of budgetary problems, any of the following could impair timely completion of the Project within budget (though the pre-construction services that allows for working with the design team in developing the Project and assuring constructability is specifically intended to mitigate and/or eliminate many of these potential risks): (i) estimating errors, (ii) design and engineering errors, (iii) unforeseen site conditions, (iv) labor cost increases or other difficulties, (v) adverse weather conditions, (vi) unavailability or increased cost of building materials, (vii) contractor defaults, and (viii) litigation. In addition, the CONRAC Facility's ability to generate sufficient CFC Revenues to provide for the payment of debt service on the Series 2015 Bonds is predicated upon numerous assumptions and projections that are detailed in the "REPORT OF AIRPORT CONSULTANTS" attached hereto as Appendix A. See "CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS – Report of the Airport Consultant" for a description of certain risks inherent in the reliance upon such a report.

Operators

The projections of the CFC Revenues derived from CFCs are dependent on the ability of the current Operators or any new entrants to provide a competitive product to potential customers at the Airport over the life of the Series 2015 Bonds. Such ability is affected by factors beyond their control, including the cost and resale value of cars. Competitive factors have limited the profitability of rental car companies in the past several years and some companies and franchises have ceased operations or been acquired by other companies. Prospective purchasers should consider the potential effects of the rental car industry as a whole upon the availability of the CFC Revenues to pay debt service on the Series 2015 Bonds.

Damage and Destruction

The City will maintain insurance in the amount and against such risks as are customarily insured against on-Airport property, including the Project. There can be no assurance, however, that the Project will not suffer extraordinary and unanticipated losses, for which insurance cannot be or has not been obtained, or that the amount of any such loss for the period during which the Project is not available for use will not exceed the coverage of such insurance policies. In addition, the City has reserved the right to cancel the Lease Agreements in the event of damage that cannot be repaired within thirty (30) days of the occurrence, and in such case all insurance proceeds in connection with the loss or damage either received by the City or the Operators or due from policies from which the City is named as the loss payee or an additional insured shall be and remain the sole property of the City and are neither pledged to repay Series 2015 Bonds nor committed to replace rental car facilities.

Events of Force Majeure

Construction and operation of the Project are at risk from events of *force majeure*, such as earthquakes, tornados, hurricanes or other natural disasters, epidemics, blockades, rebellions, war, riots, acts of sabotage, terrorism or civil commotion, and spills of hazardous materials, among other events. Construction or operations may also be stopped or delayed from non-casualty events such as discovery of archaeological artifacts, changes in law, delays in obtaining or renewing required permits, revocation of such permits and approvals and litigation, among other things.

Ability to Meet Rate Covenant

The City has covenanted in the Indenture to set the CFC annually at a rate that will satisfy the rate covenant set forth in the Indenture. See “SECURITY FOR THE BONDS – Rate Covenant.” The current CFC levied on rental car transactions is, effective July 1, 2015, $5.00 per Transaction Day pursuant to the Bond Ordinance. The Report assumes that the Customer Facility Charge will increase to $5.50 per Transaction Day on September 1, 2018; however, as noted above, the Aviation Director is authorized to adjust the Customer Facility Charge at any time if necessary to meet the Rate Covenant required under the Indenture.

Although the Report has factored in the expectations as to the effect of such increases on rental car demand, there can be no assurance that such increases will not adversely affect rental car demand, the result of which may be a reduction in the aggregate amount of CFC Revenues. In addition, in the event that the City determines that conditions require additional or greater future increases in the CFC rate above the projected increases described in the Report, there can be no assurance that such increases will not adversely affect rental car demand, the result of which may be a reduction in the aggregate amount of CFC Revenues. Contingent Fees to be paid directly by Operators may be assessed under the Concession Agreements should the CFC Revenues prove insufficient to meet the rate covenant obligations set forth in the Indenture.

Length of Term of Lease Agreements and Concession Agreements

Each Lease Agreement expires by its terms at the end of the twentieth (20^{th}) anniversary of the first full year fiscal year following DBO (such termination date anticipated to occur on or about September 30, 2038). Each Concession Agreement has an initial term of ten (10) years, with an option for up to one (1) additional ten (10) year extension, at the sole discretion of the City. While the Indenture does not contain a covenant by the City to provide for the operation of rental car concessions at the CONRAC under the Concession Agreements until the final maturity of the Series 2015 Bonds, the City has covenanted in the Indenture, so long as any Bonds are Outstanding, to take all actions required on its part to keep the Lease Agreements (which Lease Agreements provide that the City’s cessation of use of the CONRAC Facility cannot occur unless the City accomplishes a corresponding defeasance of Bonds at such time Outstanding) in effect in accordance with their terms. In addition, the City has, in the Indenture, covenanted that it will, for so long as any Bonds are Outstanding, continue to impose a customer facility charge and provide for the collection of revenues from such customer facility charge in a manner which is substantially similar to those provisions relating to the imposition of the CFC and the collection of the CFC Revenues contained in the Lease Agreements. Any such customer facility charges shall constitute CFCs for all purposes of the Indenture. There is no guarantee, however, that such a substitute contract will produce similar economic and financial results upon which the sale of the Series 2015 Bonds is predicated.

The Airline Industry and Airline Operations at the Airport

General. CFC Revenues are in large measure driven by passenger demand for air service and rental cars at the Airport, which is a function of national and local economic conditions and the willingness of the commercial airlines to supply service at a level commensurate with this demand. Macro and micro economic factors that could impact passenger traffic at the Airport are provided below.

Airport Passenger Traffic. As the only commercial service airport serving the City and its metropolitan statistical area, the Airport's performance is dependent upon the City's status as a business and tourism destination. Additionally, the financial strength and stability of the airlines serving the Airport are key determinants of future airline traffic at the Airport.

The achievement of passenger traffic will depend partly on the profitability of the airline industry, including their ability to access capital and the ability of individual airlines to provide sufficient capacity to meet demand. A weak economy, war, pandemic illness, geophysical event, and the threat of terrorist activity reduce demand. At the Airport, a reduction in passenger traffic would, in addition to financial pressures upon the airlines providing service to the Airport, result in lower concession revenues, parking revenues, rental car revenues, and CFC Revenues. Additionally, a decrease in aviation activity at the Airport would likely result in an increase in landing fees and terminal rentals to offset the Airport's cost of providing these services as required by the Use Agreements. As landing fees and terminal rentals rise, airlines could elect to discontinue service at the Airport.

General Factors Affecting Air Carrier Revenues. Passenger traffic at the Airport and the airlines serving the Airport may be materially affected by many factors including, without limitation, the following: national economic conditions; declining demand; service and cost competition; the availability of alternatives to air travel, such as video conferencing or new train or bus routes; mergers; the availability and cost of fuel and other necessary supplies; high fixed costs; high capital requirements; the cost and availability of financing; technological changes; national and international disasters and hostilities; the cost and availability of employees; strikes and other employee disruptions; the maintenance and replacement requirements of aircraft; the availability of routes and slots at various airports; litigation liability; regulation by the federal government; environmental risks and regulations; public health risks affecting travel; noise abatement concerns and regulation; deregulation; federal and state bankruptcy and insolvency laws; and other risks. Most of these factors are outside of the City's control.

In particular, national economic conditions influence aviation activity at the Airport. Economic expansion increases income, boosts consumer confidence, stimulates business activity, and increases demand. In contrast, an economic recession reduces income, diminishes consumer confidence, dampens business activity, and weakens demand. Many airlines, as a result of these and other factors, have operated at a loss in the past and several have filed for bankruptcy, ceased operations and/or have merged with other airlines. Although the national economy has improved, the recent domestic financial crisis has had, and may continue to have, negative repercussions upon the national economy, including a scarcity of credit, lack of confidence in the financial sector, extreme volatility in the financial markets, fluctuations in interest rates, reduced business activity, increased unemployment, increased consumer bankruptcies and increased business failures and bankruptcies.

In Texas the effect of falling oil prices on the state economy could influence aviation activity at the Airport. Although falling oil prices are advantageous to the operating costs of the airlines, Texas' oil companies have already started cutting capital budgets and laying off workers. Although the Texas economy is now more diverse than it was in the 1980s and is expected to continue growing, the outlook could change if oil prices continue to fall deeper and for much longer.

General Factors and Uncertainties Affecting Airline Activity and the Airline Industry. Airports benefit from stable or growing air service when airlines are profitable. They risk losing service when airlines suffer financial hardship. The price of jet fuel affects airlines' financial health. The possibility for increases in fuel costs could escalate for a number of reasons, including if oil-producing countries are impacted by hostilities or choose to reduce output, which could also impact fuel availability. Until recently, rising fuel prices increased airline costs dramatically and contributed to significant industry losses.

There are numerous other factors that affect air traffic generally and the financial health of airlines. Demand for air travel is influenced by factors such as population, levels of disposable income, the nature, level and concentration of industrial and commercial activity in the service area and the price of air travel. The price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination, the financial condition, cost structure and strategies of the airlines serving an airport, the willingness of competing airlines to enter into an airport market, the cost of operating at an airport and operating constraints (due to capacity, environmental concerns or other related factors) limiting the frequency or timing of airport traffic within the national system or at a particular airport.

Since its deregulation in 1978, the airline industry has undergone significant changes that include a number of airline mergers, acquisitions, bankruptcies and closures. In addition, the financial results of the airline industry have been subject to substantial volatility since deregulation. The airline industry is highly competitive and susceptible to price discounting. Carriers have used discount fares to stimulate traffic during periods of slack demand, to generate cash flow and to increase market share. Airline profit levels are highly sensitive to changes in fuel costs, fare levels and passenger demand. Passenger demand and fare levels have in the past been influenced by, among other things, the general state of the economy (both internationally and domestically), international events, airline capacity and pricing actions taken by carriers. Further bankruptcy filings and major restructurings by airlines are still possible.

In recent years, the major U.S. airlines have sought to form marketing alliances with other U.S. and foreign air carriers. Such alliances generally provide for "code-sharing", frequent flyer reciprocity, coordinated scheduling of flights of each alliance member to permit convenient connections and other joint marketing activities. Such arrangements permit an airline to market flights operated by other alliance members as its own. This increases the destinations, connections and frequencies offered by the airline, which provide an opportunity to increase traffic on such airline's segment of flights connecting with alliance partners.

The financial strength and stability of the airlines serving the Airport are key determinants of future airline traffic at the Airport. In addition, individual decisions by the airlines regarding level of service at the Airport will affect total enplanements. No assurance can be given as to the levels of aviation activity that will be achieved by the Airport. There is no assurance that the Airport, despite a demonstrated level of airline service and operations over the years, will continue to maintain such levels in the future. The continued presence of the airlines serving the Airport (particularly, the major carriers providing such service), and the levels at which that service will be provided, are a function of a variety of factors. Future airline traffic the Airport will be affected by, among other things, the growth or decline in the population and the economy of the Airport's service region and by national and international economic conditions, federal regulatory actions, airline service, air fare levels and the operation of the air traffic control system.

Airlines' Financial Reporting. Certain of the certificated major domestic airlines (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and thus must file reports and other information with the SEC (defined herein). Certain information, including financial information, as of particular dates, concerning the certificated major domestic airlines (or their respective parent corporations) is disclosed in such reports and statements filed with the SEC. Such reports and statements can be inspected and copied at the public reference facilities maintained by the SEC in Washington, D.C. and at the SEC's regional offices around the country, which may be located by calling 1-800-SEC-0330. Copies of such reports and statements can be obtained from the Public Reference Section of the SEC at prescribed rates. The SEC also maintains a web site at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The SEC undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of such material. The City, the City's Co-Financial Advisors, and the Underwriters undertake no responsibility for and make no representations as to the accuracy or completeness of the content of any such material contained on the internet as described in the preceding sentences or elsewhere in this Official Statement, including (but not limited to) updates of such information or links to other internet websites accessed through any such aforementioned websites.

In addition, all major and certain other airlines are required to file periodic reports of financial and operating statistics with the United States Department of Transportation. Such reports can be obtained from the U.S. Department of Transportation at prescribed rates.

Airline Mergers. In recent years, and particularly since its deregulation in 1978, the U.S. airline industry has undergone substantial consolidation, and it may in the future undergo additional consolidation. The most recent examples of large mergers include Delta and Northwest in 2009, United and Continental in 2010, Southwest and AirTran in 2011, and American and US Airways in 2013. Airline mergers affect service and traffic at airports when they consolidate facilities, optimize route networks, and route connecting traffic through other hubs. The impact on affected airports is often immediate. The impact can be significant or trivial, depending upon whether the merging airlines have a large market share at the airport, they serve the same markets, and they carry significant connecting traffic through the airport.

National Security and Threat of Terrorism. Even with tightened security, terrorism remains a serious threat to the aviation industry. The recurrence of terrorism incidents against either domestic or world aviation targets remains a risk to achieving forecast aviation activity at the Airport. The federal government controls aviation industry security requirements, which can significantly impact the economics of the industry. Security requirements due to unexpected events could increase costs directly and indirectly to the industry and could have an adverse effect on passenger demand. Stringent airport security screening and long waits at security screening lines discourage air travel particularly to destinations that can be reached by ground transportation within a reasonable amount of time. No assurance can be given that increased security precautions will be successful or that increased security costs or uncertainty will not materially affect travel demand or profitability. Another terrorist attack or any other event that undermines confidence in the safety of air travel likely would have an immediate and material adverse effect on air travel demand

Considerations under Bankruptcy Code

Operator Bankruptcies. In the event a bankruptcy case is filed with respect to an Operator, a bankruptcy court could reject its Agreement, in which event the Operator would not be required to collect and remit Customer Facility Charges. In such event, the Operator would be in default under its Agreement, permitting the Airport to cancel such agreement and remove the Operator from possession and occupancy of the CONRAC. Furthermore, although Operators may be required to pay Contingent Fees or make delivery under their respective Performance Guarantees in the event of insufficient Customer Facility Charge collections, in bankruptcy, a liquidating or reorganizing Operator or new entrant may be able to discharge and not pay some or all of the Contingent Fees it owes.

City Bankruptcy. The City may be able to file for bankruptcy under Chapter 9 of the Bankruptcy Code. Should the City become the debtor in a bankruptcy case, the Bondholders may not have a lien on Pledged Revenues after the commencement of the bankruptcy case unless either: (i) the pledge of such revenues by the City constitutes a "statutory lien" within the meaning of the Bankruptcy Code, or (ii) such revenues constitute "special revenues" within the meaning of the Bankruptcy Code. If Pledged Revenues are not special revenues or if the Bondholders do not have a statutory lien on post-bankruptcy Pledged Revenues, delays or reductions in payments to the Bondholders may result. There may also be delays in payments to the Bondholders while a court considers these issues.

Report of the Airport Consultants

The CFC Revenue forecasts in the Report of the Airport Consultants (referred to herein as the "Report") are based upon certain assumptions set forth or incorporated therein. (See "THE REPORT OF THE AIRPORT CONSULTANTS" attached hereto as Appendix A.) The Report is not a guarantee of any future events or trends and the forecasts therein are subject to future economic and social conditions and demographic developments that cannot be predicted with certainty. Further, the estimates and assumptions in the Report are inherently subject to significant economic and competitive uncertainties and contingencies, many of which are beyond the control of the City. Neither the City nor the Airport Consultants can be responsible if actual results differ from the forecasts. Failure to achieve or realize any of the assumptions listed in the Report may have a materially adverse effect upon the CFC Revenues actually realized. No representation is made or intended nor should any representation be inferred with respect to the likely existence of any particular set of facts or circumstances, and prospective purchasers of the Series 2015 Bonds are cautioned not to place undue reliance on the forecasts in the Report or upon any other forecasts or projection.

Regulations and Restrictions Affecting the Airport

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the airline use agreements, the federal acts authorizing the imposition, collection and use of Passenger Facility Charges ("PFC"), and extensive federal legislation and regulations applicable to all airports in the United States. The Airport also has been required to implement enhanced security measures mandated by the Federal Aviation Administration, Department of Homeland Security, and Airport management.

It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport, whether additional requirements will be funded by the federal government or require funding by the City, or whether such restrictions or legislation or regulations would adversely affect aviation activity and the resulting rental car activity at the Airport.

Competition and Alternate Modes of Transportation and Communication

There are alternative forms of ground transportation at the Airport and other airports which compete with the Airport for air travelers. Competition could reduce passenger traffic and the demand for renting motor vehicles at the Airport. Alternate forms of ground transportation that compete with rental cars include taxis, buses, shuttle services, and limousines. Various forms of car-sharing and on-demand vehicle services are also becoming increasingly prevalent and popular with the public, and may offer competition that could reduce the demand for car rentals at the Airport. Technological improvements in communication could reduce the need for business travel.

Limitations on Remedies

The Series 2015 Bonds are not subject to acceleration under any circumstances or for any reason, including without limitation on the occurrence or continuance of an Event of Default. Upon the occurrence or continuation of an Event of Default, a Bondholder would only be entitled to principal and interest payments on the Series 2015 Bonds as they come due. Under certain circumstances, Holders of the Series 2015 Bonds may not be able to pursue certain remedies or enforce covenants contained in the Indenture. The enforcement of the remedy of mandamus may be difficult and time consuming. No assurance can be given that a mandamus or other legal action to enforce a default under the Indenture would be successful.

The remedies available under the Indenture are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law, such remedies may not be readily available. In addition. enforcement of such remedies (i) may be subject to general principles of equity which may permit the exercise of judicial discretion, (ii) are subject to the exercise in the future by the State and its agencies and political subdivisions of the police power inherent in the sovereignty of the State, (iii) are subject, in part, to the provisions of the United States Bankruptcy Act and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and (iv) are subject to the exercise by the United States of the powers delegated to it by the federal Constitution. The various legal opinions to be delivered concurrently with the delivery of the Series 2015 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2015 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally. For additional information, see "THE SERIES 2015 BONDS – Defaults and Remedies".

Secondary Market

No assurance can be given concerning the existence of any secondary market in the Series 2015 Bonds or its creation or by the Underwriters. Thus, purchasers of the Series 2015 Bonds should be prepared, if necessary, to hold their Series 2015 Bonds until their respective maturity dates.

Visitors Taxes

Pursuant to the provisions of Chapter 334, Texas Local Government Code, a city or county or both may impose a rental car tax in increments of one-eighth of one percent, of up to five percent each of the price of such rental as well as an additional hotel occupancy tax of up to two percent for a venue project, which includes an arena, coliseum, convention facility, civic center, music hall or any other development project. The City has submitted to its citizens for approval, and by a majority vote at an election held for such purpose, the City is authorized to assess and collect, and is collecting, an additional hotel occupancy tax for venue projects; Bexar County has also received voter approval to impose and collect both a hotel occupancy tax and a motor vehicle rental car tax for venue projects. These are referred to as "visitors taxes" and their imposition increases the costs of travelers visiting the City. At this time, though, no increase in the motor vehicle rental car tax (except for the CFC, which itself is not a tax but is the functional equivalent) is under consideration by the City or Bexar County. Neither tax was considered by the Airport Consultant with respect to the Report, nor is either such tax pledged as security for the payment of the Series 2015 Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Indenture, the City has made the following agreement for the benefit of the holders and Beneficial Owners of the Series 2015 Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Series 2015 Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB through its EMMA system, where it is available free of charge at www.emma.msrb.org.

Annual Reports

Under State law, including but not limited to, Chapter 103, Texas Local Government Code, as amended, the City must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant, and must file each audit report with the City Clerk. The City's fiscal records and audit reports are available for public inspection during the regular business hours of the City Clerk. Additionally, upon the filing of these financial statements and the annual audit, these documents are subject to the Texas Open Records Act, Texas Government Code, Chapter 552, as amended. Thereafter, any person may obtain copies of these documents upon submission of a written request to the City Clerk, City of San Antonio, Texas, 100 Military Plaza, San Antonio, Texas 78205, and upon paying the reasonable copying, handling, and delivery charges for providing this information.

The City will file annually with the MSRB certain updated financial information and operating data. The information to be updated includes (i) all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the heading "PROJECTED CFC REVENUES AND COVERAGE" (which shall include total Pledged Revenues for the fiscal year and the use of such Pledged Revenues for such fiscal year) and Tables 1 through 9, (ii) a list of Operators as of the end of the fiscal year, (iii) the number of Transaction Days for the fiscal year, (iv) the CFC Report, and (v) the City's Comprehensive Annual Financial Report. The City will update and provide this information within six months after the end of its fiscal year.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited information within the required time and audited financial statements when and if the audit report becomes available.

The City's fiscal year ends September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of such change with the MSRB.

Notice of Certain Events

Notice of Occurrence of Certain Events, Whether or Not Material. The City will notify the MSRB through EMMA in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Series 2015 Bonds, **regardless of whether such event is material within the meaning of the federal securities laws**: (i) principal and interest payment delinquencies; (ii) unscheduled draws on debt service reserves reflecting financial difficulties; (iii) unscheduled draws on credit enhancements reflecting financial difficulties; (iv) substitution of credit or liquidity providers, or their failure to perform; (v) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2015 Bonds, or other events affecting the tax status of the Series 2015 Bonds; (vi) tender offers; (vii) defeasances; (viii) rating changes; and (ix) bankruptcy, insolvency, receivership or similar event of an obligated person. Neither the Series 2015 Bonds nor the Financing Documents make any provision for credit enhancement or liquidity enhancement with respect to the Series 2015 Bonds.

Notice of Occurrence of Certain Events, If Material. The City also will notify the MSRB through EMMA in an electronic format as prescribed by the MSRB within ten (10) business days following the occurrence of any of the following events with respect to the Series 2015 Bonds, **if such event is material within the meaning of the federal securities laws**: (i) non-payment related defaults; (ii) modifications to rights of Registered Owners; (iii) Series 2015 Bond calls; (iv) release, substitution, or sale of property securing repayment of the Series 2015 Bonds; (v) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (vi) appointment of a successor or additional trustee or the change of name of a trustee.

Notice of Failure to Timely File. The City also will notify the MSRB through EMMA, in a timely manner, of the occurrence of any failure to provide financial information or operating data in accordance with the provisions described above.

Availability of Information

Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the City in accordance with its undertaking made for the Series 2015 Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

With respect to debt of the City issued prior to the EMMA Effective Date, the City remains obligated to make annual required filings, as well as notices of material events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository (the "SID")). Prior to the EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the City receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the City has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

Limitations and Amendments

The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Series 2015 Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of their continuing disclosure agreement or from any statement made pursuant to their agreement, although holders of the Series 2015 Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The provisions of the continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (i) the provisions, as so amended, would have permitted an underwriter to purchase or sell Series 2015 Bonds in the primary offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (ii) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the Outstanding Series 2015 Bonds consent to such amendment, or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Registered Owners and beneficial owners of the Series 2015 Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Series 2015 Bonds in the primary offering of the Series 2015 Bonds.

Compliance with Prior Undertakings

Except as hereinafter described, the City, during the past five (5) years, has complied in all material respects with continuing disclosure agreements made thereby in accordance with the Rule.

Due to an administrative oversight, the City neglected to file its annual financial disclosure information (the CAFR for fiscal year 2009 and the required Continuing Disclosure of Financial and Operating Data Information for the same reporting period) for its outstanding obligations having a base CUSIP number of 796236. This information was timely filed with respect to all other City obligations (where it was available to the general public from the MSRB through EMMA) and, on March 28, 2011, was filed with respect to the outstanding obligations having the base CUSIP of 796236.

Additionally, due to an administrative oversight by CPS staff, on September 18, 2012, the City was informed by the MAC that CPS did not file its annual financial information and operating data for the City of San Antonio, Texas Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project) (the "Starbright Bonds") having a base CUSIP number of 796300 and being secured by CPS revenues transferred to the City. CPS filed on October 9, 2012 all required annual financial disclosure information to the EMMA website for the City's Starbright Bonds (CUSIP 796300), in addition to a non-compliance notice.

For additional information relating to the City's continuing disclosure filing history, see www.emma.msrb.org.

TAX MATTERS

THE FOLLOWING DISCUSSION, WHICH WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SALE OF THE SERIES 2015 BONDS, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE SERIES 2015 BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

Certain Federal Income Tax Considerations

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Series 2015 Bonds and is based on the Internal Revenue Code of 1986, as amended (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Series 2015 Bonds and does not address U.S. federal gift or estate tax or the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, taxpayers who may be subject to other personal holding company provisions of the Code) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Series 2015 Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the U.S. dollar. This summary is further limited to investors who will hold the Series 2015 Bonds as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code.

As used herein, the term “U.S. Holder” means a beneficial owner of a Series 2015 Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (A) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (B) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term “Non-U.S. Holder” means a beneficial owner of a Series 2015 Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF SERIES 2015 BONDS IN LIGHT OF THE HOLDER’S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE SERIES 2015 BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2015 BONDS BEFORE DETERMINING WHETHER TO PURCHASE SERIES 2015 BONDS.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE SERIES 2015 BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

Periodic Interest Payments and Original Issue Discount. The Series 2015 Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Series 2015 Bonds or original issue discount, if any, accruing on the Series 2015 Bonds will be includable in “gross income” within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Series 2015 Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Series 2015 Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner’s tax basis in the Series 2015 Bonds. Generally, a U.S. Holder’s tax basis in the Series 2015 Bonds will be the owner’s initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Series 2015 Bonds has been held for more than one year.

Defeasance of the Series 2015 Bonds. Defeasance of any Series 2015 Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

Other Tax Consequences. Effective for tax years beginning after December 31, 2012, pursuant to the Health Care and Education Reconciliation Act of 2010, which was intended to help finance the cost of healthcare reform, certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Series 2015 Bonds. PROSPECTIVE PURCHASERS OF THE SERIES 2015 BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Series 2015 Bond, will not be subject to U.S. federal income or withholding tax in respect of a Series 2015 Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Series 2015 Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Series 2015 Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

LEGAL MATTERS

On the Closing Date, the City will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Series 2015 Bonds, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Series 2015 Bonds are valid and legally binding special obligations of the City, and based upon examination of such transcript of proceedings, the legal opinion of Series 2015 Bond Counsel to the effect that the Series 2015 Bonds are valid and legally binding special obligations of the City. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Series 2015 Bonds, or which would affect the provision made for their payment or security or in any manner questioning the validity of the Series 2015 Bonds will also be furnished. In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, has reviewed the information appearing in this Official Statement under the captions "THE SERIES 2015 BONDS" (other than under the subsection "Book-Entry-Only System", "Defaults and Remedies", and "Payment Record", as to which no view will be expressed), "SECURITY FOR THE BONDS", "TAX MATTERS", "OTHER RELEVANT INFORMATION - Registration and Qualification of Series 2015 Bonds for Sale", "OTHER RELEVANT INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas", "LEGAL MATTERS", and "CONTINUING DISCLOSURE OF INFORMATION" (other than under the subsection "Compliance with Prior Undertakings", as to which no view will be expressed) to determine whether such information fairly summarizes the material and documents referred to therein and is correct as to matters of law. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinions of any kind with regard to the accuracy or completeness, of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Series 2015 Bonds are contingent on the issuance and delivery of the Series 2015 Bonds. The form of legal opinion of Bond Counsel expected to be delivered on the date of issuance of the Series 2015 Bonds is attached hereto as Appendix E. Certain legal matters will be passed upon for the City by the City Attorney. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Norton Rose Fulbright US LLP and Escamilla & Poneck, LLP, both of San Antonio, Texas.

None of Bond Counsel, the City Attorney, or Underwriters' Co-Counsel have been engaged to investigate or verify, and accordingly none will express any opinion concerning, the financial condition or capabilities of the City or the Airport System or the sufficiency of the security for, or the value or marketability of, the Series 2015 Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Series 2015 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Bond Counsel represent certain of the Underwriters from time to time on various legal matters; however, Bond Counsel does not represent any of the Underwriters in connection with the issuance of the Series 2015 Bonds. Underwriters' Co-Counsel represents the City from time to time on certain legal matters; however, they are not representing the City in connection with the issuance of the Series 2015 Bonds.

OTHER RELEVANT INFORMATION

Ratings

The Series 2015 Bonds are rated "BBB+", "A3", and "A-" by Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's"), and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), respectively. An explanation of the significance of such ratings may be obtained from each rating agency. The rating of the Series 2015 Bonds by each rating agency reflects only the views of said companies at the time the ratings are given, and the City makes no representations as to the appropriateness of the ratings. There is no assurance that the ratings will continue for any given period of time, or that the ratings will not be revised downward or withdrawn entirely by a rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Series 2015 Bonds.

Registration and Qualification of Series 2015 Bonds

The sale of the Series 2015 Bonds has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Series 2015 Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Series 2015 Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Series 2015 Bonds under the securities laws of any jurisdiction in which the Series 2015 Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Series 2015 Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Series 2015 Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Series 2015 Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Series 2015 Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER RELEVANT INFORMATION – Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Series 2015 Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Series 2015 Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Series 2015 Bonds are legal investments for various institutions in those states.

Co-Financial Advisors

Coastal Securities, Inc. and Estrada Hinojosa & Company, Inc. (the "Co-Financial Advisors") are engaged by the City in connection with the issuance of the Series 2015 Bonds and, in such capacity, have assisted the City in the preparation of certain documents related thereto. The Co-Financial Advisors' fee for service rendered with respect to the sale of the Series 2015 Bonds is contingent upon the issuance and delivery of the Series 2015 Bonds.

The Co-Financial Advisors have not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the City's records and from other sources which are believed to be reliable, including financial records of the City and other entities which may be subject to interpretation. No guarantee is made by the Co-Financial Advisors as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Co-Financial Advisors as an implicit or explicit expression of opinions as to the completeness and accuracy of the information contained in this Official Statement.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2015 Bonds from the City at a price equal to the initial offering prices to the public, as shown on the inside cover page of this Official Statement, less an underwriting discount of $732,451.00, and no accrued interest.

The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Series 2015 Bonds if any Series 2015 Bonds are purchased. The Series 2015 Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Series 2015 Bonds into investment trusts) at prices lower than the public offering prices of such Series 2015 Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

Forward-Looking Statements; Information from Online Sources

The statements contained in this Official Statement and in any other information provided by the City that are not purely historical are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials.

Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

Miscellaneous Information

The financial data and other information contained herein have been obtained from the City's records, financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

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Authorization Of The Official Statement

This Official Statement has been approved as to form and content and the use thereof in the offering of the Series 2015 Bonds was authorized, ratified, and approved by the City Council on the date of sale, and the Underwriters will be furnished, upon request, at the time of payment for and the delivery of the Series 2015 Bonds, a certified copy of such approval, duly executed by the proper officials of the City.

The City has approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the offering of the Series 2015 Bonds by the Underwriters.

/s/ Ivy R. Taylor
Mayor
City of San Antonio, Texas

ATTEST:

/s/ Leticia M. Vacek
City Clerk
City of San Antonio, Texas

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APPENDIX A

REPORT OF THE AIRPORT CONSULTANTS

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Report of the Airport Consultants

City of San Antonio, Texas
Customer Facility Charge Revenue Bonds, Taxable Series 2015

and

City of San Antonio, Texas
Airport System Revenue Improvement Bonds, Series 2015 (AMT)

PREPARED BY:

RICONDO & ASSOCIATES, INC.
105 East Fourth Street, Suite 1700
Cincinnati, OH 45202
(513) 651-4700 (phone)
(513) 412-3570 (facsimile)

RICONDO®
& ASSOCIATES

July 1, 2015

Mr. Frank Miller, A.A.E.
Aviation Director
City of San Antonio, Aviation Department
9800 Airport Blvd.
San Antonio, Texas 78216

RE: Report of the Airport Consultants for the City of San Antonio, Texas Customer Facility Charge Revenue Bonds, Taxable Series 2015 and the City of San Antonio, Texas Airport System Revenue Improvement Bonds, Series 2015 (AMT)

Dear Mr. Miller:

Ricondo & Associates, Inc. (R&A), in association with Inter*VISTAS* Consulting, Inc. (Inter*VISTAS*), is pleased to present this Report of the Airport Consultants (the Report) to the City of San Antonio (the City) for inclusion in the Official Statement for the City of San Antonio, Texas, Customer Facility Charge (CFC) Revenue Bonds, Taxable Series 2015 (the Series 2015 CFC Bonds) and the Official Statement for the City of San Antonio, Texas Airport System Revenue Improvement Bonds, Series 2015 (AMT) (the Series 2015 GARB Bonds). Collectively, the Series 2015 CFC Bonds and the Series 2015 GARB Bonds will be referred to as the Series 2015 Bonds.

The Series 2015 CFC Bonds are being issued by the City under the Trust Indenture (the Special Facility Indenture) by and between the City and U.S. Bank National Association (the Trustee), for the purpose of financing the costs of the Series 2015 Project (defined below) and certain other costs. The Series 2015 CFC Bonds, together with any Additional Bonds, when and if issued are payable from and secured solely by a first lien on and pledge of the Trust Estate established by the Special Facility Indenture, which includes the CFC Revenues and certain funds and accounts held under the Special Facility Indenture.

The Series 2015 GARB Bonds are being issued by the City pursuant to the laws of the State of Texas (Texas), including particularly Chapter 22, as amended, Texas Transportation Code, and Chapter 1503, as amended, Texas Government Code (collectively, the Act), the City's Home Rule Charter (the Charter), a master ordinance adopted by the City Council of the City (the City Council) on April 19, 2001 (the Master GARB Ordinance), and a Fifteenth Supplemental Ordinance thereto adopted by the City Council on [June 18, 2015] (together with the Master GARB Ordinance, the GARB Ordinance).

This Report sets forth findings, assumptions, and projections of the air traffic and financial analyses developed by R&A and Inter*VISTAS* in conjunction with the planned issuance by the City of the Series 2015 Bonds, which along with CFCs collected by rental car companies from rental car customers prior to

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issuance of the Series 2015 Bonds will be used (1) to fund construction of a Consolidated Rental Car Facility (CONRAC Facility), including additional covered short-term public parking, together with associated roadways and infrastructure at the Airport, and (2) to fund the Debt Service Reserve Fund, and Debt Service Coverage Fund, and (3) to pay the costs of issuing the Series 2015 Bonds (together the Series 2015 Project). Unless otherwise defined herein, all capitalized terms in this Report are used as defined in the Official Statement for the Series 2015 CFC Bonds, the Official Statement for the Series 2015 GARB Bonds, the Special Facility Indenture or the GARB Ordinance.

The City owns and operates the Airport and Stinson Municipal Airport (Stinson), which comprise the Airport System. The Airport is classified as a medium-hub airport by the Federal Aviation Administration (FAA) and is the only commercial service airport serving the City and the San Antonio metropolitan area. Stinson is primarily a general aviation airport.

This Report presents the analysis undertaken by R&A to demonstrate the ability of the City to comply with the requirements of the Special Facility Bond Ordinance and GARB Ordinance on a pro forma basis for Fiscal Years[1] (FYs) 2016 through 2023 (the Projection Period) based on the assumptions regarding the planned issuance of the Series 2015 Bonds and the timely completion of the Series 2015 Project established by the City through consultation with its financial advisors and senior managing underwriter. In developing its analysis, R&A has reviewed historical trends and formulated projections, based on the assumptions put forth in this Report which have been reviewed and agreed to by the City and its professionals, regarding the ability of the Air Trade Area (defined herein) to generate demand for air service and rental cars at the Airport; the amount of air service, passenger activity, and rental car activity at the Airport; and the generation of Revenues at the Airport through the Projection Period. The report is organized as follows:

- Summary of Findings
- Chapter 1: The Series 2015 Project and the Series 2015 Bonds
- Chapter 2: San Antonio International Airport
- Chapter 3: Economic Base for Air Transportation
- Chapter 4: Air Traffic
- Chapter 5: The Airport Rental Car Market
- Chapter 6: Financial Analysis – Series 2015 CFC Bonds
- Chapter 7: Financial Analysis – Series 2015 GARB Bonds

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1 The City's fiscal year is October 1 through September 30.

On the basis of the assumptions and analyses described in this report, R&A is of the opinion that the City's CFC Revenues will be sufficient to meet the City's Rate Covenant, as set forth in the Special Facility Indenture. R&A is also of the opinion that Net Revenues are sufficient to meet the City's Rate Covenant, as set forth in the GARB Ordinance, during the Projection Period and that the Airport's airline rates and charges, incorporating estimated increases in operating and capital costs related to capital projects expected to be completed during the Projection Period will remain reasonable through the Projection Period.

Founded in 1989, R&A is a full-service aviation consulting firm providing airport physical and financial planning services to airport owners and operators, airlines, and federal and state agencies. R&A has prepared Reports of the Independent Airport Consultant in support of over $24.6 billion of airport related revenue bonds since 1996. R&A is not registered as a municipal advisor under Section 15B of the Securities Exchange Act of 1934. R&A is not acting as a municipal advisor and has not been engaged by the City to provide advice with respect to the structure, timing, terms and other similar matters concerning the issuance of municipal securities. The assumptions regarding such matters included in this report have been provided by the City, the City's financial advisors, or the City's senior managing underwriter, or, with the City's approval, have been derived from general, publically available data approved by the City. R&A owes no fiduciary duty to the City. The City should discuss the information and analysis contained in this report with internal and external advisors and experts that the City deems appropriate before taking any action. Any opinions, assumptions, views or information contained herein are not intended to be, and do not constitute, "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934.

The techniques and methodologies used by R&A and Inter*VISTAS* in the preparation of this Report are consistent with industry practices for similar studies in connection with airport revenue bond sales. While R&A and Inter*VISTAS* believe that the approach and assumptions used in the Report are reasonable, some assumptions regarding future trends and events detailed in the Report may not materialize. Therefore, actual performance will likely differ from the projections put forth in the Report and the variations may be material.

In developing its analysis, R&A has utilized information from various sources including the City, its financial advisors, the senior managing underwriter, federal and local governmental agencies, and independent private providers of economic and aviation industry data which are identified in the notes accompanying the related tables and exhibits in the Report. R&A believes these sources to be reliable, but has not audited this data and does not warrant their accuracy. The analysis presented is based on conditions known as of the date of the Report. R&A has no responsibility to update the Report for events or circumstances occurring after the date of the Report.

Sincerely,

Ricondo & Associates, Inc.

RICONDO & ASSOCIATES, INC.

Table of Contents

Table of Contents (continued)

Table of Contents (continued)

Table of Contents (continued)

Table of Contents (continued)

List of Tables

List of Tables (continued)

List of Tables (continued)

List of Exhibits

Summary of Findings

The City of San Antonio (the City) commissioned Ricondo & Associates, Inc., (R&A) in association with Inter*VISTA*S Consulting, Inc. (Inter*VISTAS*), (collectively, the Airport Consultants), to prepare this Report of the Airport Consultants (the Report) for inclusion in the Official Statement for the City of San Antonio, Texas Customer Facility Charge (CFC) Revenue Bonds, Taxable Series 2015 (the Series 2015 CFC Bonds) and the City of San Antonio, Texas Airport System Revenue Improvement Bonds, Series 2015 (AMT) (the Series 2015 GARB Bonds). Collectively, the Series 2015 CFC Bonds and the Series 2015 GARB Bonds will be referred to as the Series 2015 Bonds.

The Report will provide an independent assessment of the City's ability to meet its obligations regarding the Series 2015 Bonds. The Series 2015 CFC Bonds are being issued by the City under the Trust Indenture (the Special Facility Indenture) by and between the City and U.S. Bank National Association (the Trustee), for the purpose of financing the costs of the Series 2015 Project (defined below) and certain other costs. The Series 2015 CFC Bonds, together with any Additional Bonds, when and if issued are payable from and secured solely by a first lien on and pledge of the Trust Estate established by the Special Facility Indenture, which includes the CFC Revenues and certain funds and accounts held under the Special Facility Indenture. The Series 2015 GARB Bonds are being issued by the City pursuant to the laws of the State of Texas (Texas), including particularly Chapter 22, as amended, Texas Transportation Code, and Chapter 1503, as amended, Texas Government Code (collectively, the Act), the City's Home Rule Charter (the Charter), a master ordinance adopted by the City Council of the City (the City Council) on April 19, 2001 (the Master GARB Ordinance), and a Fifteenth Supplemental Ordinance thereto adopted by the City Council on June 18, 2015 (together with the Master GARB Ordinance, the GARB Ordinance).

This Report sets forth findings, assumptions, and projections of the air traffic and financial analyses developed by the Airport Consultants in conjunction with the planned issuance by the City of the Series 2015 Bonds, which along with CFCs collected by rental car companies from rental car customers prior to issuance of the Series 2015 Bonds will be used to fund (1) construction of certain projects and associated costs as described below.

The City owns and operates the Airport and Stinson Municipal Airport (Stinson), which comprise the Airport System. The Airport is classified as a medium-hub airport by the Federal Aviation Administration (FAA) and is the only commercial service airport serving the City and the San Antonio metropolitan area.[1] Stinson is primarily a general aviation airport.

To develop a *pro forma* analysis regarding the financial performance of the proposed Consolidated Rental Car Facility (CONRAC Facility), R&A reviewed the Consolidated Rental Car Facility Lease Agreement (CONRAC Lease) by and between the City and the rental car companies operating at the Airport (Concessionaires) that establish the business arrangements between the City and the Concessionaires who will be the primary users of the CONRAC Facility. The 2015 CFC Bonds, and any additional bonds subsequently issued on parity with the 2015 CFC Bonds, are secured solely by the CFC Revenues. The 2015 CFC Bonds are not secured by or payable from the general airport revenues of the Airport. The 2015 GARB Bonds are secured by both CFC Revenues and general airport revenues of the Airport.

CFC Revenues are in large measure driven by passenger demand for air service and rental cars at the Airport, which is a function of national and local economic conditions, and the ability and willingness of the commercial airlines to supply service at a level commensurate with this demand. Thus, the Airport Consultants reviewed the historical relationships between economic activity and demand for air service, the airlines' provision of air service to meet this demand, and the relationship between passenger activity and rental car activity at the Airport. Based on this historical review, the Airport Consultants developed assumptions regarding these factors and relationships for Fiscal Years[2] (FYs) 2016 through 2023 (the Projection Period), which provide the basis for the projections of passenger activity, rental car demand, and the generation of Revenues presented in this Report.

The following sections present a summary of the Airport Consultants' assumptions, projections and findings that are detailed in the body of the Report, which should be read in its entirety. Unless otherwise defined herein, all capitalized terms in this Report are used as defined in the Official Statement for the Series 2015 CFC Bonds, the Official Statement for the Series 2015 GARB Bonds, Special Facility Indenture, or the GARB Ordinance.

The Series 2015 Project and the Series 2015 Bonds

The City is issuing the Series 2015 Bonds to (1) fund the construction of a CONRAC Facility including additional covered short-term public parking, together with associated roadway improvements and associated infrastructure at the Airport and (2) to fund the Debt Service Reserve Fund, and Debt Service Coverage Fund, and (3) to pay the costs of issuing the Series 2015 Bonds (together the Series 2015 Project). The new CONRAC Facility will be located adjacent to the terminal facility and will be connected to the terminal facility via an enclosed skybridge. The CONRAC Facility will include approximately 2,040 ready/return spaces, 1,060 storage spaces, a customer service center, a Quick Turn-Around (QTA) facility that allows rental-a-car companies

1 A medium-hub airport is at least 0.25 percent, but less than 1.0 percent of annual passenger boardings, as defined by the FAA.

2 The City's fiscal year is October 1 through September 30.

(RACs) to provide vehicle service support, and other essential supplemental functions. In addition, there are approximately 1,349 short-term public parking spaces.

Table S-1 reflects the Series 2015 Bonds funding plan:

Table S-1: Series 2015 Bonds

SERIES DESIGNATION	PROJECTS TO BE FUNDED	TAX STATUS
Series 2015 CFC Bonds	CONRAC Facility	Taxable
Series 2015 GARB Bonds	Public Parking Area	AMT

SOURCE: City of San Antonio, Department of Aviation, May 2015.
PREPARED BY: Ricondo & Associates, Inc., May 2015.

San Antonio International Airport

The Airport is the main commercial facility serving the San Antonio Metropolitan Statistical Area (MSA), which for the purposes of this Report is considered the Airport's air trade area (see Chapter 3 of this Report for the definition of Air Trade Area). Built in July 1941 as a military base, the Airport became a commercial airport in 1953. The Airport, which occupies approximately 2,600 acres of land, is located nine miles from the center of the City at the intersection of Interstate 410 and Interstate 37 (US-281).

The Airport's existing airfield infrastructure consists of runways and taxiways, ramp/apron areas and holding pads, and other airfield facilities. The Airport has two all-weather air carrier runways, Runway 12R/30L and Runway 4/22, which are both approximately 8,500 feet in length and 150 feet wide. The Airport's general aviation runway, Runway 12L/30R, is approximately 5,520 feet in length and 100 feet wide.

The Airport has two passenger terminals with abutting apron areas for aircraft parking. Terminal A (also referred to as Concourse A), which was constructed in 1984, has 16 gates and contains approximately 395,000 square feet. Terminal B (also referred to as Concourse B), which opened on November 9, 2010, contains approximately 245,000 square feet and includes 8 gates. Both terminals include hold rooms, operations, ticketing, and common areas, concessions, aviation offices, and pedestrian access to existing parking facilities.

The Airport currently has approximately 8,155 parking spaces, consisting of approximately 7,235 public parking spaces and approximately 920 employee parking spaces. Parking facilities include a short-term parking garage, a long-term parking garage, and surface parking. The most recent parking expansion project, completed in May 2008, increased parking capacity by approximately 2,100 public parking spaces. A free cell phone lot with approximately 80 spaces is also available at the Airport.

Economic Base for Air Transportation

The demand for air transportation and, consequently, rental car activity is, to a large degree, dependent upon the demographic and economic characteristics of an airport's air trade area. This relationship is particularly true for origin and destination (O&D) passenger traffic, which has historically been the largest component of demand at the Airport. Potential rental car customers at the Airport primarily consist of deplaning passengers whose destination is within the San Antonio MSA or surrounding area. The major portion of demand for air travel and rental cars at the Airport, therefore, is influenced more by the local characteristics of the area served than by individual air carrier decisions regarding service patterns in support of connecting activity. Rental car customer levels at the Airport are a product of the percentage of the activity at the Airport from inbound air travelers who begin their journeys in markets other than San Antonio. At the Airport, approximately 53.0 percent of total passengers in 2014 were travelers destined for San Antonio. This segment of the air travel market represents the primary customer base for the rental car market.

Chapter 3 presents data indicating that the Airport's Air Trade Area has an economic base that attracts both business and tourist visitors, which, in turn, positively impacts the demand for both inbound air travel and rental car activity at the Airport during the Projection Period. Chapter 3 provides an overview of the Airport's Air Trade Area, including key observations on economic and demographic trends.

- The Airport primarily serves a twelve county Air Trade Area centered on the eight counties in the San Antonio MSA.
- The Air Trade Area outperformed Texas and the United States (U.S.) as a whole from 2000 to 2015. Population, Employment and Gross Regional Product have all expanded faster than Texas and the U.S. as a whole. These trends in the growth of economic and demographic metrics that have a close correlation to air travel demand generation are projected to continue to outperform in the 2016 to 2023 timeframe.
- The Air Trade Area's economy reflects that of Texas, which has shown greater success in maintaining economic output and employment levels relative to other major markets in the U.S. in the post Great Recession period. This success is related to the business-friendly environment, low cost of living, and high quality of life available to businesses and individuals in the Air Trade Area.
- The Air Trade Area's economy centered in San Antonio, the seventh largest city in the U.S., is highly diversified. The size and growth of the population base of the seventh largest city and the surrounding jurisdictions in the Air Trade Area are an important factor in driving air traffic at the airport and visitation to the Air Trade Area.
- The diversified economy in the Air Trade Area has shown its resiliency in the post Great Recession economy. Unemployment rates in the Air Trade Area are below those in Texas and U.S. as a whole.
- San Antonio is a major tourist destination for travelers from the United States and international visitors. In the last five years, San Antonio experienced an increase in visitation from approximately 25.0 million visitors in 2008 to approximately 31.0 million visitors in 2013. Visitation levels in a market are a direct indicator of future potential demand levels for rental cars in the market and at the Airport.

- As discussed in Chapter 3 the Air Trade Area's population growth has outperformed Texas and the U.S. as a whole from 2000 to 2015, and is projected to continue to expand at rate greater than Texas and the U.S. as a whole over the Projection Period.
- The Air Trade Area's economy is anchored by the strong military presence, and expansion in the health care and bioscience, IT and Cyber security and hospitality sectors. These key sectors of the economy will propel the Air Trade Area's economic development from 2015 to 2023, driving inbound air traffic growth and the potential demand in the rental car market at the Airport.

A summary of demographic and economic data described in Chapter 3 is presented in **Table S-2**.[3]

Air Traffic

The Airport is served by a mix of network and low cost carriers that provide passengers a wide range of carrier choice, and a variety of destinations. As of July 2015, the Airport had scheduled passenger service by four U.S. network carriers and nine of their regional affiliates as well as low cost carrier Southwest Airlines. In addition, Mexican network carrier AeroMexico and three Mexican low cost carriers offer scheduled service at the airport. Finally, five all-cargo airlines served the Airport.

Southwest Airlines is the largest carrier at the Airport in terms of passenger activity. In FY 2014, Southwest accounted for approximately 42.2 percent of all enplaned passengers at the Airport, followed by American Airlines with approximately 21.9 percent. The airlines serving the Airport combine to offer 126 daily departures and provide nonstop service to 30 markets, including 19 of the Airport's largest 20 domestic destinations.

Enplaned passengers at the Airport increased each year in the period FY 2009 through FY 2014. Enplaned passengers reached a new record level in FY 2014 of approximately 4.2 million. Robust and diverse service offerings both in terms of carriers and destinations has enabled the Airport to retain its local passenger base in light of surrounding airports within relatively close proximity, including Austin Bergstrom, Corpus Christi, and Laredo international airports.

3 Woods and Poole Economics, Inc. (W&P) is an independent firm that specializes in long-term county economic and demographic projections. W&P has been making county projections since 1983. The Complete Economic and Demographic Data Source (CEDDS), a W&P product contains over 2.8 million statistics presented in data table and text formats for all regions, states, Metropolitan Statistical Areas (MSA's) and all 3,091 counties in the W&P regional database. W&P's economic and demographic projections benefit from its approach that utilizes the comprehensive historical county database and the integrated nature of the projection model. The projection for each county in the United States is done simultaneously so that changes in one county will affect growth or decline in other counties. The methodology reflects the flow of growth around the country as new industries emerge or relocate in growing areas and as people migrate, in part because of job opportunities. As all data points are estimates when not in a Census year (2010), the release year of the data (in this case 2015) is considered to be the base or "current" year estimate which is the base year to begin forecasting from. Years prior to the base year are considered to be historical, while the years after the base year are considered to be forecasted estimates (all years are subject to annual revision). Source: CEDDS 2015, The Complete Economic and Demographic Data Source, Volume 1, Projection Overview. For additional information on W&P, please see www.woodsandpoole.com.

Table S-2: Summary of Demographic and Economic Characteristics

POPULATION	CURRENT 2015	PROJECTED 2023	CAGR [1/]
Air Trade Area	2,630,000	2,994,000	1.6%
State of Texas	27,248,000	30,886,000	1.6%
United States	321,449,000	345,892,000	0.9%

PER CAPITA PERSONAL INCOME (2009 dollars) [2/]	CURRENT 2015	PROJECTED 2023	CAGR
Air Trade Area	$ 38,447	$ 43,823	1.6%
State of Texas	$ 42,284	$ 47,733	1.5%
United States	$ 43,021	$ 48,369	1.5%

GRP/GDP (millions of 2009 dollars) [2/]	CURRENT 2015	PROJECTED 2023	CAGR
Air Trade Area	$ 116,512	$ 145,929	2.9%
State of Texas	$ 1,509,390	$ 1,878,801	2.8%
United States	$ 16,261,994	$ 19,353,691	2.2%

NON-SEASONALLY ADJUSTED UNEMPLOYMENT RATES	AIR TRADE AREA	UNITED STATES	VARIANCE
2010 [3/]	7.4%	9.6%	-2.2%
March 2015	3.6%	5.6%	-2.0%

OTHER DEMOGRAPHIC/ECONOMIC CHARACTERISTICS	AIR TRADE AREA	TEXAS	UNITED STATES
CAGR Total Non-Ag. Employment (2000-2015)	2.1%	1.9%	0.9%

NOTES:
1/ CAGR = Compound Annual Growth Rate
2/ Constant 2009 dollars are used to compare true growth in values beyond the current time period.
3/ The Air Trade Area's non-seasonally adjusted unemployment rate peaked in January 2010.

SOURCE: Woods and Poole Economics, Inc., *2015 The Complete Economic and Demographic Data Source (CEDDS)*, (Population, Income, GDP/GRP); U.S. Department of Labor, Bureau of Labor Statistics (Unemployment and Total Nonagricultural Employment), March 2015.
PREPARED BY: InterVistas Consulting, Inc., June 2015.

Of the passengers served by the Airport, approximately 92.3 percent begin or end their journeys at the Airport (O&D passengers), and approximately 7.7 percent utilize the Airport as an intermediate point to connect to or from other airports.

Long-term projections of activity are assumed to increase as a result of expected growth in socioeconomic indicators both nationally and in the Air Trade Area. It is also assumed that the Airport will continue its role of serving primarily O&D passengers, and that the composition of its air carrier base will continue to foster competitive pricing and scheduling diversity. As discussed in Chapter 4, growth in passenger activity is expected through the Projection Period at a compound annual growth rate of approximately 2.1 percent from FY 2014 through FY 2023.

The Airport Rental Car Market

The Airport is currently served by all major national rental car companies, which provide service through 10 different rental car brands. Hertz holds the largest share among the brands operating at the Airport, as measured by gross sales in FY 2014, at approximately 21.3 percent, followed by Avis Rent A Car System, LLC at approximately 17.6 percent.

The Airport implemented its CFC on April 1, 2012 at $4.50 per transaction day to help fund the CONRAC Facility with plans to increase the CFC to $5.00 per transaction day on July 1, 2015 and to $5.50 per transaction day on September 1, 2018.[4] Rental car activity at the Airport, as primarily measured by rental car transaction days and gross rental car sales, has a distinct seasonal pattern, with the highest demand during the summer tourism season. After a recent period of decreasing demand from FY 2011 through the first half of FY 2013, rental car transaction days at the Airport began increasing in the second half of FY 2013 through the end of FY 2014. During this same period, gross rental car sales at the Airport have steadily increased at a compound annual growth rate of approximately 4.0 percent between FY 2011 and FY 2014, which can be attributed to increasing daily rental rates that averaged from $39.43 in FY 2011 to $49.37 in FY 2014.[5]

Rental car transaction days per deplaned passenger are assumed at approximately 48.8 percent throughout the Projection Period, which is a historical average ratio of transaction days to deplaned passengers for FY 2013, FY 2014, and year-to-date FY 2015. Rental car transaction days, which are the basis for CFC revenues, are projected to increase at the same rate as deplaned passengers at a compound annual growth rate of approximately 2.3 percent, from approximately 2.0 million transaction days in FY 2015 to approximately 2.5 million transaction days in FY 2023.

4 CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

5 Historical average daily rental rates were calculated using gross rental car sales divided by rental car transaction days.

Financial Analysis

The financial analysis chapters of this Report present the analysis undertaken by R&A to demonstrate the ability of the City to comply with the requirements of the Special Facility Indenture and GARB Ordinance on a pro forma basis for the Projection Period based on the assumptions regarding the planned issuance of the Series 2015 Bonds and the timely completion of the Series 2015 Project.

Series 2015 CFC Bonds

Based on the projection of rental car transaction days, CFC collections are projected to increase from approximately $9.4 million in FY 2015 to approximately $13.5 million in FY 2023. CFC collections from FY 2016, the first full year of the $5.00 collection level, through FY 2023 are projected to increase at a compound annual growth rate of approximately 3.7 percent.

Table S-3 presents the projection of the annual debt service coverage ratio pursuant to the Rate Covenant established in the Special Facility Indenture. Based on the projections presented in Chapter 6, revenue divided by annual debt service requirements result in a debt service coverage ratio ranging from a low of approximately 1.57x in FY 2017 and FY 2023 to a high of approximately 1.81x in FY 2019, which exceeds the required Rate Covenant in each year of the Projection Period.

Table S-3 also presents the coverage ratio of total resources to debt service Total resources includes funds in the Debt Service Coverage Fund established pursuant to the Special Facility Indenture. The Debt Service Coverage Fund Requirement is funded from Series 2015 CFC Bonds proceeds and is equivalent to 25.0 percent of the maximum annual debt service requirement for the Series 2015 CFC Bonds. As presented on Table S-3, the total resources to debt service coverage ranges from a low of approximately 1.85x in FY 2023 to a high of approximately 2.16x in FY 2019.

Series 2015 GARB Bonds

The average airline cost per enplaned passenger is projected to range from a low of $7.01 in FY 2020 to a high of $7.70 in FY 2018 over the Projection Period. Projected airline rates and charges together with other Airport revenues are sufficient to ensure that all expenses of operation, maintenance, debt service, and fund deposit requirements can be generated through reasonable user fees.

The City's ability to satisfy the Rate Covenant contained in the GARB Ordinances is presented in **Table S-4**. The Rate Covenant is based on Gross Revenues. As previously presented, the GARB Ordinances requires the City to generate Gross Revenues in each Fiscal Year at least sufficient: (1) to pay all Operation and Maintenance Expenses during each Fiscal Year, and also (2) to provide an amount equal to 1.25 times the Annual Debt Service Requirements during each Fiscal Year on all then Outstanding Parity Bonds.

Based on the financial projections presented in Chapter 7, debt service coverage (per Master GARB Ordinance) over the Projection Period is projected to range from a low of approximately 2.05x in FY 2015 to a high of approximately 2.92x in FY 2023.

Table S-3: CFC Debt Service Coverage

(For Fiscal Years Ending September 30)

						PROJECTED				
		2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Resources to Debt Service Coverage										
Revenue:										
CFC Collections [1/]	[A]	$ 2,467,755	$ 10,467,600	$ 10,723,800	$ 10,980,000	$ 12,359,820	$ 12,641,640	$ 12,923,460	$ 13,205,280	$ 13,487,100
Contingent Fees	[B]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest Income [2/]	[C]	$ 20,767	$ 145,127	$ 158,945	$ 166,578	$ 171,279	$ 186,856	$ 189,100	$ 185,129	$ 171,455
Total Revenue	[D] = [A] + [B] + [C]	$ 2,488,522	$ 10,612,727	$ 10,882,745	$ 11,146,578	$ 12,531,099	$ 12,828,496	$ 13,112,560	$ 13,390,409	$ 13,658,555
Total Debt Service	[E]	$ -	$ 6,380,932	$ 6,939,987	$ 6,939,987	$ 6,939,987	$ 7,939,987	$ 8,157,917	$ 8,412,692	$ 8,687,738
Debt Service Coverage - Rate Covenant	[F] = [D] / [E]	N/A	1.66	1.57	1.61	1.81	1.62	1.61	1.59	1.57
Total Resources to Debt Service Coverage										
Debt Service Coverage Fund	[G]	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911
Total Resources	[H] = [D] + [G]	$ 4,933,433	$ 13,057,638	$ 13,327,656	$ 13,591,489	$ 14,976,010	$ 15,273,407	$ 15,557,471	$ 15,835,320	$ 16,103,466
Total Resources to Debt Service Coverage	[I] = [H] / [E]	N/A	2.05	1.92	1.96	2.16	1.92	1.91	1.88	1.85

NOTES:

1/ CFC collections for the first nine months of FY 2015 will be applied towards project costs. CFC collections began on April 1, 2012 at a rate of $4.50 per transaction day. The CFC rate is projected to increase to $5.00 per transaction day on July 1, 2015 and is projected to increase to $5.50 per transaction day on September 1, 2018. CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

2/ Interest rate of 0.5% on fund balances.

SOURCES: Coastal Securities (Debt Service), June 8 2015; Ricondo & Associates, Inc. (Projections), June 2015

PREPARED BY: Ricondo & Associates, Inc., June 2015

Table S-4: GARB Debt Service Coverage

(for the Fiscal Years ending September 30)

		ESTIMATED	PROJECTED							
		2015	2016	2017	2018	2019	2020	2021	2022	2023
GARB Debt Service Coverage:										
Gross Revenues	[A]	$ 90,093,767	$ 91,839,792	$ 94,282,787	$ 96,780,850	$ 97,201,804	$ 99,786,536	$ 102,458,584	$ 105,194,904	$ 107,990,619
Total O&M Expenses		$ (56,538,373)	$ (57,754,161)	$ (59,834,920)	$ (61,994,644)	$ (64,236,499)	$ (66,563,783)	$ (68,979,933)	$ (71,488,534)	$ (74,093,319)
Adjustment: Capital Outlay (57GL)		$ 756,929	$ 545,580	$ 564,675	$ 584,439	$ 604,894	$ 626,066	$ 647,978	$ 670,657	$ 694,130
Net O&M Expense	[B]	$ (55,781,443)	$ (57,208,581)	$ (59,270,244)	$ (61,410,205)	$ (63,631,605)	$ (65,937,717)	$ (68,331,955)	$ (70,817,876)	$ (73,399,189)
Net Revenues	[C=A+B]	$ 34,312,324	$ 34,631,212	$ 35,012,543	$ 35,370,644	$ 33,570,199	$ 33,848,819	$ 34,126,629	$ 34,377,027	$ 34,591,431
Less: Prior Period Debt Service Coverage Deposit	[D]	$ (2,489,318)	$ (2,363,245)	$ (2,369,867)	$ (2,369,956)	$ (2,370,404)	$ (1,919,123)	$ (1,919,198)	$ (1,919,674)	$ (1,920,898)
Less: Prior Period Competitive Credit	[E]	$ (4,666,951)	$ (3,364,862)	$ (3,025,756)	$ (3,069,902)	$ (3,084,823)	$ (5,551,544)	$ (5,500,658)	$ (5,444,883)	$ (5,356,290)
Net Revenues Excluding Debt Service Coverage Deposit and Competitive Credit	[F=C+D+E]	$ 27,156,055	$ 28,903,105	$ 29,616,921	$ 29,930,787	$ 28,114,972	$ 26,378,152	$ 26,706,773	$ 27,012,470	$ 27,314,242
GARB Debt Service	[G]	$ 20,569,304	$ 22,383,390	$ 22,541,887	$ 22,552,144	$ 17,581,034	$ 18,359,096	$ 18,368,159	$ 18,384,946	$ 18,387,946
Less: GARB Paid with PFCs	[H1]	$ (3,809,705)	$ (3,808,029)	$ (3,808,029)	$ (3,808,029)	$ (3,808,029)	$ (3,808,029)	$ (3,808,029)	$ (3,808,029)	$ (3,808,029)
Less: GARB Paid with CFCs	[H2]	$ -	$ (1,807,858)	$ (1,966,250)	$ (1,966,250)	$ (1,966,250)	$ (2,736,250)	$ (2,737,750)	$ (2,737,250)	$ (2,734,750)
Net GARB Debt Service	[I=G+H1+H2]	$ 16,759,599	$ 16,767,503	$ 16,767,608	$ 16,777,865	$ 11,806,755	$ 11,814,817	$ 11,822,380	$ 11,839,667	$ 11,845,167
GARB Debt Service Coverage Ratios:										
Gross Revenue Test	[A/I]	5.38	5.48	5.62	5.77	8.23	8.45	8.67	8.88	9.12
Debt Service Coverage Test (per Master GARB Ordinance)	**[C/I]**	**2.05**	**2.07**	**2.09**	**2.11**	**2.84**	**2.86**	**2.89**	**2.90**	**2.92**
Additional Bonds Test: Based on Net Revenues and Total GARB Debt Service	[C/G]	1.67	1.55	1.55	1.57	1.91	1.84	1.86	1.87	1.88

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

1. The Series 2015 Project and the Series 2015 Bonds

1.1 The Series 2015 Project

The City is issuing the Series 2015 Bonds to (1) fund the construction of a CONRAC Facility including additional covered short-term public parking, together with associated roadway improvements and associated infrastructure at the Airport and (2) to fund the Debt Service Reserve Fund, and Debt Service Coverage Fund, and (3) to pay the costs of issuing the Series 2015 Bonds (together the Series 2015 Project). The CONRAC Facility will be located across from the terminal facility and will be connected to the terminal facility via an enclosed skybridge.

1.1.1 BACKGROUND

The current rental car operations and facilities for the Airport are located at numerous sites scattered both on and off Airport property, necessitating that each company shuttle its customers to and from the Airport passenger terminals via buses. The individual rental car company customer service sites are difficult for customers to find when returning their rental vehicles; the shuttle buses add to traffic congestion at the terminal curbs and are detrimental to air quality. The Airport and the rental car industry agreed that the current operations do not provide good customer service and are operationally and functionally inefficient. Therefore, in 2008, the Airport began evaluating the feasibility of consolidating all rental car facilities and operations into a single CONRAC Facility with the objectives of:

- Improving customer service
- Improving air quality and reducing vehicle emissions at the terminal curbs and on terminal roadways
- Enhancing operational efficiency (terminal curbsides and roadways; rental car operations and facilities)
- Meeting future needs (public parking and rental car industry)
- Implementing a financially affordable structure
- Creating a stable rental car operation
- Providing a more user-friendly interface between ground and air transportation

Eleven potential sites were initially identified for the CONRAC Facility and the following list of desired attributes for the CONRAC Facility at the Airport was developed:

- Facility should be in close proximity to passenger terminals
- Facility should have easy access and wayfinding for both pedestrians and vehicles
- There must be adequate land area to accommodate space for the CONRAC Facility
- The site should have a reasonable site configuration for operations
- The rental car market size should support cost of facility
- The facility should accommodate the entire Airport rental car market

After evaluating each of the potential sites, a consensus was reached between the Airport and the rental car industry that an eight-acre site that currently includes the existing short-term parking structure and the adjacent surface parking lot to the northwest would be the location for the CONRAC Facility. The City issued a request for qualifications for a design team in November 2012 and selected the design team led by TranSystems Corporation to design the CONRAC Facility. Design efforts commenced in early 2013 and were completed in May 2015.

1.1.2 DESCRIPTION OF CONRAC FACILITY

The CONRAC Facility will include approximately 2,040 ready/return spaces, 1,060 storage spaces, a customer service center, a Quick Turn-Around (QTA) facility that allows rental-a-car companies (RACs) to provide vehicle service support, and other essential supplemental functions. In addition, there are approximately 1,349 short-term public parking spaces.

Additional characteristics of the CONRAC Facility are reflected below:

- Customer Service Center
  - RAC customer counters
  - Queue space
  - RAC offices
  - Restrooms
  - Storage areas
  - Common walkways
  - Customer information systems
  - Exclusive support space for office/breakroom

- Ready/Return
  - Customer service offices, kiosks, and booths
  - Vehicle staging areas
  - Ready parking stalls
  - Return lanes
  - Exclusive exit booths
  - Perimeter security
  - Dedicated ramp for customers
  - Dedicated ramp for shuttle operations
- QTA facility, exclusive use and/or common use
  - Vehicle fueling system
  - Fuel storage
  - Fuel islands
  - Electric vehicle charging stations
  - Carbon monoxide exhaust systems
  - Third party CONRAC Manager's office space
- Vehicle wash facilities/systems
  - Wash bays
  - Vehicle wash systems
  - Waste water management systems
  - Hazardous material capture and accountably systems
  - Vacuum stations
  - Vacuum systems
- Exclusive Use Vehicle Light Maintenance Bays
  - Tire change
  - Oil change
  - Oil/waste oil storage
  - Parts and material storage areas
  - Other light maintenance

- Traffic planning
  - Patron pedestrian access to and from terminal area
  - RAC service vehicles access to and from facilities
  - RAC car customers vehicle ingress and egress to and from the CONRAC Facility without interfering with landside terminal operations
- Related infrastructure and utilities
- Security systems
  - Perimeter security
  - Vehicle security
  - Physical barriers
  - Observation systems
- Commercial planning
  - Food/beverages
  - News/gift
  - Vending
  - Advertising
- Public parking
  - Integrate the CONRAC Facility with public parking
  - Replace displaced public parking
  - Address associated infrastructure
  - Interface public parking revenue control system

Construction of the CONRAC Facility is expected to commence in August 2015 and is expected to be substantially completed (Substantial Completion Date) in September 2017. Then the CONRAC Facility will be turned over to the RACs for approximately six months for tenant finishes and a break-in period. The opening date for operations (Opening Date) is estimated to be March 1, 2018. The Series 2015 Project costs are estimated to be approximately $171.6 million, including the $6.0 million Tenant Improvement Reimbursement Allowance, as presented in **Table 1-1**. The Series 2015 Project costs include construction, design and other soft costs associated with construction of the CONRAC Facility. In addition, the Series 2015 Project costs include the following allowances: Parking Revenue Loss Allowance, which reflects reimbursement to the City to compensate for the loss of parking revenues during construction of the CONRAC Facility; Shuttle and Customer Service Allowance that reflects reimbursement to the City for lost revenues and additional operating costs as parkers are displaced from the short-term garage adjacent to the terminal building, which has higher daily parking rates to the economy lot and requires shuttle bus service during construction of the CONRAC Facility; and Tenant Improvement Allowance, which reflects reimbursements for improvements to each Operator's Exclusive Use Premises and Preferential areas that the Rental Car Operator deems necessary or desirable in connection with the Operator's operation of a Rental Car Concession.

Exhibit 1-1 presents a drawing of the CONRAC Facility.

Table 1-1: The Series 2015 Project Costs

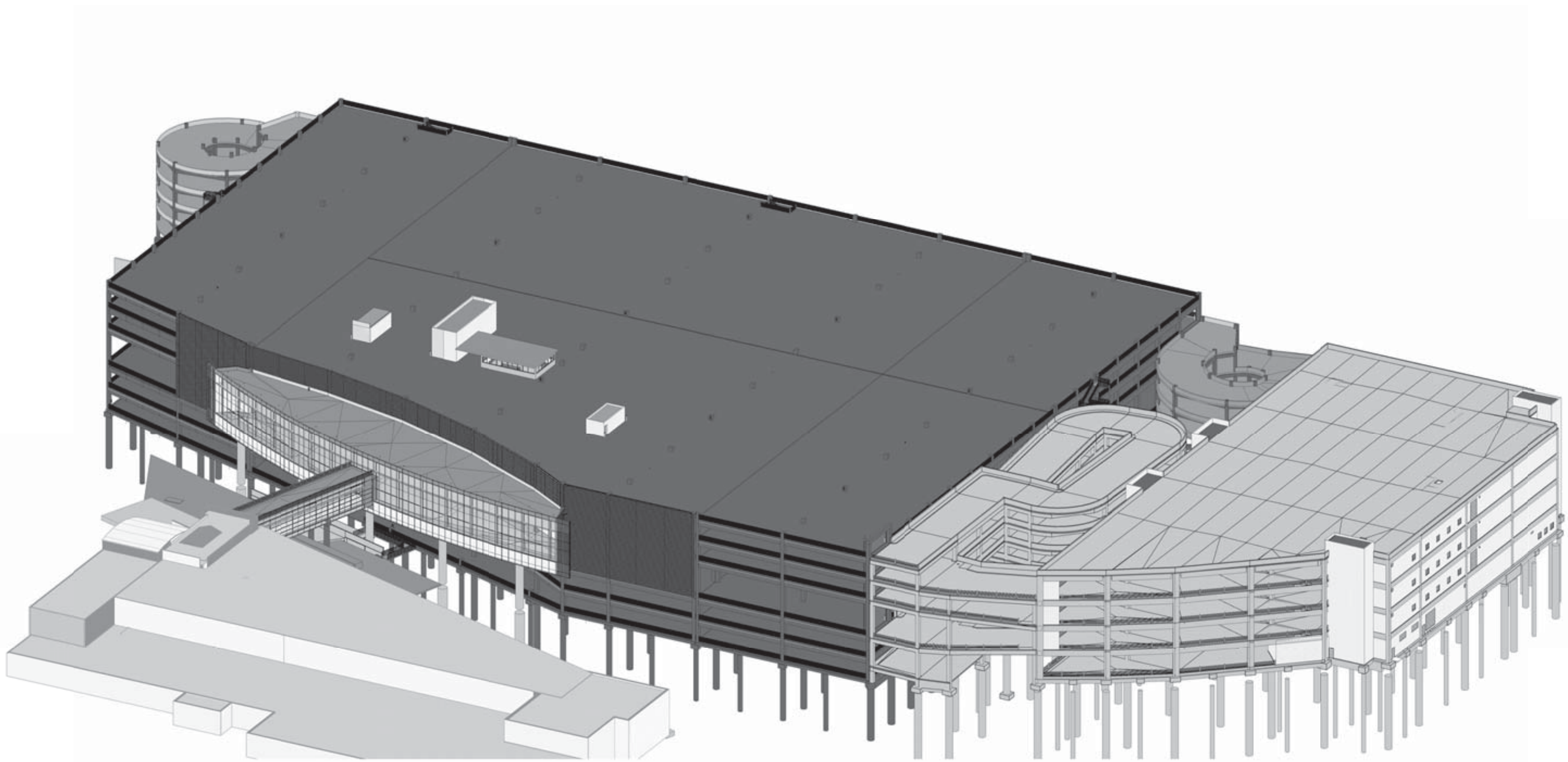
		PROJECT COSTS
Base CONRAC Construction (GMP)	$	135,116,938
Other Construction	$	3,046,310
Total Construction	$	138,163,248
Design	$	12,782,500
Project Management	$	4,982,063
Total CONRAC	$	155,927,811
Interim Wayfinding	$	422,189
Tenant Improvement Allowance	$	6,000,000
Consulting Services (RACs and Aviation)	$	750,000
Shuttling Costs/Lost Parking Revenue [1/]	$	8,500,000
Total Reimbursements to RACs and Aviation	$	9,250,000
Total Series 2015 Project Costs	**$**	**171,600,000**

NOTE:

1/ Parking shuttling costs estimated to be approximately $3.7 million plus 20-month revenue parking loss at $250,000 per month.

SOURCE: City of San Antonio, Department of Aviation, June 2015

PREPARED BY: Ricondo & Associates, Inc., June 2015



SOURCE: TranSystems, April 2015.
PREPARED BY: Ricondo & Associates, inc., April 2015.

EXHIBIT 1-1

CONRAC Facility

1.2 Structure of Transaction

The CONRAC Facility is being developed for City ownership pursuant to a CONRAC Lease Agreement and a Concession Agreement by and between the City and the Concessionaires (Operators), as well as an Operators Member Agreement between the Operators. The Operator must be a party to the CONRAC Lease Agreement, the Concession Agreement and the Operators Member Agreement at all times; a default under any of these agreements constitutes a default under the other two agreements.

CONRAC Lease Agreement means the Consolidated Rental Car Facility Lease Agreement between the City and the Operators for the use and occupancy of the CONRAC.

Operators Member Agreement means the agreement providing for the membership rights, requirements, obligations and procedures of the Operators with respect to (i) the operation and maintenance of certain areas of the CONRAC; (ii) the payment for such operation and maintenance costs for certain areas in the CONRAC to the extent such operation and maintenance is not paid for by CFC proceeds; (iii) the allocation and reallocation of the foregoing costs, as well as other Operator expenses; (iv) review, approve, and/or enter into agreements with third parties; and (v) the allocation and reallocation of space in the CONRAC that are not inconsistent with the CONRAC Lease Agreement.

CONRAC Management Contract means the agreement between the Operators and the CONRAC Manager approved by the Aviation Director in writing to provide for the performance of Routine Maintenance and Major Maintenance for the CONRAC and the management of all operations of and activities in the CONRAC. The City shall be a third-party beneficiary of the CONRAC Management Contract.

Unless terminated pursuant to the provisions of the CONRAC Lease Agreement, the lease agreements are effective and binding from their Commencement Date until the last day of the 20th Fiscal Year. So long as an Operator is in good standing pursuant to the terms of the CONRAC Lease Agreement and Concession Agreement, the City, in its sole discretion, may extend the term of the Concession Agreement or enter into a successor Concession Agreement with an Operator, and the Lease Term shall automatically be extended for the same term as the subsequent Concession Agreement.

The appendix of the Official Statement for the City of San Antonio, Texas, Series 2015 CFC Bonds provides a summary of certain provisions of the CONRAC Lease Agreement.

1.3 Plan of Finance

Table 1-2 reflects the Series 2015 Bonds funding plan:

Table 1-2: Series 2015 Bonds

SERIES DESIGNATION	PROJECTS TO BE FUNDED	TAX STATUS
Series 2015 CFC Bonds	CONRAC Facility	Taxable
Series 2015 GARB Bonds	Public Parking Area	AMT

SOURCE: City of San Antonio, Department of Aviation, May 2015.
PREPARED BY: Ricondo & Associates, Inc., May 2015.

Table 1-3 reflects the sources and uses for the Series 2015 Project. As described further in Chapter 6, through June 30, 2015, the City expects to accumulate approximately $29.7 million of previously collected CFCs, which it intends to apply to the Series 2015 Project.

In addition to funding the Series 2015 Project, previously collected CFCs and proceeds from the Series 2015 Bonds will be used to fund the Debt Service Reserve Fund, the Debt Service Coverage Fund, the initial deposit of $7.5 million in the CFC Renewal and Replacement Fund, and pay certain costs of issuance incurred in connection with the issuance of the Series 2015 Bonds. Unless otherwise defined herein, all capitalized terms in this report are used as defined in the Official Statement, the Special Facility Indenture or the GARB Ordinance.

1.3.1 THE SERIES 2015 CFC BONDS

The Series 2015 CFC Bonds are being issued pursuant to provisions of the Special Facility Indenture, which is described below. For the Series 2015 CFC Bonds, the City's Financial Advisor has assumed the following:

	SERIES 2015 CFC BONDS
First Maturity Date:	07/01/2020
Last Maturity Date:	07/01/2045
True Interest Cost:	5.72%

The Special Facility Indenture sets forth the obligations of the City to the Trustee and bondholders relative to the Series 2015 CFC Bonds. A summary of certain provisions of the Special Facility Indenture is provided in the appendix to the Official Statement for the Series 2015 CFC Bonds. The capitalized terms used in this report are used as defined in the Special Facility Indenture. Several key provisions of the Special Facility Indenture are described in the following paragraphs:

Table 1-3: The Series 2015 Project Sources and Uses of Funds

	SERIES 2015 CFC BONDS	SERIES 2015 GARB BONDS	TOTAL
Funding Sources:			
Bond Proceeds	$ 124,210,000	$ 42,184,414	$ 166,394,414
Previously collected CFCs (through June 2015)	$ 27,563,033	$ 2,086,967	$ 29,650,000
Total Sources	**$ 151,773,033**	**$ 44,271,381**	**$ 196,044,414**
Estimated Project Costs and Reserves:			
Series 2015 Project Costs	$ 130,502,423	$ 41,097,577	$ 171,600,000
CFC Renewal and Replacement Fund	$ 7,500,000	$ -	$ 7,500,000
Debt Service Reserve Fund	$ 9,779,644	$ 2,737,750	$ 12,517,394
Debt Service Coverage Fund	$ 2,444,911	$ -	$ 2,444,911
Issuance Costs	$ 800,000	$ 200,000	$ 1,000,000
Underwriter's Discount	$ 745,260	$ 235,950	$ 981,210
Additional Proceeds	$ 794	$ 105	$ 899
Total Estimated Costs and Reserves (Uses)	**$ 151,773,033**	**$ 44,271,381**	**$ 196,044,414**

SOURCE: Coastal Securities, June 8, 2015, Ricondo & Associates, Inc., June 2015

PREPARED BY: Ricondo & Associates, Inc., June 2015

1.3.1.1 Rate Covenant

(a) As long as any Bonds remain outstanding, the City will require the Operators and the Off-Airport Rental Car Permitees to charge and collect the Customer Facility Charge and remit to the Trustee funds derived from the Customer Facility Charge. The initial amount of the Customer Facility Charge as it exists on the Closing Date of the Series 2015 Bonds (which shall be subject to adjustment pursuant to Section 2.05(c) of the Special Facility Indenture) is set forth in the Bond Ordinance. The amount of the Customer Facility Charge shall remain in effect until such time as it is adjusted by the Aviation Director pursuant to Section 2.05(b) or (c) of the Special Facility Indenture.

(b) The Customer Facility Charge shall be reviewed and adjusted (if necessary) annually, or more frequently as required below, by the Aviation Director based upon the CFC Report prepared by the City , at a rate estimated to generate during the applicable Fiscal Year (or such other period as applicable) CFC Revenues, together with

(i) funds estimated to be transferred from the Debt Service Coverage Fund to the Debt Service Fund in accordance with Section 5.07(c) of the Special Facility Indenture *First* hereof,

(ii) funds estimated to be transferred by the Trustee in accordance with the last sentence of Section 5.12(c)(ii) of the Special Facility Indenture hereof from the CFC Surplus Fund which are not held within any Account thereunder (if any), and

(iii) Pledged Investment Income estimated to be transferred to the Revenue Fund during the applicable Fiscal Year,

equal to not less than the aggregate of:

(A) 125% of the Debt Service requirements on the Bonds for such Fiscal Year; and

(B) with the residual expected to remain after providing for the payment of actual Debt Service requirements on the Bonds sufficient to provide the following:

(1) 125% of the debt service requirement on the Public Parking Area GARB Debt for such Fiscal Year; and

(2) fully fund in such Fiscal Year all transfers from the Revenue Fund as required by Section 5.04(b) *Second, Third, Fifth, Sixth* and *Seventh* of the Special Facility Indenture.

The provisions set forth above shall be determined on the assumption that no Contingent Fees shall be established by the City, and no draws shall be made under any Performance Guarantees, for the applicable Fiscal Year for purposes of satisfying the required rate covenant; however, with respect to preparing its annual financial reports and submitting information required by a Rating Agency in connection with the Series 2015 Bonds, the City shall base any debt service coverage calculations and other reporting statistics on Pledged Revenues (including but not limited to Contingent Fees and draws on Performance Guarantees, if applicable) actually received by the City during the applicable Fiscal Year.

(c) The Aviation Director shall cause the CFC Report to be prepared and to be filed with the Trustee prior to the start of each Fiscal Year, based upon the Transaction Days (as defined in the Lease Agreements) and other rental information required to be provided to the City by the Operators pursuant to the Lease Agreements and by the Off-Airport Rental Car Permitees pursuant to the Off-Airport Rental Car Permits. If at any time during such ensuing Fiscal Year,

(i) the aggregate collections of CFC Revenues are less than 90% of the pro forma aggregate collections for the corresponding period as shown in the CFC Report filed with the Trustee, the Aviation Director, following consultation with the Operators, may promptly increase the Customer Facility Charge without waiting for the next annual review; or

(ii) for four (4) consecutive months the monthly collections of the CFC Revenues are less than 80% of the pro forma monthly collections for the corresponding periods as shown in the most recent CFC Report filed with the Trustee,

then Aviation Director shall promptly engage an Airport Consultant to review the Transaction Day and CFC collection history and issue and deliver to the City, Trustee, and the Operators a new CFC Report recommending appropriate action with respect to the CFC rate and other appropriate actions (including but not limited to transferring funds from the Renewal and Replacement Fund in accordance with Section 5.11(a) of the Special Facility Indenture), which CFC Report recommendation shall be implemented as promptly as practicable; provided, that if such CFC Report is to be issued within the final three (3) months of a calendar year, it may also include recommendations for the ensuing calendar year, in which case no additional CFC Report for such ensuing calendar year will be required, except as may be required by this clause (ii).

(d) In the event the rate covenant described in Section 2.05(b) of the Special Facility Indenture shall not be satisfied in any Fiscal Year, it shall not constitute an Event of Default so long as no payment default has occurred and the Aviation Director promptly causes the recommendations in the CFC Report to be enacted, including but not limited to increasing the Customer Facility Charge to the recommended rate, making transfers from funds on deposit in the CFC Surplus Fund which are not held in any Account thereunder, or implementing Contingent Fees.

(e) The Aviation Director shall file a certificate with the Trustee no less than annually setting forth the current Customer Facility Charge and stating whether the actions described within Sections 2.05(c)(i) or (ii) of the Special Facility Indenture have been taken during the previous twelve (12) months.

1.3.1.2 Revenue Fund; Flow of Funds

<u>(a) Deposits into the Revenue Fund.</u>

(i) *CFC Revenues and Contingent Fees from Operators and Off-Airport Rental Car Permittees.* Pursuant to the Lease Agreements, each Operator is required to remit to the Trustee (A) all CFC Revenues collected and held by such Operator on or before the fifteenth (15th) day of each month following the month in which the CFC Revenues were collected, and (B) its pro rata share of any Contingent Fee, if a Contingent Fee has been imposed by the City on all Operators in accordance with the Lease Agreements, on or before the fifteenth (15th) day of each month following the month in which the Contingent Fee was collected for so long as a Contingent Fee is being imposed by the City in accordance with the Lease Agreements. Similarly, pursuant to the Off-Airport Rental Car Permits, each Off-Airport Rental Car Permittee is required to remit to the Trustee all CFC Revenues collected and held by such Off-Airport Rental Car Permittee on or before the fifteenth (15th) day of each month following the month in which the CFC Revenues were collected. All CFC Revenues and Contingent Fees received by the Trustee from the Operators and Off-Airport Rental Car Permittees shall be deposited upon receipt to the Revenue Fund. Upon receipt thereof, the Trustee shall provide notice to the City and to the submitting party acknowledging the receipt of such CFC Revenues and Contingent Fees.

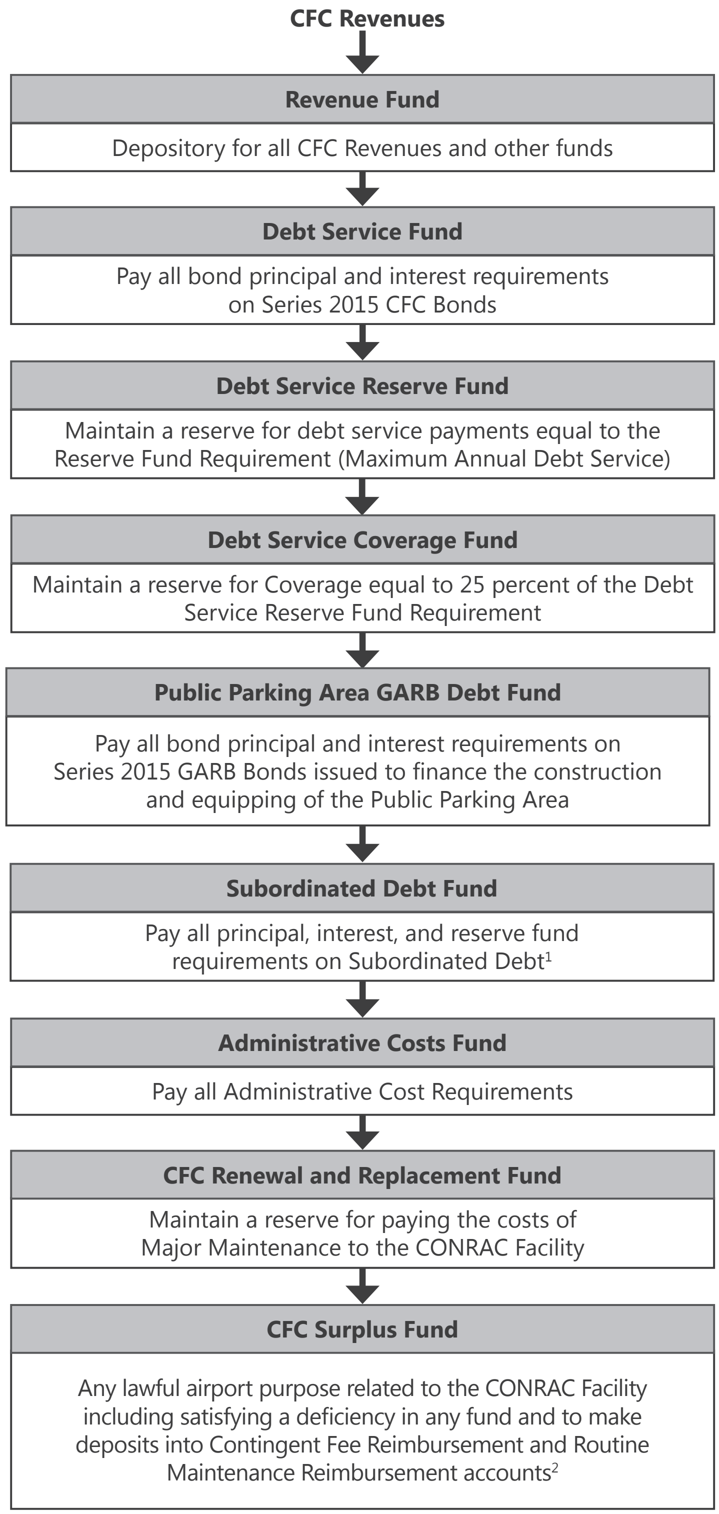
Exhibit 1-2 illustrates the application and priority in the uses of CFC Revenues as specified in the Special Facility Indenture. CFC Revenues are to be transferred from the Revenue Fund and deposited in the accounts listed below in the following order of priority:

- To the Debt Service Fund, to pay all bond principal and interest requirements on all Outstanding Bonds including the Series 2015 CFC Bonds;
- To the Debt Service Reserve Fund, if necessary, to maintain the Reserve Fund Requirement;
- To the Debt Service Coverage Fund, to maintain a reserve for coverage equal to the Debt Service Coverage Fund Requirement;
- To the Public Parking Area GARB Debt Fund, to pay all bond principal and interest requirements on Series 2015 GARB Bonds issued to finance the construction and equipping of the public parking area and amounts necessary to restore deficiencies in the debt service reserve fund related to the Public Parking Area GARB Debt;
- To the Subordinated Debt Fund, to pay all principal, interest, and reserve fund requirements on Subordinated Debt;
- To the Administrative Costs Fund to pay all administrative cost requirements;
- To the CFC Renewal and Replacement Fund to maintain a reserve for and paying the costs of Major Maintenance to the CONRAC Facility;
- To the CFC Surplus Fund for any lawful Airport purpose related to the CONRAC Facility including satisfying a deficiency in any fund and to make deposits into the Contingent Fee Reimbursement and Routine Maintenance Reimbursement accounts.

1.3.1.3 CFC Surplus Fund

As presented on Exhibit 1-2, all amounts transferred from the Revenue Fund to the CFC Surplus Fund pursuant to Section 5.04(b) *Eighth* of the Special Facility Indenture, hereof, together with any funds then on deposit in the CFC Surplus Fund which are not then held within an Account of the CFC Surplus Fund, shall be utilized and deposited by the Trustee in accordance with the following order of priority:

First, to satisfy a deficiency in any Fund, and in the order of priority set forth in Section 5.04(b) of the Special Facility Indenture *First* through *Seventh* hereof, with the amount of deficiency in a Fund with a higher priority being fully satisfied before satisfying a deficiency in a lower Fund;



NOTES

1/ The City currently has no Subordinated Debt.

2/ The Airport Parking Operating Funds Account shall be funded on the delivery date of the Series 2015 Bonds. No funds from the Revenue Fund shall be deposited into the Airport Parking Operating Funds Account.

SOURCE: Special Facility Bonds Ordinance, June 2015.
PREPARED BY: Ricondo & Associates, Inc., June 2015.

EXHIBIT 1-2

Series 2015 Bonds
Flow of Funds

Second, to make a deposit into the Contingent Fee Reimbursement Account up to an aggregate amount equal to the Contingent Fee Reimbursement Account Requirement, which funds shall be used to reimburse the Operators and the City for the payment of Contingent Fees made under the Lease Agreements, if any, and shall be disbursed as provided in Section 5.12(c)(i) of the Special Facility Indenture and;

Third, to make a deposit into the Routine Maintenance Reimbursement Account to fully restore the balance therein to the Routine Maintenance Reimbursement Account Recommended Amount, which funds shall be used to pay CFC Eligible Routine Maintenance (as defined in the Lease Agreements) and shall be disbursed as provided in Section 5.12(c)(ii) of the Special Facility Indenture; provided, however, in the event making such deposit into the Routine Maintenance Reimbursement Account to fully restore the balance therein to the Routine Maintenance Reimbursement Account Recommended Amount would cause the amount on deposit in the CFC Surplus Fund which is not held within any Account of the CFC Surplus Fund to be reduced below *$2,000,000*, the amount to be deposited into the Routine Maintenance Reimbursement Account shall be reduced by an amount necessary so as not to cause the amount on deposit in the CFC Surplus Fund which is not held within any Account thereof to go below $2,000,000.

All remaining funds on deposit in the CFC Surplus Fund after making such required transfers shall remain therein and may be used for any lawful purpose related to the CONRAC Facility, including but not limited to (i) satisfying any future monthly deposits described in clauses *First* through *Third* in Section 5.12(a) of the Special Facility Indenture, (ii) transferring funds therein for deposit into the CFC Renewal and Replacement Fund in order to pay the costs of Major Maintenance, (iii) making other improvements, enlargements, extensions, additions, replacements, repairs or other capital expenditures related to the CONRAC Facility as deemed necessary or appropriate by the Aviation Director, and (iv) transferring funds therein for deposit into the Debt Service Fund for the purpose of optionally redeeming Bonds in accordance with Section 4.02(a) of the Special Facility Indenture hereof, which funds shall be used and disbursed in accordance with Section 5.12(c)(ii) of the Special Facility Indenture.

The Airport Parking Operating Funds Account of the CFC Surplus Fund shall be funded on the date of delivery of Series 2015 Bonds in accordance with clause (i) of Section 5.13 of the Special Bond Indenture hereof. No funds from the Revenue Fund shall be deposited into the Airport Parking Operating Funds Account. Funds on deposit in the Airport Parking Operating Funds Account of the CFC Surplus Fund may be used by the City prior to the completion of the CONRAC Facility to pay Airport Parking Operating Costs as determined by the Aviation Director or the Assistant Aviation Director, Finance and Administration, and shall be disbursed by the Trustee in accordance with Section 5.12(c)(i) of the Special Bond Indenture. Upon the receipt by the Trustee of a certificate from an Authorized City Representative and an Authorized Aviation Department Representative that construction of the CONRAC Facility has been completed and is open for operations by the Operators and no amounts remain to be paid to any contractors, vendors or other entities related to the construction thereof, the Trustee shall close the Airport Parking Operating Funds Account of the CFC Surplus Fund and shall disburse or utilize all funds on deposit therein in the same manner and order of priority as set forth of Section 5.12(a) of the Special Bond Indenture.

1.3.2 THE SERIES 2015 GARB BONDS

The Series 2015 GARB Bonds are being issued pursuant to provisions of the General Airport Revenue Bond Ordinance (GARB Ordinance), which is described below and was adopted by the San Antonio City Council on June 18, 2015. For the Series 2015 GARB Bonds, the City's Financial Advisor has assumed the following:

	SERIES 2015 GARB BONDS
First Maturity Date:	07/01/2020
Last Maturity Date:	07/01/2045
True Interest Cost:	4.47%

1.3.2.1 General Airport Revenue Bond Ordinances

The Series 2015 GARB Bonds are being issued by the City pursuant to the laws of the State of Texas (Texas), including particularly Chapter 22, as amended, Texas Transportation Code, and Chapters 1207 and 1503, as amended, Texas Government Code (collectively, the Act), the City's Home Rule Charter (the Charter), a master ordinance adopted by the City Council of the City (the City Council) on April 19, 2001 (the Master GARB Ordinance), and a Fifteenth Supplemental Ordinance thereto adopted by the City Council on June 18, 2015 (together with the Master GARB Ordinance, the GARB Ordinance). The GARB Ordinances sets forth the obligations of the City to the Trustee and bondholders relative to the Series 2015 GARB Bonds and all currently outstanding and subsequently issued bonds that are on parity with the Series 2015 GARB Bonds (collectively, Parity GARBs), including the pledge of security for the Parity GARBs, the rate covenant, the creation of certain funds and accounts and the order of priority for the use of pledged revenues, and requirements for issuing additional bonds. A summary of certain provisions of the GARB Ordinances is provided in the appendix to the Official Statement for the Series 2015 GARB Bonds. The capitalized terms used in this report are used as defined in the GARB Ordinances.

GARB Rate Covenant

In the GARB Ordinance, the City covenants to "fix, maintain, enforce, charge, and collect rentals, rates, fees, charges and amounts for the use, occupancy, services, facilities, and operation of the Airport System which will produce in each Fiscal Year Gross Revenues at least sufficient: (A) to pay all Operation and Maintenance Expenses during each Fiscal Year, and also (B) to provide an amount equal to 1.25 times the Annual Debt Service Requirements during each Fiscal Year on all then Outstanding Parity GARBs."

2. San Antonio International Airport

2.1 Existing Airport Facilities

Built in July 1941 as a military base, the Airport became a commercial airport in 1953. The Airport, which occupies approximately 2,600 acres of land, is located nine miles from the center of the City at the intersection of Interstate 410 and Interstate 37 (US-281). **Exhibit 2-1** presents an aerial perspective of the Airport and the surrounding area. The following sections describe the Airport in greater detail.

2.1.1 AIRFIELD

The Airport's existing airfield infrastructure consists of runways and taxiways, ramp/apron areas and holding pads, and other airfield facilities. The Airport has two all-weather air carrier runways, Runway 12R/30L and Runway 4/22, which are both approximately 8,500 feet in length and 150 feet wide. The Airport's general aviation runway, Runway 12L/30R, is approximately 5,520 feet in length and 100 feet wide.

Each runway has a full-length parallel taxiway, a 90-degree entrance/exit taxiway located at each end, and several 90-degree intersecting taxiways. The airfield has approximately 85.9 acres of concrete apron for commercial aircraft parking in the terminal area and an additional 16.7 acres at the East Cargo Ramp. There are holding pads at the ends of Runways 12R and 4.

Other airfield facilities include underground storm sewer systems, fencing and security gates, navigational aids and an airfield lighting system, and an FAA Airport Traffic Control Tower.

2.1.2 TERMINAL

The Airport has two passenger terminals with abutting apron areas for aircraft parking. Terminal A (also referred to as Concourse A), which was constructed in 1984, has 16 gates and contains approximately 395,000 square feet. Terminal B (also referred to as Concourse B), which opened on November 9, 2010, contains approximately 245,000 square feet and includes 8 gates. Both terminals include hold rooms, operations, ticketing, and common areas, concessions, aviation offices, and pedestrian access to existing parking facilities.

SOURCE: City of San Antonio, Department of Aviation, December 2014
PREPARED BY: Ricondo & Associates, Inc., December 2014.

EXHIBIT 2-1

Airport Facilities

2.1.3 PUBLIC VEHICLE ACCESS AND PARKING

The Airport currently has approximately 8,155 parking spaces, consisting of approximately 7,235 public parking spaces and approximately 920 employee parking spaces. Parking facilities include a short-term parking garage, a long-term parking garage, and surface parking. The most recent parking expansion project, completed in May 2008, increased parking capacity by approximately 2,100 public parking spaces. A free cell phone lot with approximately 80 spaces is also available at the Airport. The Aviation Department closed the economy parking lot, containing approximately 1,500 spaces, in October 2010, but has used it as necessary for an overflow lot.

2.1.4 AIR CARGO

Air cargo facilities at the Airport include the Air Cargo East complex and the Air Cargo West complex. A total of over 137,000 square feet of cargo warehouse space and over 1.7 million square feet of air cargo aircraft apron space are available. The Airport has two designated Foreign Trade Zones and is served by 12 air cargo service providers.

2.1.5 GENERAL AVIATION FEDERAL INSPECTION STATION

A new General Aviation Federal Inspection Station (GA/FIS) is scheduled for completion by the end of 2016. The approximately 5,000 square foot facility will be located across the airfield from commercial operations. The Aviation Department will construct the access taxiway and ramp area in front of the GA/FIS, which is located on the north side of the airfield.

2.1.6 OTHER FACILITIES

Other facilities at the Airport include a roadway system, Fixed Base Operator (FBO) facilities, aircraft maintenance and manufacturing facilities, corporate/business facilities, Airport maintenance shop, and utility systems.

2.2 Capital Improvement Program

The Aviation Department's Capital Improvement Program (CIP) includes projects for the Airport System, which the Aviation Department management has determined are necessary to accommodate growth in aircraft and passenger activity at the Airport and to replace and rehabilitate certain facilities and equipment at the Airport and Stinson.

Table 2-1 presents the Aviation Department's current CIP for FY 2015 through FY 2020. The total costs of the CIP are estimated at approximately $650.9 million, including project costs of approximately $145.3 million that were funded as of September 30, 2014 for projects anticipated to be completed between FY 2015 and FY 2020. The projects included in the CIP are expected to be funded from the following sources: federal, state, and other grants; PFC revenues; Aviation Department funds; prior bond proceeds; and the Series 2015 Bonds. The anticipated funding sources and financing plan for the CIP are further described in Chapter 7 of this Report.

Table 2-1 (1 of 3): Capital Improvement Program by Year

(For Fiscal Years Ending September 30)

PROJECT CATEGORY	TOTAL COSTS FUNDED TO DATE [2/]	PROJECTED [1/] FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL PROJECT COSTS
SERIES 2015 PROJECT								
CONRAC Project								
Consolidated Rental Car Facility	$ 13,232,191	$ 158,367,809	$ -	$ -	$ -	$ -	$ -	$ 171,600,000
Total CONRAC Project	**$ 13,232,191**	**$ 158,367,809**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 171,600,000**
TOTAL SERIES 2015 PROJECT	**$ 13,232,191**	**$ 158,367,809**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 171,600,000**
OTHER CAPITAL PROJECTS								
Airfield Projects								
Air Operations Area Perimeter Fence	$ -	$ 1,823,000	$ 930,000	$ 959,000	$ 984,000	$ -	$ -	$ 4,696,000
Apron & Utilities	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,152,000	$ 11,152,000
Drainage Master Plan	$ -	$ -	$ -	$ 477,000	$ -	$ -	$ -	$ 477,000
Northside Development Access	$ -	$ 100,000	$ 1,280,000	$ -	$ -	$ -	$ -	$ 1,380,000
Pavement Maintenance Management Program	$ -	$ 386,000	$ -	$ -	$ -	$ -	$ -	$ 386,000
Perimeter Road Reconstruction	$ -	$ 820,000	$ 820,000	$ 827,000	$ -	$ -	$ -	$ 2,467,000
Runway 12L Improvements	$ -	$ -	$ -	$ 1,131,333	$ 10,299,000	$ 2,363,000	$ -	$ 13,793,333
Runway 12R Decouple & Reconstruction	$ -	$ -	$ -	$ -	$ 280,000	$ -	$ 15,510,000	$ 15,790,000
Runway 12R Rehabilitation	$ 4,297,731	$ -	$ 5,429,700	$ 18,026,070	$ -	$ -	$ -	$ 27,753,501
Taxiway E Reconstruct	$ 495,000	$ -	$ 2,107,000	$ -	$ -	$ -	$ -	$ 2,602,000
Taxiway H Reconstruction	$ -	$ -	$ -	$ -	$ 307,000	$ 3,149,000	$ -	$ 3,456,000
Terminal Area Taxiways	$ 23,722,477	$ 20,517,000	$ 14,663,900	$ -	$ 3,676,600	$ -	$ -	$ 62,579,977
Total Airfield Projects	**$ 28,515,208**	**$ 23,646,000**	**$ 25,230,600**	**$ 21,420,403**	**$ 15,546,600**	**$ 5,512,000**	**$ 26,662,000**	**$ 146,532,811**
Acoustical Program Project								
Residential Acoustical Treatment Program	$ 95,201,187	$ 8,300,000	$ 8,000,000	$ 8,000,000	$ 8,000,000	$ 8,000,000	$ 8,000,000	$ 143,501,187
Total Accoustical Program Project	**$ 95,201,187**	**$ 8,300,000**	**$ 8,000,000**	**$ 8,000,000**	**$ 8,000,000**	**$ 8,000,000**	**$ 8,000,000**	**$ 143,501,187**
Terminal Projects								
Air Conditioning Condensate Capture And Reuse	$ -	$ -	$ -	$ 709,000	$ 4,761,000	$ -	$ -	$ 5,470,000
Common Use Implementation	$ 309,000	$ -	$ 1,837,000	$ 4,372,000	$ -	$ -	$ -	$ 6,518,000
Paging Modernization	$ -	$ 798,000	$ -	$ -	$ -	$ -	$ -	$ 798,000
Passenger Boarding Bridges	$ -	$ -	$ -	$ 1,800,000	$ 800,000	$ -	$ -	$ 2,600,000
Tenant VOIP	$ -	$ -	$ 100,000	$ 550,000	$ -	$ -	$ -	$ 650,000
Terminal A Cutover	$ -	$ -	$ 641,000	$ 2,431,000	$ -	$ -	$ -	$ 3,072,000
Terminal A Security Checkpoint Expansion	$ -	$ -	$ -	$ -	$ 4,000,000	$ 20,000,000	$ -	$ 24,000,000
Terminal A Renovations & Refurbishment, Phase II	$ 1,600,000	$ 3,150,000	$ 14,372,134	$ -	$ 2,600,000	$ 1,675,000	$ 620,000	$ 24,017,134
Terminal B Blast Protection	$ -	$ -	$ 38,000	$ 289,000	$ -	$ -	$ -	$ 327,000
Total Terminal Projects	**$ 1,909,000**	**$ 3,948,000**	**$ 16,988,134**	**$ 10,151,000**	**$ 12,161,000**	**$ 21,675,000**	**$ 620,000**	**$ 67,452,134**

Table 2-1 (2 of 3): Capital Improvement Program by Year

(For Fiscal Years Ending September 30)

		PROJECTED [1/]						
PROJECT CATEGORY	**TOTAL COSTS FUNDED TO DATE [2/]**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**TOTAL PROJECT COSTS**
Other Projects								
Abandoned Site Rehabilitation	$ -	$ -	$ 132,000	$ -	$ -	$ -	$ -	$ 132,000
Airport Electronic Sign	$ -	$ -	$ -	$ -	$ 563,000	$ -	$ -	$ 563,000
Airport Lighting Control & Monitoring System	$ -	$ -	$ -	$ -	$ -	$ -	$ 716,000	$ 716,000
Airport Owned Facility Refurbishments	$ 1,107,391	$ 200,000	$ 200,000	$ -	$ -	$ -	$ -	$ 1,507,391
Airport Roadway Improvements	$ -	$ -	$ 400,000	$ 315,000	$ 500,000	$ 350,000	$ -	$ 1,565,000
Airport Security Plan Implementation	$ -	$ 603,000	$ 3,565,930	$ -	$ -	$ -	$ -	$ 4,168,930
Airside Security Program	$ -	$ -	$ -	$ -	$ 411,000	$ 1,900,000	$ 1,502,000	$ 3,813,000
CUP Building Addition	$ -	$ -	$ 421,000	$ -	$ -	$ -	$ -	$ 421,000
Demolition of 3 Surplus Hangars	$ -	$ -	$ 212,000	$ -	$ -	$ -	$ -	$ 212,000
Distributed Antenna System Upgrade	$ -	$ -	$ -	$ -	$ 437,000	$ -	$ -	$ 437,000
Electrification of Ground Support Equipment For Emissions Reduction	$ -	$ -	$ -	$ -	$ -	$ 139,000	$ -	$ 139,000
Facilities Fleet Expansion	$ -	$ 568,000	$ -	$ -	$ -	$ -	$ -	$ 568,000
Facilities Management Software Programs	$ 1,115,000	$ 1,136,000	$ -	$ -	$ -	$ -	$ -	$ 2,251,000
Former MSW Remediation	$ -	$ -	$ -	$ 87,000	$ 968,000	$ -	$ -	$ 1,055,000
Freight Elevator, Additional	$ -	$ -	$ -	$ -	$ 115,000	$ 523,000	$ -	$ 638,000
Fuel Tank Replacement	$ -	$ 1,030,000	$ -	$ -	$ -	$ -	$ -	$ 1,030,000
General Aviation FIS Facility, SAT	$ 990,000	$ 4,399,000	$ -	$ -	$ -	$ -	$ -	$ 5,389,000
Identity Management Solution	$ -	$ 824,000	$ -	$ -	$ -	$ -	$ -	$ 824,000
Improvements to Airport-Owned Property	$ 650,950	$ 1,050,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 2,950,950
Integrated Control Center	$ -	$ 764,000	$ -	$ 10,800,000	$ -	$ -	$ -	$ 11,564,000
IT Master Plan	$ 249,959	$ -	$ 200,000	$ -	$ -	$ -	$ -	$ 449,959
Maintenance Office Renovation	$ 350,000	$ -	$ -	$ 112,000	$ 562,000	$ -	$ -	$ 1,024,000
Master Plan Update, SAT	$ -	$ -	$ -	$ -	$ -	$ 3,000,000	$ 1,500,000	$ 4,500,000
Outside Plant Campus IT Ring	$ -	$ -	$ -	$ 507,000	$ 3,000,000	$ 1,883,000	$ -	$ 5,390,000
Parking Area Surveillance	$ 605,000	$ 110,310	$ -	$ -	$ -	$ -	$ -	$ 715,310
Parking Development Property	$ -	$ -	$ -	$ -	$ -	$ 2,181,000	$ 7,729,000	$ 9,910,000
Parking, Bus Area & Transfer Cut Out	$ -	$ 81,370	$ -	$ -	$ -	$ -	$ -	$ 81,370
Parking, Command Center Remodel	$ -	$ 231,750	$ -	$ -	$ -	$ -	$ -	$ 231,750
Parking, Garage Elevators, Replacement	$ -	$ 1,000,000	$ -	$ -	$ -	$ -	$ -	$ 1,000,000
Parking, Garage Signage & Space Improvements	$ -	$ 1,264,000	$ 318,000	$ -	$ -	$ -	$ -	$ 1,582,000
Parking, Green Lot Canopies	$ -	$ -	$ -	$ 51,000	$ 1,302,000	$ -	$ -	$ 1,353,000
Parking, Green Lot, 4, 8, Improvements	$ 100,000	$ 306,200	$ -	$ -	$ 2,018,832	$ -	$ -	$ 2,425,032
Parking, Upgrade Wiring And Space Indicatorsin Long Term Parking Garage	$ -	$ -	$ -	$ 1,421,000	$ -	$ -	$ -	$ 1,421,000
Physical Security Information Management	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,493,000	$ 1,493,000
Rehabilitate West Cargo Facilities	$ -	$ -	$ -	$ 302,000	$ 3,200,000	$ -	$ -	$ 3,502,000
Relocation of Gate 20, Central Delivery	$ -	$ 364,000	$ -	$ -	$ -	$ 200,000	$ -	$ 564,000
Stormwater Outfall Repairs	$ 112,000	$ 650,000	$ -	$ -	$ -	$ -	$ -	$ 762,000
Support Services Building	$ -	$ -	$ -	$ -	$ 2,662,000	$ 18,985,000	$ -	$ 21,647,000
Systems Integration Project (AODB)	$ -	$ -	$ -	$ -	$ 760,000	$ 863,000	$ -	$ 1,623,000
Taxi Hold Area Restrooms	$ -	$ 206,000	$ -	$ -	$ -	$ -	$ -	$ 206,000
Triturator Facility Improvement	$ -	$ 858,000	$ -	$ -	$ -	$ -	$ -	$ 858,000
Wireless Mesh	$ 342,669	$ -	$ -	$ 206,000	$ 1,100,000	$ 437,000	$ -	$ 2,085,669
Total Other Projects	**$ 5,622,969**	**$ 15,645,630**	**$ 5,698,930**	**$ 14,051,000**	**$ 17,848,832**	**$ 30,711,000**	**$ 13,190,000**	**$ 102,768,361**

Table 2-1 (3 of 3): Capital Improvement Program by Year

(For Fiscal Years Ending September 30)

		PROJECTED 1/						
PROJECT CATEGORY	TOTAL COSTS FUNDED TO DATE 2/	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL PROJECT COSTS
Stinson Projects								
Air Traffic Control Tower	$ 537,638	$ 3,474,405	$ -	$ -	$ -	$ -	$ -	$ 4,012,043
Building Modifications	$ 293,331	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 893,331
Commander's House Redevelopment	$ -	$ -	$ 145,000	$ -	$ -	$ -	$ -	$ 145,000
Field Security And It Upgrades	$ -	$ -	$ -	$ -	$ 2,815,000	$ -	$ -	$ 2,815,000
Land Prep	$ -	$ 412,000	$ 424,000	$ 437,000	$ -	$ -	$ -	$ 1,273,000
Master Plan Update	$ -	$ -	$ -	$ -	$ -	$ 580,000	$ -	$ 580,000
Monument & Directional Signage	$ -	$ -	$ 545,000	$ -	$ -	$ -	$ -	$ 545,000
Parking Lot	$ -	$ 145,000	$ -	$ -	$ -	$ -	$ -	$ 145,000
Roosevelt Access Parkway	$ -	$ 357,000	$ 1,633,000	$ 989,000	$ -	$ -	$ -	$ 2,979,000
Taxiway D Upgrade	$ -	$ -	$ 505,000	$ 4,545,000	$ -	$ -	$ -	$ 5,050,000
Terminal Office Space Build-Outs	$ 28,530	$ 289,000	$ -	$ -	$ -	$ -	$ -	$ 317,530
Terminal Roof Replacement	$ -	$ -	$ 50,000	$ 250,000	$ -	$ -	$ -	$ 300,000
Total Stinson Projects	**$ 859,499**	**$ 4,777,405**	**$ 3,402,000**	**$ 6,321,000**	**$ 2,915,000**	**$ 680,000**	**$ 100,000**	**$ 19,054,904**
TOTAL OTHER CAPITAL PROJECTS	**$ 132,107,862**	**$ 56,317,035**	**$ 59,319,664**	**$ 59,943,403**	**$ 56,471,432**	**$ 66,578,000**	**$ 48,572,000**	**$ 479,309,396**
TOTAL CAPITAL IMPROVEMENT PROGRAM	**$ 145,340,053**	**$ 214,684,844**	**$ 59,319,664**	**$ 59,943,403**	**$ 56,471,432**	**$ 66,578,000**	**$ 48,572,000**	**$ 650,909,396**

NOTE:

1/ Estimated expenditure by year for each project

2/ As of September 30, 2014

SOURCE: City of San Antonio, Department of Aviation, June 2015.

PREPARED BY: Ricondo & Associates, Inc. June 2015.

2.2.1 SUMMARY OF CAPITAL PROJECTS

For purposes of this report, the Aviation Department's CIP is organized into the following two categories (each of which is discussed in the sections that follow):

2.2.1.1 The Series 2015 Project

The Series 2015 Project includes capital projects described in Chapter 1 to be funded, in part, with the proceeds of the Series 2015 Bonds. As shown on Table 2-1, The Series 2015 Project is estimated to cost approximately $171.6 million in total.

2.2.1.2 Other Capital Projects

Other Capital Projects are other Airport capital projects that are currently anticipated by the Aviation Department to be undertaken through FY 2020. There are no significant anticipated impacts to operating costs or revenues associated with the Other Capital Projects. Other Capital Projects total approximately $479.3 million through FY 2020. Sources of funding for the Other Capital Projects are described in Chapter 7 of this Report.

It should be noted that certain capital projects included in Other Capital Projects could potentially be deferred or not otherwise undertaken by the Aviation Department (depending on circumstances such as aviation demand levels, availability of project funding, etc.) during the Projection Period. However, for purposes of this analysis, such projects have been incorporated in this Report and the accompanying financial tables to be conservative.

It is possible that during the Projection Period, the Aviation Department may consider other potential future Airport improvements not planned for at this time. However, the Aviation Department will only undertake construction on any other potential future projects when demand warrants, necessary environmental reviews have been completed, necessary approvals have been obtained, and associated project costs and/or related debt service can be supported by a reasonable level of Airport user fees or other discrete funding sources such as state/federal grants, PFCs, Airport funds, or third party funds.

Descriptions of the Other Capital Projects and associated costs are described in more detail in the following sections.

Airfield Projects

Airfield projects are estimated to cost approximately $146.5 million in total. Approximately $28.5 million of the total cost has been funded as of September 30, 2014 with approximately $118.0 to be funded between FY 2015 and FY 2020. As shown on Table 2-1, airfield projects include the following:

- **Apron and Utilities.** This multi-phased project is estimated to cost approximately $11.2 million in total and will complete the reconstruction of aircraft parking apron and underground utilities between Terminal B and future Terminal C.

- **Runway 12L Improvements.** This project is estimated to cost approximately $13.8 million in total and will rehabilitate the general aviation Runway 12L and sections of adjacent Taxiways M, A, P, and D.

- **Runway 12R Decouple and Reconstruction.** This project is estimated to cost approximately $15.8 million in total. The project will design and construct the decoupling of Runway 12R from Runways 4/22 and includes an environmental assessment and a memorandum of agreement with the FAA. The project will also design and reconstruct Runway 12R in phases, beyond the current six-year capital program.

- **Runway 12R Rehabilitation.** This project is estimated to cost approximately $27.8 million in total. This project will reconstruct two separate sections of concrete runway pavement of Runway 12R, including the rehabilitation of portions of adjacent taxiways, and runway lighting improvements.

- **Terminal Area Taxiways.** This project is estimated to cost approximately $62.6 million in total and includes the reconstruction of Taxiway G, from Runway 4/22 to Taxiway A, and Taxiway N, from Runway 12R southwest to Runway 4/22; and construction of new parallel taxiways to both Taxiways G and N. The project also includes the development of a Surface Movement Guidance Control System (SMGCS) Plan.

- Other airfield projects included in the CIP are estimated to cost approximately $15.5 million in total.

Acoustical Program Project

The Aviation Department's Residential Acoustical Treatment Program (Acoustical Program) project is estimated to cost approximately $143.5 million in total. As shown on Table 2-1, approximately $95.2 million of the total cost has been funded as of September 30, 2014 with approximately $48.3 million to be funded between FY 2015 and FY 2020. As part of the Acoustical Program, residences located within eligible noise exposure levels are renovated to reduce interior noise levels.

Terminal Projects

Terminal projects are estimated to cost approximately $67.5 million in total. Approximately $1.9 million of the total cost has been funded as of September 30, 2014 with approximately $65.5 to be funded between FY 2015 and FY 2020. As shown on Table 2-1, terminal projects include the following:

- **Terminal A Security Checkpoint Expansion.** This project is estimated to cost approximately $24.0 million in total. This project designs and constructs the expansion of the Terminal A security checkpoint to allow for additional security lines. Project will include the construction of a connector between Terminals A and B to improve checkpoint congestion and provide passengers with access to both terminals.
- **Terminal A Renovations and Refurbishment, Phase II.** This project is estimated to cost approximately $24.0 million in total. This project provides for the design and construction for the

second phase of work. The project includes the design and expansion of the customs facility in Terminal A that will be constructed in phases.

- Other terminal projects included in the CIP are estimated to cost approximately $19.4 million in total.

Other Projects

Other projects are estimated to cost approximately $102.8 million in total. Approximately $5.6 million of the total cost has been funded as of September 30, 2014 with approximately $97.1 to be funded between FY 2015 and FY 2020. As shown on Table 2-1, other projects include the following:

- **Integrated Control Center.** This project is estimated to cost approximately $11.6 million in total. This project includes the plans, designs and construction of a new integrated control center for the Airport.

- **Parking Development Property.** This project is estimated to cost approximately $9.9 million in total. This project includes the design and construction of infrastructure necessary to develop the Nakoma Property, which will include a parking and solar farm at a minimum.

- **Support Services Building.** This project is estimated to cost approximately $21.6 million in total. This project provides for the construction of a new building to centralize Airport personnel displaced by the new terminal. The building will also house central IT functions and a control center to support the operational needs of the Airport.
- Other projects included in the CIP are estimated to cost approximately $59.6 million in total.

Stinson Projects

Stinson projects are estimated to cost approximately $19.1 million in total. Approximately $860,000 of the total cost has been funded as of September 30, 2014 with approximately $18.2 to be funded between FY 2015 and FY 2020. As shown on Table 2-1, Stinson projects include the following:

- **Air Traffic Control Tower.** This project is estimated to cost approximately $4.0 million in total. This project includes the site selection, design, and construction of a new air traffic control tower (ATCT) at Stinson. A new ATCT will eliminate anticipated line-of-sight issues that will occur with future development.
- **Taxiway D Upgrade.** This project is estimated to cost approximately $5.1 million in total and includes the design and construction of a separation between Runway 9-27 and Taxiway D to bring Runway 9-27 to a B-II standard. The Texas Department of Transportation will administer the project.
- Other Stinson projects included in the CIP are estimated to cost approximately $10.0 million in total.

3. Economic Base for Air Transportation

3.1 Introduction

The CONRAC Facility will primarily serve visitors traveling on airlines serving San Antonio International Airport. Economic and demographic activity in the San Antonio area as well as in the U.S. as a whole impact activity at the Airport, and the derived demand for rental vehicles at the airport. The attractiveness of the destination, in this case San Antonio, impacts passenger demand levels of visitors, the primary customers for rental cars. The traffic (business and leisure passengers) to and from the San Antonio area is the primary source of demand at the Airport as 92.3 percent of passengers using the Airport begin or end their journeys there. The passengers originating air travel at the Airport represent approximately 47.0 percent of the Airport's customers, while travellers from other markets are approximately 6.0 percent higher at approximately 53.0 percent of the air travel demand for those beginning or ending their journeys at the Airport. The population and economy of the San Antonio Area generate demand at the Airport, though the visitors to the area exceed trips taken by residents of the area, so economic growth of the nation as a whole is the most significant predictor of air traffic at the Airport. Because the economy of the San Antonio area and the U.S. impact traffic growth at the Airport, this section presents historical and forecast information related thereto.

The City of San Antonio is the seventh largest city in the U.S. The diverse economy centered in the City of San Antonio benefits from a myriad of drivers of demand. Among the key sectors of the City's economy are hospitality and tourism, finance, military, aerospace, information technology and cyber security, manufacturing, health care and bioscience, and higher education.

- The many attractions and activities for visitors make the meeting and convention business along with tourism a major force in the economy of San Antonio. With the San Antonio River Walk, Sea World, Six Flags Fiesta Texas, the Alamo, the City's geographic position as the gateway to the Texas Hill Country, and the Annual Fiesta Celebration in spring, San Antonio truly offers something for everyone visiting for leisure or business.
- As a geographic and cultural gateway to Mexico, San Antonio enjoys strong business, leisure and family ties to Mexico. The Airport and the network of highways and railroads to Mexico makes San Antonio a crossroads for trade with Mexico that generates travelers coming to shop, vacation, do business, and visit family.
- San Antonio's economy has a strong military presence that generates travel demand and provides a critical economic foundation that complements its leisure, convention and business industries.

- The diversified private sector economy includes the following Fortune 500 companies: USAA, Tesoro, Valero Energy, CST Brands, Inc. and CC Media Holdings, Inc.
- San Antonio is home to Toyota Manufacturing of Texas, a subsidiary of Toyota Motor Engineering and Manufacturing of North America, Inc. H-E-B Grocery Company, LP, the 15th largest private company[1] in the United States, is also headquartered in San Antonio.
- San Antonio is the health care center for south Texas. The Air Trade Area is home to 40 hospitals, including four major hospital systems.
- The many institutions of higher learning including the University of Texas at San Antonio (UTSA), the University of Texas Health Science Center at San Antonio, St. Mary's University, University of the Incarnate Word, Trinity University and Texas A&M University at San Antonio are major employers based in the market, sources of talent and a major local asset to business, military and government as San Antonio competes for economic development opportunities in the knowledge economy of the 21st century.

3.2 Air Trade Area

The San Antonio Air Trade Area comprises the primary service region of the Airport. The Air Trade Area encompasses the eight county San Antonio Metropolitan Statistical Area (MSA) that includes Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, and Wilson and the surrounding counties of Kerr, Gillespie, Gonzales, and Hays immediately adjacent to the San Antonio MSA as displayed on **Exhibit 3-1**. The City is the seat of Bexar County, as well as the economic and cultural center for the Air Trade Area.

The Airport is located nine miles from the center of the City at the intersection of Interstate 410 and Interstate 37 (US-281). Interstate 37 runs from the Airport to downtown San Antonio, and southeast to the City of Corpus Christi. The Airport's location is also five miles from Interstate 10, which is the major ground transportation corridor for the southern tier of the U.S. stretching from Jacksonville, Florida to Los Angeles, California. Interstate 35 provides direct access northeast to Austin and Dallas (and as far as Duluth, Minnesota), and southwest to Laredo. These highways ensure that surrounding counties outside the MSA have convenient access to the Airport. It also provides access between the Air Trade Area and other major markets within the State of Texas (Texas) and the southwest U.S.

The location of the Airport and its ease of access to the national highway system are major influences on the definition of the Air Trade Area. The interrelationship with the surrounding counties and nearby metropolitan areas is greatly influenced by the access provided by multiple interstate and state highways bisecting the Air Trade Area.

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[1] Forbes, October 2014.

SOURCE: Inter*VISTAS* Consulting Inc, December 2014.
PREPARED BY: Inter*VISTAS* Consulting Inc., December 2014.

EXHIBIT 3-1

San Antonio MSA and Air Trade Area

Supporting the definition of the Air Trade Area is the San Antonio International Airport 2013 Market Share Analysis prepared in February 2013 by Inter*VISTAS*. This Report and earlier studies completed in 2008 and 2009 analyzed prior year data to calibrate demand for air travel within the San Antonio MSA and adjacent markets. In these studies, Inter*VISTAS* analyzed origin and destination demand patterns to determine the propensity of travelers in the region to utilize the Airport versus other alternative airports, and the factors that influenced air service and airport choice of consumers of air travel. The definition of the Air Trade Area of the Airport is based on these analyses.

The economic and demographic analysis of the Air Trade Area that follows describes the drivers of air traffic demand in the Air Trade Area as defined geographically in Exhibit 3-1.

3.3 State of the Air Trade Area Economy – Economic Trends

The Air Trade Area economy was not immune to the economic downturn of 2008 and 2009 (Great Recession). However, the underlying strength, diversity and resiliency of the economy of the Air Trade Area has been evident in the growth from 2010 to 2015 as shown in Table 3-1. The Air Trade Area's economy reflects that of Texas, which has shown greater success in maintaining economic output and employment levels relative to other major markets in the U.S. in the post Great Recession period. This success is related to the business-friendly environment, low cost of living, and high quality of life available to businesses and individuals in the Air Trade Area.

As shown on **Table 3-1**, growth in the economy of the Air Trade Area and Texas has exceeded that of the U.S. as a whole for many years. The economy of the Air Trade Area as measured by Real Gross Regional Product (GRP) increased an average of 3.5 percent annually from 2000 through 2015 according to Woods and Poole Economics, Inc.[2], an independent provider of historical and forecast economic and demographic data. This rate of growth exceeded the average annual rate of growth of the U.S. Real Gross Domestic Product (GDP) of approximately 1.9 percent over the period, and matched that of the Real Gross State Product (GSP) of Texas, which increased an average of approximately 3.5 percent annually.

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[2] Woods and Poole Economics, Inc. (W&P) is an independent firm that specializes in long-term county economic and demographic projections. W&P has been making county projections since 1983. The Complete Economic and Demographic Data Source (CEDDS), a W&P product contains over 2.8 million statistics presented in data table and text formats for all regions, states, Metropolitan Statistical Areas (MSA's) and all 3,091 counties in the W&P regional database. W&P's economic and demographic projections benefit from its approach that utilizes the comprehensive historical county database and the integrated nature of the projection model. The projection for each county in the United States is done simultaneously so that changes in one county will affect growth or decline in other counties. The methodology reflects the flow of growth around the country as new industries emerge or relocate in growing areas and as people migrate, in part because of job opportunities. As all data points are estimates when not in a Census year (2010), the release year of the data (in this case 2015) is considered to be the base or "current" year estimate which is the base year to begin forecasting from. Years prior to the base year are considered to be historical, while the years after the base year are considered to be forecasted estimates (all years are subject to annual revision). Source: CEDDS 2015, The Complete Economic and Demographic Data Source, Volume 1, Projection Overview. For additional information on W&P, please see www.woodsandpoole.com.

Table 3-1: Real Economic Output Air Trade Area, State of Texas, and United States

(In 2009 Dollars, Amounts in Millions)

	GROSS REGIONAL PRODUCT		GROSS STATE PRODUCT		GROSS DOMESTIC PRODUCT	
CALENDAR YEAR	AIR TRADE AREA	ANNUAL CHANGE	TEXAS	ANNUAL CHANGE	UNITED STATES	ANNUAL CHANGE
Historical						
2000	$ 69,812		$ 897,900		$ 12,306,432	
2005	$ 84,754	4.0%	$ 1,081,814	3.8%	$ 14,116,075	2.8%
2006	$ 89,904	6.1%	$ 1,154,656	6.7%	$ 14,549,282	3.1%
2007	$ 93,044	3.5%	$ 1,212,092	5.0%	$ 14,831,230	1.9%
2008	$ 92,641	-0.4%	$ 1,242,523	2.5%	$ 14,626,740	-1.4%
2009	$ 91,854	-0.8%	$ 1,167,233	-6.1%	$ 14,328,010	-2.0%
2010	$ 97,534	6.2%	$ 1,228,209	5.2%	$ 14,620,949	2.0%
2011	$ 101,413	4.0%	$ 1,303,227	6.1%	$ 14,816,834	1.3%
2012	$ 106,515	5.0%	$ 1,379,402	5.8%	$ 15,218,600	2.7%
2013	$ 109,348	2.7%	$ 1,422,292	3.1%	$ 15,514,792	1.9%
2014	$ 113,126	3.5%	$ 1,467,021	3.1%	$ 15,892,855	2.4%
Current						
2015	$ 116,512	3.0%	$ 1,509,390	2.9%	$ 16,261,994	2.3%
Forecast						
2016	$ 119,945	2.9%	$ 1,552,353	2.8%	$ 16,632,973	2.3%
2017	$ 123,417	2.9%	$ 1,595,881	2.8%	$ 17,005,442	2.2%
2018	$ 126,956	2.9%	$ 1,640,334	2.8%	$ 17,382,455	2.2%
2019	$ 130,580	2.9%	$ 1,685,870	2.8%	$ 17,765,537	2.2%
2020	$ 134,291	2.8%	$ 1,732,542	2.8%	$ 18,155,067	2.2%
2021	$ 138,093	2.8%	$ 1,780,337	2.8%	$ 18,550,436	2.2%
2022	$ 141,974	2.8%	$ 1,829,122	2.7%	$ 18,950,272	2.2%
2023	$ 145,929	2.8%	$ 1,878,801	2.7%	$ 19,353,691	2.1%
			Compound Annual Growth Rates			
2000-2015		3.5%		3.5%		1.9%
2007-2015		2.9%		2.8%		1.2%
2015-2023		2.9%		2.8%		2.2%

SOURCE: Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2015 CEDDS).

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Over the most recent business cycle from 2007 through 2015, the U.S. GDP increased at an average annual rate of approximately 1.2 percent. The GRP of the Air Trade Area increased at two and one-half times that rate, approximately 2.9 percent on average annually. The GSP of Texas increased at slightly lower rate than the Air Trade Area's GRP at 2.8 percent on average annually.

From 2015 through 2023, the Air Trade Area's Real GRP is forecast to grow at an average rate of approximately 2.9 percent annually, as shown on Table 3-1. This compares favorably to the forecasted increase in U.S. Real GDP of approximately 2.2 percent, and is in line with the forecast of Real GSP for Texas of approximately 2.8 percent annually. These forecasts indicate that the growth in the economy of the Air Trade Area will be consistent with that of Texas, and will outperform that of the nation as a whole.

3.4 Population

As shown on **Table 3-2**, the San Antonio MSA is the core population base of the Air Trade Area. Certain other surrounding counties are included in the Air Trade Area based on ease of access to the Airport as well as the propensity of residents of those areas to use the Airport. The San Antonio MSA is at the center of the Air Trade Area with over 2.3 million residents as of January 1, 2015[3], the latest available data, or 89.4 percent of the Air Trade Area's population, as shown on **Table 3-3**.

The population of the Air Trade Area has increased an average of approximately 2.2 percent per year from 2000 through 2015 from approximately 1.9 million to 2.6 million people. This increase in population exceeds the average annual increases of approximately 1.8 percent annually for Texas, and approximately 0.9 percent for the U.S. as a whole.

3.5 Income

Table 3-4 displays Real Income per Capita for the Air Trade Area, Texas, and the U.S. as a whole. The dollar amount of Real Income per Capita in the Air Trade Area trails that of Texas and the U.S

In 2015, Air Trade Area Real Income per Capita was estimated to be $38,447, which was approximately 9.0 percent below the average of $42,248 for Texas, and approximately 10.6 percent below the average of $43,021 for the nation as a whole. From 2000 through 2015, Real Income per Capita in the Air Trade Area increased at an average of approximately 1.1 percent annually, from $32,448 to $38,447. This is similar to the average annual increase in Texas over the period of approximately 1.4 percent, and the average for the U.S. as a whole of approximately 1.0 percent.

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3 Woods & Poole Economics, Inc. The Complete Economic and Demographic Data Source (2015 CEDDS).

Table 3-2: Population Air Trade Area, State of Texas, and United States

(Amounts in Thousands)

	HISTORICAL									CURRENT	FORECAST								COMPOUND ANNUAL GROWTH RATES		
	2000	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2000-2015	2007-2015	2015-2023
Air Trade Area																					
San Antonio MSA	1,720	2,012	2,061	2,106	2,153	2,193	2,234	2,278	2,314	2,352	2,392	2,433	2,474	2,516	2,559	2,602	2,646	2,690	2.1%	2.0%	1.7%
Gillespie County	21	24	24	25	25	25	25	25	26	26	26	27	27	28	28	28	29	29	1.4%	1.1%	1.4%
Gonzales County	19	20	20	20	20	20	20	20	20	21	21	21	21	21	21	21	21	22	0.6%	0.6%	0.6%
Hays County	99	140	148	154	158	164	169	176	178	180	183	185	187	190	192	194	197	199	4.1%	3.2%	1.2%
Kerr County	44	48	49	49	50	50	50	50	50	51	51	52	52	53	53	53	54	54	1.0%	0.6%	0.9%
Total	**1,903**	**2,244**	**2,302**	**2,353**	**2,406**	**2,451**	**2,498**	**2,549**	**2,589**	**2,630**	**2,673**	**2,717**	**2,761**	**2,807**	**2,853**	**2,899**	**2,946**	**2,994**	2.2%	2.0%	1.6%
Average annual growth		2.4%	2.6%	2.2%	2.3%	1.9%	1.9%	2.0%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%			
Texas	20,944	23,832	24,309	24,802	25,245	25,641	26,061	26,448	26,839	27,248	27,678	28,115	28,559	29,011	29,469	29,934	30,406	30,886	1.8%	1.7%	1.6%
Average annual growth		1.9%	2.0%	2.0%	1.8%	1.6%	1.6%	1.5%	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%			
United States	282,162	301,231	304,094	306,772	309,326	311,583	313,874	316,129	318,699	321,449	324,392	327,372	330,383	333,427	336,500	339,602	342,734	345,892	0.9%	0.8%	0.9%
Average annual growth		0.9%	1.0%	0.9%	0.8%	0.7%	0.7%	0.7%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%			

NOTE: Figures may not add due to rounding.

SOURCE: Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2015 CEDDS)

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Table 3-3: Population By County Air Trade Area

(For Calendar Year 2015)

COUNTIES	POPULATION	SHARE OF POPULATION
San Antonio MSA	2,352,170	89.4%
Hays	180,265	6.9%
Kerr	50,760	1.9%
Gillespie	26,034	1.0%
Gonzales	20,526	0.8%
	2,629,755	100.0%

SOURCE: Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2015 CEDDS)

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Table 3-4: Real Income Per Capita Air Trade Area, State of Texas, and United States

(In 2009 Dollars)

CALENDAR YEAR	AIR TRADE AREA	AVERAGE ANNUAL CHANGE	TEXAS	AVERAGE ANNUAL CHANGE	UNITED STATES	AVERAGE ANNUAL CHANGE
Historical						
2000	$ 32,448		$ 34,092		$ 36,794	
2005	$ 33,853	0.9%	$ 35,988	1.1%	$ 38,899	1.1%
2006	$ 34,867	3.0%	$ 37,443	4.0%	$ 40,249	3.5%
2007	$ 35,349	1.4%	$ 37,963	1.4%	$ 40,992	1.8%
2008	$ 35,612	0.7%	$ 39,619	4.4%	$ 40,847	-0.4%
2009	$ 34,549	-3.0%	$ 36,946	-6.7%	$ 39,379	-3.6%
2010	$ 34,856	0.9%	$ 37,447	1.4%	$ 39,492	0.3%
2011	$ 36,449	4.6%	$ 39,382	5.2%	$ 40,646	2.9%
2012	$ 37,218	2.1%	$ 40,798	3.6%	$ 41,674	2.5%
2013	$ 37,140	-0.2%	$ 40,866	0.2%	$ 41,707	0.1%
2014	$ 37,792	1.8%	$ 41,582	1.8%	$ 42,365	1.6%
Current						
2015	$ 38,447	1.7%	$ 42,248	1.6%	$ 43,021	1.5%
Forecast						
2016	$ 39,080	1.6%	$ 42,892	1.5%	$ 43,653	1.5%
2017	$ 39,714	1.6%	$ 43,538	1.5%	$ 44,287	1.5%
2018	$ 40,363	1.6%	$ 44,200	1.5%	$ 44,935	1.5%
2019	$ 41,030	1.7%	$ 44,882	1.5%	$ 45,602	1.5%
2020	$ 41,720	1.7%	$ 45,587	1.6%	$ 46,291	1.5%
2021	$ 42,412	1.7%	$ 46,294	1.6%	$ 46,978	1.5%
2022	$ 43,119	1.7%	$ 47,015	1.6%	$ 47,677	1.5%
2023	$ 43,823	1.6%	$ 47,733	1.5%	$ 48,369	1.5%
	Compound Annual Growth Rates					
2000-2015		1.1%		1.4%		1.0%
2007-2015		1.1%		1.3%		0.6%
2015-2023		1.6%		1.5%		1.5%

SOURCE: Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2015 CEDDS).

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

During the most recent economic cycle 2007 to 2015, Real Income per Capita in the Air Trade Area increased an average of approximately 1.1 percent annually, which is higher than the average of approximately 0.6 percent annually in the U.S., and slightly more modest than the average of 1.3 percent annually in Texas.

Real Income per Capita in the Air Trade Area is forecast to continue to increase at an average annual rate of approximately 1.6 percent from 2015 through 2023. This level of growth in Real Income per Capita is comparable to the forecasts for the U.S. as a whole and Texas of approximately 1.5 percent, on average annually.

The Air Trade Area's income levels, which are lower than those of Texas and the U.S., are a reflection of the mix of employment sectors. As shown on **Table 3-5**, service industries are among the largest in the Air Trade Area, which have historically corresponded to lower income levels. Texas Comptroller of Public Accounts expects that the key growth industries of the Alamo Region[4] economy, which includes the Air Trade Area, to include Education and Health Services, Financial Activities, and Trade, Transportation and Utilities. All of these industries have higher than average income levels, and thus, are expected to close the income gap in the Air Trade Area vis-à-vis Texas and the U.S. over the long term.

While Real Income per Capita trails that of Texas and the U.S., the Air Trade Area has a relatively low cost of living, which allows the Air Trade Area residents' disposable income and buying power to remain competitive, as discussed in the following section.

3.6 Cost of Living

The ACCRA Cost of Living Index[5] quantifies the relatively low cost of living and affordability of San Antonio. As shown on **Table 3-6**, San Antonio scored a 95.7 on the Cost of Living Composite Index indicating that the cost of living in the city is below the national average, which corresponds to a score of 100. The cost of living in San Antonio is one of the lowest among comparably sized U.S. cities shown on Table 3-6.

Among the drivers of the low cost of living in San Antonio are competitive housing costs, one of the largest single demands on a resident's income. In addition, other necessities such as groceries and utilities are available at lower costs in San Antonio, when compared to other similarly sized cities and the national average.

4 The Alamo Region comprises 19 counties in of south central Texas. Eleven counties of the Air Trade Area, with the exception of Hays, are part of the Alamo Region.

5 ACCRA, 2012 Annual; Woods & Poole Economics, Inc. The Complete Economic and Demographic Data Source (2015 CEDDS). The ACCRA Cost of Living Index (Index) is published by the Council for Community and Economic Research since 1968, this survey is the premier source of data on living cost differentials among U.S. urban areas. For more information on the Index, please visit www.C2er.org.

Table 3-5: Employment By Industry Sector 2015 San Antonio Metropolitan Statiscal Area

INDUSTRY	PERCENTAGE OF TOTAL EMPLOYMENT	SUB SECTOR	EMPLOYMENT	PERCENTAGE OF NON-FARM EMPLOYMENT
Service Providing	73%	Healthcare and Social Assistance	143,950	11%
		Retail Trade	131,776	10%
		Accommodation and Food Services	114,376	9%
		Finance and Insurance	100,444	8%
		Administrative and Waste Services	89,452	7%
		Professional and Technical Services	75,507	6%
		Other Services, except Public Administrative	72,355	6%
		Real Estate, Rental, and Lease	59,521	5%
		Wholesale Trade	38,216	3%
		Transportation and Warehousing	32,998	3%
		Arts, Entertainment, and Recreation	26,306	2%
		Information	24,930	2%
		Educational Services	23,527	2%
		Management of Companies and Enterprises	13,025	1%
		Utilities	1,324	0%
Goods Producing	12%	Construction	83,829	6%
		Manufacturing	50,685	4%
		Mining	19,417	1%
		Forestry, Fishing, Related Activites, and Other	2,200	0%
Government	16%	State and Local Government	131,441	10%
		Federal Military	35,838	3%
		Federal Civilian Government	35,505	3%
Total Non-farm Employment			1,306,622	
Farm			14,627	
Total Employment			1,321,249	

NOTE: Totals may not add due to rounding

SOURCE: Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2015 CEDDS).

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Table 3-6: Cost of Living Indicators Selected Citites

CITY	COMPOSITE INDEX	GROCERY ITEMS	HOUSING	UTILITIES	TRANSPORATION	HEALTH CARE	MISCELLANEOUS GOODS AND SERVICES
San Jose, California	156.1	115.3	260.3	137.2	114.0	119.0	103.6
Portland, Oregon	111.3	105.8	130.8	87.1	105.8	113.6	105.1
Milwaukee, Wisconsin	101.9	98.1	112.7	98.6	99.2	108.1	94.8
Cleveland, Ohio	101.0	108.1	93.3	109.0	101.4	104.3	102.1
Salt Lake City, Utah	100.6	100.1	108.0	72.5	102.1	98.8	102.9
Tucson, Arizona	96.5	97.2	91.9	86.8	104.6	99.2	100.5
San Antonio, Texas	95.7	84.9	95.3	82.8	100.7	99.9	102.2
Austin, Texas	95.5	89.3	85.1	110.7	100.2	100.3	100.4
Houston, Texas	92.2	85.1	82.0	97.7	99.2	94.6	99.9
Dallas, Texas	91.9	96.2	70.7	105.5	100.9	103.8	100.4
Fort Worth, Texas	91.1	89.8	78.0	106.2	97.6	93.8	96.1

NOTE: Selected Cities within Metropolitan Statistical Areas with populations ranging from one million to 2.5 million and top five cities based on estimated 2014 population.

SOURCES: ACCRA, 2012 Annual; Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2015 CEDDS).

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

This lower cost of living relative to the average in the U.S. as a whole and other comparably sized cities provides residents of the Air Trade Area with discretionary and disposable income on par with the U.S. average, despite incomes lower than the national average. This is demonstrated in the following discussion of Retail Sales per Capita.

3.7 Real Retail Sales per Capita

Table 3-7 presents historical and forecast Real Retail Sales per Capita for the Air Trade Area, Texas and the U.S. Real Retail Sales per Capita in the Air Trade Area exceed those of Texas and the U.S. as a whole in 2015. This provides evidence that the low cost of living in the Air Trade Area allows the population to maintain a similar level of disposable income as the nation as a whole despite lower income per capita.

In 2015, Real Retail Sales per Capita was estimated to be $15,635 in the Air Trade Area, which is higher than the average of $15,054 for Texas and $15,019 for the U.S. as a whole. Since 2000, Real Retail Sales per Capita in the Air Trade Area have increased an average of approximately 0.9 percent annually. This increase is significantly more robust than the average annual increase of approximately 0.5 percent and approximately 0.6 percent experienced in Texas and for the U.S. as a whole, respectively.

From 2015 through 2023, Real Retail Sales per Capita in the Air Trade Area are forecast to increase an average of approximately 0.7 percent per year, which is substantially similar to increases of approximately 0.7 percent forecast for Texas and the U.S. as a whole. By 2023, Real Retail Sales per Capita will continue to be higher than the average for Texas, and the average for the U.S. as a whole. Therefore, purchasing power in the Air Trade Area is forecast to continue to keep pace with the level of growth expected for the state and the nation in the future.

3.8 Employment

Employment in the Air Trade Area was estimated to total 1.47 million in 2015 as shown on **Table 3-8**. From 2000 to 2015, the Air Trade Area was estimated to have added approximately 396,000 jobs, which corresponded to an average growth rate of approximately 2.1 percent annually. Employment growth in the Air Trade Area outperformed employment growth in Texas and the U.S. as a whole. During the same period, Texas and the U.S. saw average annual growth rates of approximately 1.9 percent and approximately 0.9 percent, respectively.

Over the last economic cycle from 2007 through 2015, the Air Trade Area was estimated to have added approximately 193,000 jobs, or an average annual increase of approximately 1.8 percent. During the same period, Texas and the U.S. average annual growth rates of 1.8 percent and 0.6 percent, respectively.

Table 3-7: Per Capita Real Retail Sales Air Trade Area, State of Texas, and United States

(In 2009 Dollars)

	AIR TRADE AREA	AVERAGE ANNUAL CHANGE	TEXAS	AVERAGE ANNUAL CHANGE	UNITED STATES	AVERAGE ANNUAL CHANGE
Historical						
2000	$ 13,620		$ 13,904		$ 13,832	
2005	$ 15,139	2.1%	$ 14,665	1.1%	$ 14,666	1.2%
2006	$ 15,457	2.1%	$ 14,901	1.6%	$ 14,876	1.4%
2007	$ 15,565	0.7%	$ 14,923	0.2%	$ 14,875	0.0%
2008	$ 14,814	-4.8%	$ 14,214	-4.8%	$ 14,170	-4.7%
2009	$ 13,610	-8.1%	$ 13,067	-8.1%	$ 13,028	-8.1%
2010	$ 14,006	2.9%	$ 13,452	2.9%	$ 13,413	3.0%
2011	$ 14,568	4.0%	$ 14,002	4.1%	$ 13,963	4.1%
2012	$ 14,925	2.4%	$ 14,357	2.5%	$ 14,319	2.5%
2013	$ 15,227	2.0%	$ 14,653	2.1%	$ 14,616	2.1%
2014	$ 15,496	1.8%	$ 14,916	1.8%	$ 14,880	1.8%
Current						
2015	$ 15,635	0.9%	$ 15,054	0.9%	$ 15,019	0.9%
Forecast						
2016	$ 15,754	0.8%	$ 15,173	0.8%	$ 15,140	0.8%
2017	$ 15,876	0.8%	$ 15,294	0.8%	$ 15,263	0.8%
2018	$ 15,993	0.7%	$ 15,412	0.8%	$ 15,381	0.8%
2019	$ 16,108	0.7%	$ 15,526	0.7%	$ 15,497	0.8%
2020	$ 16,221	0.7%	$ 15,639	0.7%	$ 15,612	0.7%
2021	$ 16,316	0.6%	$ 15,735	0.6%	$ 15,709	0.6%
2022	$ 16,405	0.5%	$ 15,824	0.6%	$ 15,800	0.6%
2023	$ 16,491	0.5%	$ 15,912	0.6%	$ 15,889	0.6%
	Compound Annual Growth Rates					
2000-2015		0.9%		0.5%		0.6%
2007-2015		0.1%		0.1%		0.1%
2015-2023		0.7%		0.7%		0.7%

SOURCE: Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2014 CEDDS).

PREPARED BY: Inter*VISTAS* Consulting LLC. December 2014.

Table 3-8: Employment Air Trade Area, State of Texas, and United States

(Amounts in Thousands)

	HISTORICAL									CURRENT	FORECAST									COMPOUND ANNUAL GROWTH RATES		
	2000	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023		2000-2015	2007-2015	2015-2023
Air Trade Area																						
San Antonio MSA	980	1,154	1,184	1,177	1,180	1,208	1,236	1,268	1,295	1,321	1,348	1,374	1,401	1,428	1,455	1,482	1,509	1,537	#	2.0%	1.7%	1.9%
Gillespie County	13	17	17	17	17	18	18	18	19	19	20	20	20	21	21	21	22	22		2.6%	1.8%	1.7%
Gonzales County	10	11	11	11	10	11	11	11	11	12	12	12	12	12	12	13	13	13		1.0%	1.1%	1.2%
Hays County	50	70	74	76	77	80	84	87	89	91	93	95	96	98	100	102	104	105		4.1%	3.2%	1.9%
Kerr County	24	30	31	30	29	29	30	30	30	31	31	32	32	32	33	33	34	34		1.5%	0.2%	1.4%
Total	1,078	1,281	1,316	1,311	1,315	1,346	1,378	1,415	1,444	1,474	1,503	1,532	1,561	1,591	1,621	1,651	1,681	1,711		2.1%	1.8%	1.9%
Average Annual Growth		2.5%	2.7%	-0.4%	0.3%	2.4%	2.4%	2.7%	2.1%	2.1%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%	1.8%	1.8%				
Texas	12,139	14,045	14,409	14,254	14,286	14,712	15,115	15,505	15,828	16,155	16,481	16,804	17,128	17,455	17,786	18,120	18,457	18,795		1.9%	1.8%	1.9%
Average Annual Growth		2.1%	2.6%	-1.1%	0.2%	3.0%	2.7%	2.6%	2.1%	2.1%	2.0%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%	1.8%				
United States	165,371	179,886	179,646	174,244	173,045	176,287	178,846	182,278	185,152	188,033	190,871	193,656	196,418	199,184	201,959	204,739	207,514	210,275	#	0.9%	0.6%	1.4%
Average Annual Growth		1.2%	-0.1%	-3.0%	-0.7%	1.9%	1.5%	1.9%	1.6%	1.6%	1.5%	1.5%	1.4%	1.4%	1.4%	1.4%	1.4%	1.3%				

NOTE: Figures may not add due to rounding.

SOURCE: Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2015 CEDDS)

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Employment growth in the Air Trade Area is forecast to be consistent with that of Texas and to outpace that of the U.S. from 2015 through 2023. The Air Trade Area is forecast to add approximately 237,000 jobs between 2015 and 2023, which corresponds to an average annual growth rate of 1.9 percent. This compares favorably with growth rates of approximately 1.9 percent and approximately 1.4 percent for Texas and the U.S., respectively.

The unemployment rate (civilian labor force) in the Air Trade Area for March 2015 was reported to be approximately 3.6 percent as shown on **Table 3-9**. This compares favorably to the approximately 4.2 percent Unemployment Rate for Texas and the approximately 5.6 percent Unemployment Rate for the U.S. as a whole.

As shown on **Table 3-10**, the Bureau of Labor Statistics found in April 2015 that among U.S. Metropolitan Statistical Areas with a population over one million, San Antonio had among the lowest unemployment rates (not seasonally adjusted). The economy of San Antonio continues to generate high levels of employment when compared to Texas and the U.S. as a whole.

3.9 Employment by Sector and Employees

The largest employment sector in the San Antonio MSA is comprised of companies offering services (Service Providing), which represents approximately 73.0 percent of the Total Employment. As shown in Table 3-5, the Government sector represents approximately 16.0 percent of the employment base of the MSA, with the Goods Producing sector comprising approximately 12.0 percent.

Employers in the Air Trade Area are diverse, offering a broad base for a stable yet dynamic economy in the Air Trade Area as exemplified by the current unemployment rate and employment growth over the last five years. The largest sixteen regional employers shown on **Table 3-11** are in major industries of the economy including financial services, energy, telecommunications and health care. The military installations in the Air Trade Area employ over 95,000 people as shown on **Table 3-12**. A more thorough discussion of the military's role in the Air Trade Area economy will follow in a subsequent section. Non-military governmental entities such as local school districts in the City of San Antonio, and Bexar County offer employment to an estimated 19,750 in the Air Trade Area. Three major employers in the health care sector are Methodist Healthcare System, University of Texas Health Science Center and the Baptist Health System.

Table 3-13 lists the Largest Corporate Headquarters in the Air Trade Area. The HEB Grocery Company, LP (H-E-B) is San Antonio's largest private sector employ. The company is headquartered in San Antonio where 20,000 of its employees manage and operate its local stores that are part of more than 300 stores located across Texas and Mexico. H-E-B is Texas' largest privately held company, and the 15th largest in the U.S. as ranked by Forbes, with estimated annual sales of over $20.0 billion.

Table 3-9: Civilian Labor Force Air Trade Area, State of Texas, and United States

(Amounts in Thousands)

	LABOR FORCE	EMPLOYED	UNEMPLOYED	UNEMPLOYMENT RATE
Air Trade Area	1,233	1,188	45	3.6%
Texas	13,088	12,533	555	4.2%
United States	156,318	147,635	8,682	5.6%

NOTE: Not Seasonally Adjusted.

SOURCE: The Texas Workforce Commission, March 2015.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Table 3-10: Large Metropolitan Statistical Areas with the Lowest Unemployment Rates

RANK	METROPOLITAN STATISTICAL AREA	UNEMPLOYMENT RATE
1	Austin, TX	**3.3%**
1	Okalhoma City, OK	3.3%
3	Salt Lake City, UT	3.5%
4	San Antonio, TX	3.7%
5	Dallas, TX	**4.0%**
5	Minneapolis, MN	4.0%
7	Houston, TX	**4.2%**
7	San Francisco, CA	4.2%
7	San Jose, CA	4.2%
10	Denver, CO	4.3%
	United States	5.6%

NOTE: Large Metropolitan Statistical Areas have a Census 2000 population of 1 million or more
Not seasonally adjusted, March 2015 data.

SOURCE: U.S. Bureau of Labor Statistics, April 2015.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Table 3-11: Largest Sixteen Regional Employers in the Air Trade Area

ORGANIZATION	BUSINESS	NUMBER OF EMPLOYEES IN SAN ANTONIO
Lackland Air Force Base	Military	46,577
Fort Sam Houston – U.S. Army Base	Military	32,633
H-E-B Food Stores	Super Market Chain	20,000
USAA	Financial Services and Insurance	16,000
Randolph Air Force Base	Military	15,942
Northside Independent School District	School District	12,751
City of San Antonio	City Government	9,145
Methodist Healthcare System	Health Care Services	8,118
Baptist Health System	Health Care Services	7,205
San Antonio Independent School District	School District	7,000
JPMorgan Chase	Contact Center and Banking Services	5,200
Wells Fargo	Financial Services	5,153
The University of Texas Health Science Center at San Antonio	Health Care Education and Research	5,076
AT&T	Telecommunications	4,200
Bill Miller BBQ	Restaurant Chain	4,190
Valero Energy	Oil Refiner and Gasoline Marketing	3,700

SOURCE: San Antonio Economic Development Foundation, 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Table 3-12: Air Trade Area Military Labor Force Employment

	NUMBER OF EMPLOYEES
Fort Sam Houston Army Base	46,577
Lackland Air Force Base	32,633
Randolph Air Force Base	15,942
Total Military and Civilian-Related Employment	95,152

SOURCE: San Antonio Economic Development Foundation, 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Table 3-13: Corporate Headquarters in the Air Trade Area

COMPANY	BUSINESS	NUMBER OF EMPLOYEES IN SAN ANTONIO
HEB Grocery Stores, LP	Supermarket Chain	20,000
USAA*	Financial Services and Insurance	16,000
Bill Miller Bar-B-Q	Fast Food Chain	4,190
Cullen / Frost Bankers	Financial Services	3,982
Valero Energy*	Oil Refinery & Gasoline Mktg.	3,700
Rackspace	IT Managed Hosting Solutions	3,300
Southwest Research Institute	Applied Research	2,715
Toyota Motoring Manufacturing	Auto Manufacturing	2,900
CC Media Holdings, Inc.*	TV & Radio Stations, Outdoor Ads	2,800
Zachry Holding, Inc.	General Contractors	2,000
Kinetic Concepts, Inc.	Specialty Medical Products	1,400
Harland Clarke	Check Printing	1,500
American Funds	Mutual Funds and Investments	1,500
Taco Cabana	Fast Food Chain	1,500
HVHC	Optical Manufacturing	1,200
Security Service Federal Credit Union	Financial Institution	1,111
CCC Group, Inc.	General Contractors	900
DPT Laboratories	Pharmaceutical and Cosmetic Products	800
Tesoro*	Petroleum Exploration, Extraction & Refining	800
Whataburger	Fast Food Headquarters	700
Southwest Business Corporation	Financial Services and Insurance	675
Broadway Bank	Financial Services	600
NuStar Energy L.P.	Petroleum Pipeline & Terminal Operators	550
CST Brands, Inc.*	Fuel and Convience Retailer	400

NOTE: * indicates Fortune 500 Company.

SOURCE: San Antonio Economic Development Foundation, 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

USAA is a Fortune 500 company with its headquarters in San Antonio and employs almost 16,000 people at its locations in the Air Trade Area, making it the second largest private sector employer in the Air Trade Area. Other major private sector employers and Fortune 500 companies headquartered in the Air Trade Area include Valero Energy, Tesoro, CC Media Holdings, Inc., and CST Brands, Inc. JPMorgan Chase, Wells Fargo and AT&T, also Fortune 500 companies with a large presence in the City, employ 5,200, 5,150 and 4,200 people, respectively.

3.10 Education

The workforce in the Air Trade Area is highly educated as shown on **Table 3-14**. The Educational Attainment of the Air Trade Area is similar to that of Texas and the U.S. Over 50.0 percent of the Air Trade area's population over 25 years of age has at least some level of college education, a college degree or graduate level degree. Higher levels of educational attainment have a direct correlation to higher incomes, and therefore the propensity to travel by air.

There are major initiatives in the Air Trade Area to advance educational excellence at all levels. These initiatives are supported by local and state training and education programs as well as the higher education system in the Air Trade Area, anchored by the campuses of University of Texas and Texas A&M University, which is discussed in greater detail later in this report.

3.11 Industry Sectors

3.11.1 HEALTHCARE AND BIOSCIENCES

The Healthcare and bioscience sectors are major drivers of the Air Trade Area's economy. According to the 2014 *San Antonio Health Care and Bioscience Industry: Economic Impact Study* commissioned by the Greater San Antonio Chamber of Commerce, the total economic impact from this sector was approximately $23.9 billion in 2013. In 2013, it was estimated by the San Antonio Chamber of Commerce that 146,190 jobs in the City were directly related to healthcare and bioscience. In the last decade, the sector added 41,567 jobs an increase of 40 percent. Health Services, Health Education, Biomedical Research and Bioscience firms are the main components of the San Antonio Healthcare and Biosciences Industry.

The Greater San Antonio area is home to 40 hospitals, including four major hospital systems. Downtown San Antonio is home to two major medical facilities: Santa Rosa Health Care and Baptist Health System. The South Texas Medical Center (the Medical Center) is a campus that includes forty-five medical related institutions: medical, dental, nursing schools as well as research and specialty care. Twelve hospitals are located on the 900-acre property, including two of the four largest in San Antonio, Methodist Healthcare System and University Health System.

Table 3-14: Educational Attainment Air Trade Area, State of Texas, and United States

(Population Age 25 and Over)

	AIR TRADE AREA		STATE OF TEXAS		UNITED STATES	
	POPULATION	SHARE	POPULATION	SHARE	POPULATION	SHARE
Less than 9th grade	124,777	7.9%	1,520,001	9.1%	12,134,368	5.8%
9th to 12th grade, No Diploma	130,700	8.3%	1,497,796	9.0%	16,133,858	7.6%
High School Graduate (includes equivalency)	405,199	25.6%	4,207,669	25.2%	58,659,473	27.8%
Some College, No Degree	373,990	23.7%	3,765,377	22.6%	44,510,161	21.1%
Associate's Degree	116,281	7.4%	1,090,662	6.5%	17,006,372	8.1%
Bachelor's Degree	280,395	17.7%	3,044,921	18.3%	38,881,973	18.4%
Graduate or Professional Degree	149,099	9.4%	1,547,230	9.3%	23,584,410	11.2%
Total Population age 25 years and over	1,580,441	100.0%	16,673,656	100.0%	210,910,615	100.0%

NOTE: Figures may not add due to rounding.

SOURCE: American Community Survey, 2013.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Health education offerings in San Antonio cover all aspects of dental and medical professions. The University of Texas Health Science Center at San Antonio (UTHSC) is the largest with 2,700 students. The UTHSC has nearly two million square feet of education, research, treatment and administrative facilities with a faculty and staff of approximately 5,076. UTHSC offers 69 health-related undergraduate and graduate degrees. Health care management is one of the fastest growing segments of the economy. U.S. News and World Report ranked Trinity University's graduate program in health care management one of the top programs in the U.S.

San Antonio is at the forefront of the biomedical research sector. It is a national center for bioscience research and innovation. Private, academic and non-profit research entities are developing new treatments, vaccines and prevention techniques for some of the most challenging and complex diseases. The military also has major medical and medical research facilities at its installations in the Air Trade Area and works collaboratively with civilian partners.

The Texas Research Park (the Park) is the site of the University of Texas Institute of Biotechnology, Department of Molecular Medicine and the Cancer Therapy and Research Center. The Park is home to the Southwest Oncology Group, and dozens of new biotechnology-related companies. The Park is owned and operated by the Texas Research and Technology Foundation, whose mission includes building a world-class center for life-science research and medical education.

Bioscience firms in San Antonio range from local pioneers in the bioscience sector to global leaders in the biotechnology sector. DPT Laboratories, Ltd. is a contract development and manufacturing organization. It offers full service solutions to pharmaceutical, biotech and healthcare companies specializing in semi-solid and liquid dosage forms. Kinetic Concepts, Inc., established in 1976 in San Antonio, is a global medical technology company. Genyzme Oncology is based in San Antonio. It is a division of Genzyme Corporation, one of the world's leading biotechnology companies. Of note, Genzyme Oncology, Inc. has developed eight of the last eleven cancer drugs approved for general use by the U.S. Food and Drug Administration.

3.11.2 MILITARY HEALTH CARE

The San Antonio Military Medical Center (SAMMC) has been established as a result of the 2005 Base Realignment and Closure (BRAC 2005) and combines the Level 1 Trauma elements of Wilford Hall and Brook Army Medical Center (BAMC). Wilford Hall has been renamed SAMMC-South and BAMC has been renamed SAMMC-North. SAMMC-North is doubling its Level I trauma facility by incorporating the Level I trauma admissions from SAMMC-South. SAMMC-South is an outpatient only facility and has received outpatient admissions from SAMMC-North. Wilford Hall Medical Center (SAMMC-South) will be replaced with Lackland Ambulatory Care Center. In 2015, this $486 million center is providing world-class medical care for the community.

BRAC 2005 actions have had a major positive impact on military medicine in San Antonio resulting in $3.1 billion in construction and the net gain of over 12,500 personnel in San Antonio. Currently, all U.S. Army combat medic training is conducted at Fort Sam Houston Army Base. As a result of BRAC 2005, all military combat medics training is undertaken at the new Medical Education and Training Campus at Fort Sam Houston Army Base.

In addition, San Antonio will receive new medical research missions. BRAC 2005 will transform the U.S. Army Institute for Surgical Research into a tri-service Joint Center of Excellence for Battlefield Health and Trauma Research. This new research facility will be adjacent to SAMMC-North. The new mission will continue its cutting edge research in the areas of robotics, prosthetics, and regenerative medicine.

3.11.3 MANUFACTURING

San Antonio has maintained its strong position in manufacturing in the past decade, despite the overall decline in the U.S. manufacturing sector. Leading Manufacturers in the Air Trade Area support over 19,300 jobs as shown on **Table 3-15**.

Toyota Motor Manufacturing of Texas, at its San Antonio vehicle assembly plant, produces Tundra and Tacoma pick-up trucks. Toyota is one of the largest manufacturing employers in the Air Trade Area with an estimated workforce of approximately 2,900. This facility represents approximately $1.5 billion in investment in the Air Trade Area economy.[6]

Caterpillar Tractor Company, one the leading producers of heavy equipment and a Fortune 100 company, constructed a $169.0 million engine plant along Interstate 10 in Seguin, Texas, the County seat of Guadalupe County. The plant employs an estimated 900 people manufacturing engines for the truck, marine, and electric power industries, adding to the economic vibrancy of the manufacturing sector in the Air Trade Area.

Albany Engineered Composites, located north of San Antonio in Boerne is a global advanced textiles and material processing company. The company's Boerne facility employs 250 people developing advanced composite structures and textiles used in airplane and aerospace manufacturing.

3.11.4 HOSPITALITY AND TOURISM

Over 31.0 million visitors came to San Antonio in 2013. Visitors to San Antonio traveling for business were estimated to exceed 6.2 million travelers in 2013. A study for the Office of the Governor, Economic Development and Tourism, estimated 15.0 percent of these visitors arrived by air, with the vast majority of visitors to San Antonio arriving by automobile.

The San Antonio Hospitality Sector in 2013, the most recent data available, estimated the Economic Impact of Tourism on the market to be over $13.4 billion per annum. From 2003 to 2013 the economic impact of the Hospitality Industry increased by more than 66 percent. As a key component of the economy of the Air Trade Area, tourism supports over 76,110 direct jobs and visitor spending was approximately $7.8 billion in 2013 as shown on **Table 3-16**.

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6 Source: www.toyota.com as of December 2009.

Table 3-15: Largest Manufacturers in the Air Trade Area

COMPANY	PRODUCT	NUMBER OF EMPLOYEES IN SAN ANTONIO
Toyota Motor Manufacturing, Texas	Truck Manufacturing Plant	2,900
The Boeing Company	Aircraft Maintenance Facility	2,800
Harland Clark	Check Printing	1,500
Kinetic Concepts, Inc.	Specialty Medical Products	1,400
HVHC	Optical Manufacturing	1,200
Lockheed Martin	Aircraft Engine Overhaul	1,000
San Antonio Aerospace	Aircraft Maintenance	1,000
CMC Steel Texas	Steel Manufacturing	1,000
Caterpillar	Construction and Mining Equipment	900
Coca-Cola / Dr. Pepper Bottling	Soft Drink Bottling	800
DPT Laboratories	Pharmaceutical and Cosmetic Products	800
Tyson Foods, Inc.	Poultry Production	800
L&H Packing Company	Boned Beef and Ground Beef Patties	625
Maxim	Semi-Conductor Manufacturers	575
C.H. Guenther & Sons Inc.	Flour, Baking Mixes, and Other Food	500
SAS Shoemakers	Shoes and Handbags	500
Standard Aero	Small Gas Turbine Engine and Accessory Repair	500
Sterling Foods	Production of Specialty Bakery Products	500

SOURCE: San Antonio Economic Development Foundation, 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Table 3-16: Air Trade Area Direct Travel Impacts

COUNTY	TOTAL DIRECT SPENDING (000)	VISITOR SPENDING (000)	EARNINGS (000)	NUMBER OF JOBS
Atascosa	$ 73,660	$ 73,660	$ 21,950	780
Bandera	$ 35,480	$ 31,850	$ 21,870	1,380
Bexar	$ 7,168,840	$ 6,542,410	$ 1,853,110	60,960
Comal	$ 382,130	$ 364,780	$ 112,320	3,720
Gillespie	$ 89,050	$ 87,270	$ 25,270	980
Gonzales	$ 35,650	$ 35,650	$ 8,400	380
Guadalupe	$ 155,120	$ 151,650	$ 55,130	1,730
Hays	$ 287,890	$ 285,630	$ 81,250	2,840
Kendall	$ 87,230	$ 80,300	$ 23,930	1,040
Kerr	$ 91,910	$ 89,790	$ 34,210	1,590
Medina	$ 45,500	$ 45,500	$ 7,530	340
Wilson	$ 39,830	$ 39,830	$ 8,480	370
Total	$ 8,492,290	$ 7,828,320	$ 2,253,450	76,110

NOTE: 2013 Preliminary data used to compile this report.

SOURCE: Direct Travel Impacts by County; The Economic Impact of Travel on Texas, June 2014, Prepared for Texas Tourism Office of the Governor, Texas Economic Development and Tourism by Dean Runyan Associates.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

San Antonio is one of the top meeting and convention cities in the country, with over 44,600 hotel rooms. Recent initiatives contributing to the success of the Hospitality and Tourism sectors include the opening in January 2010 of the JW Marriott San Antonio Hill Country Resort and Spa. The resort is situated is located 20 minutes from the Airport in Cibolo Canyons. The resort features 1,002 guest rooms and suites, 265,000 square-feet of meeting and event space, the 36-hole Tournament Players Club San Antonio and the Lantana Spa. In 2016, the expansion of the Henry B. Gonzalez Convention Center and Municipal Auditorium will be completed. The expansion project will add 900,000 sq. to the Center. This expansion project will provide San Antonio with the opportunity to host a greater number of meetings and conventions simultaneously.

In 2013,[7] San Antonio hosted over 600 events at the Henry B. Gonzalez Convention Center and Municipal Auditorium. The Alamodome, a multi-purpose sports, convention, and entertainment facility, can accommodate up to 72,000 attendees for an event. It has hosted the NCAA Men's and Women's Basketball Final Four tournament games, the Valero Alamo Bowl, and multiple sporting and entertainment events attracting thousands of out of town visitors to the Air Trade Area. Recently, it was announced San Antonio will again host the NCAA Men's Basketball Final Four in the spring 2018. In 2013, the Alamodome hosted 150 event dates. Of note, in 2015 the International Seventh Day Adventist Conference with over 65,000 attendees will be hosted at the Alamodome.

A summary of the Convention activity hosted by the CVB from 2000 through 2014 is shown in **Table 3-17**.

The convention and meeting market is a major driver of air traffic rental car demand, at the Airport and visitation to the Air Trade Area. As such, future bookings by the CVB provide an indication of future economic activity related to the hospitality sector. In the next 12 months, as of January 1, 2015, an estimated 220,000 people are expected to attend nine large (3,000 plus peak room nights) conventions and meetings. The CVB has a number of notable future meeting and convention bookings in 2016, including the ReedPOP and San Japan, LLC. These and other future meeting and convention bookings for 2016 have an estimated attendance of over 156,000 people that will generate substantial demand for room nights in the Air Trade Area.

Among the many attractions of the Air Trade Area centered in San Antonio are:

- The Alamo – The 300-year-old Mission San Antonio de Valero was the site of the pinnacle battle of the Texas Revolution and is visited by more than 2.5 million people each year.
- River Walk – The San Antonio River Walk is the epicenter of the City of San Antonio offering a wide variety of cultural, shopping and dining experiences along its banks.
- San Antonio Missions National Historic Park – The eight-mile Missions Bike and Hike Trail connects visitors with four out of five San Antonio missions.
- Mission San Jose y San Miguel de Aguayo – The largest mission in San Antonio built in the late 1700's.
- La Villita – San Antonio's first neighborhood is a historic arts village that houses galleries and restaurants.

[7] Fiscal Year 2013 ending September 30th. San Antonio Convention and Visitors Bureau Annual Report.

Table 3-17: City of San Antonio Convention Activity Impacts 2000-2014

CALENDAR YEAR	CONVENTION ATTENDANCE[1/]	CONVENTION ROOM NIGHTS[1/]	CONVENTION DELEGATE EXPENDITURES (Millions)[1/]
2000	389,448	696,215	$350.8
2001	419,970	712,189	378.3
2002	483,452	693,921	435.5
2003	429,539	613,747	387.0
2004	491,287	621,640	510.5
2005	503,601	699,932	523.3
2006	467,429	736,659	485.8
2007	455,256	647,386	473.1
2008	563,164	691,525	607.5
2009	399,408	660,736	474.5
2010	535,400	736,325	636.1
2011	499,171	637,593	593.0
2012	449,202	635,829	533.7
2013	712,577	734,190	846.6
2014	652,443	725,333	775.1

NOTES:

1/ Reflects only those conventions hosted by the San Antonio Convention and Visitors Bureau.

SOURCE: City of San Antonio Covention and Visitors Bureau, March 2015.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

- SeaWorld San Antonio – One of Sea World's three marine life adventure parks in the U.S.
- Six Flags Fiesta Texas – A family oriented adventure park.
- Tower of the Americas – Built for the 1968 World's Fair, the Tower rises 750 feet over downtown San Antonio offering spectacular views of the surrounding region and the Texas hills.
- San Antonio Zoo – One of the largest zoos in the U.S.
- Witte Museum, McNay Art Museum, San Antonio Museum of Art.
- Texas Hill Country – San Antonio is the southern gateway to the Texas Hill Country offering visitors outdoor adventure, recreational activities, wine tours, dining and shopping in the small towns that dot the region.
- The Pearl – An educational and dining facility including one of only three Culinary Institutes of America.

3.11.5 INFORMATION TECHNOLOGY AND CYBER SECURITY

The San Antonio Economic Development Foundation estimates the economic impact of this sector of the economy as approximately $15.0 billion in 2015. The Air Trade Area is home to the second largest concentration of data centers. It is an attractive location for data centers due to its abundance of reasonably priced electricity, highly developed power and networking infrastructure, and the low risk of natural disasters impacting operations. Microsoft, Lowes, and Valero are some of the corporations with data centers in the Air Trade Area.

The IT sector is particularly strong in the areas of information security and government contracting. Among the institutions focused on IT, the Center For Infrastructure Assurance and Security at UTSA is one of the leading research and education institutions in the field of information security in the U.S. The Air Intelligence Agency, which is the premier IT agency for the U.S. Air Force and the Department of Defense, is located in the Air Trade Area.

The mix of IT products and services delivered has changed in the past ten years as the region has developed a greater reliance on IT services, particularly information security services for civilian and defense agencies of the U.S. government. San Antonio's Cyber Security sector is anchored by the presence of the National Security Agency (NSA) and the U.S. Air Force's Cyber Command. These government agencies and others are supported in the Air Trade Area over 80 private sector providers of cyber security services. The IT sector in the Air Trade Area comprises over 900 companies employing a workforce of 56,000 science and technology professionals.

3.11.6 EDUCATION

As shown in **Table 3-18**, there are 21 colleges, universities, and institutes in the Air Trade Area. During 2013/14, over 118,000 students were enrolled in Air Trade Area institutions of higher learning. UTSA is the second largest campus in the University of Texas system. U.S. News and World Report recently named Trinity University the top ranked regional institute of higher learning in the west.

Table 3-18: Air Trade Area Colleges and Universities by Enrollment and Institution Type

COLLEGE/UNIVERSITY	STUDENT ENROLLMENT	INSTITUTION TYPE
The University of Texas at San Antonio	30,258	4-year, Public
San Antonio College	23,134	2-year, Public
Northwest Vista College	14,584	2-year, Public
St Philips College	10,313	2-year, Public
Palo Alto College	8,568	2-year, Public
University of the Incarnate Word	8,442	4-year, Private not-for-profit
St. Mary's University	3,941	4-year, Private not-for-profit
The University of Texas Health Science Center at San Antonio	3,249	4-year, Public
Texas A&M University-San Antonio	3,120	2-year, Public*
Our Lady of the Lake University-San Antonio	2,799	4-year, Private not-for-profit
Trinity University	2,498	4-year, Private not-for-profit
University of Phoenix	1,167	4-year, Private for-profit
The Art Institute of San Antonio	953	4-year, Private for-profit
Galen College of Nursing	920	2-year, Private-for-profit
Career Point College	774	2-year, Private-for-profit
Hallmark College of Technology/Hallmark College of Aeronautics	756	4-year, Private-for-profit
ITT Technical Institute-San Antonio	710	2-year, Private-for-profit
Everest Institute-San Antonio	615	less than 2-year, Private-for-profit
Kaplan Career Institute-San Antonio Campus	548	less than 2-year, Private-for-profit
International Academy of Design and Technology	416	2-year, Private-for-profit
Southwest School of Business and Technical Careers	379	less than 2-year, Private-for-profit

NOTES: Institutions with more than 300 students enrolled.
* Offers junior and senior level college curriculum.

SOURCE: Collegeview.com, November 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

3.11.7 AEROSPACE

According to the Economic Impact Study commissioned by the Greater San Antonio Chamber of Commerce, the aerospace industry's annual economic impact to the City is approximately $5.4 billion. This industry provides approximately 13,000 jobs, with employees earning an annual average wage in excess of $80,000. The aerospace industry continues to expand as the City leverages its key aerospace assets, which include San Antonio International Airport, Stinson Municipal Airport, Port San Antonio (The Port), Randolph AFB, Lackland AFB, and training institutions.

Many of the major aerospace industry participants such as Boeing, Lockheed Martin, General Electric, Pratt & Whitney, Raytheon, Cessna, VT San Antonio Aerospace, Southwest Airlines, American Airlines, Delta Air Lines, FedEx, United Parcel Service (UPS), and others, have significant operations in San Antonio. The industry in San Antonio is diversified with continued growth in air passenger service, air cargo, maintenance, repair, overhaul, and general aviation.

VT San Antonio Aerospace is a company of VT Systems a global engineer company headquartered in Singapore, providing aircraft maintenance support services for commercial and military aircraft. VT San Antonio Aerospace began operations in April 2002, after acquiring Dee Howard aircraft maintenance facilities through the bankruptcy court. VT San Antonio Aerospace expanded its Maintenance Repair and Overhaul (MRO) operations by investing $16 million to construct an 80,000 square feet maintenance hangar, an adjacent 61,500 square feet warehouse, and a 21,000 square feet office building at the Airport. VT San Antonio Aerospace currently leases 2,072,161 square feet of ground space at the Airport. The VT San Antonio Aerospace lease includes 287,665 square feet of hanger space to accommodate its commercial MRO work on large aircraft for clients such as Delta Air Lines and UPS.

3.11.8 FINANCE

The largest component of the finance industry is insurance. USAA, headquartered in the City, is the largest private sector insurance employer in the Air Trade Area. Other insurance companies with headquarters in San Antonio are Catholic Life and GPM Life. These companies along with many regional operations centers for health care insurers are located in the Air Trade Area. In addition, Caremark, United Health Care and PacifiCare all have substantial regional operations in the Air Trade Area.

3.12 Military

The U.S. military represents a significant component of the Air Trade Area's economy with Joint Base San Antonio providing an annual economic impact of over $46.39 billion[8]. Joint Base San Antonio comprises three major military installations located in the Air Trade Area, Lackland AFB, Fort Sam Houston, and Randolph AFB. In addition, the property of Brooks Air Force Base (Brooks AFB), a fourth military installation, was transferred from the U.S. Air Force to the City-created Brooks Development Authority (BDA) in 2002, as part of the Brooks

[8] State of Texas Comptroller of Accounts, U.S. Military Installations and the Texas Economy, June 2014.

City-Base Project (Brooks City-Base). Furthermore, the military continues to lease over 1.7 million square feet of space at The Port, which is the former Kelly Air Force Base (Kelly AFB) that closed in 2001.

One of the most significant events in San Antonio's recent economic history is related to the recommendations of the BRAC in 2005. BRAC's recommended realignment of medical facilities resulted in a major positive impact on military medicine in San Antonio, with approximately $3.1 billion in construction and the addition of 12,500 jobs at Fort Sam Houston. Currently, medical training for all branches of the United States military services is conducted at Fort Sam Houston.

The 2005 BRAC recommendations established an internationally renowned teaching and research hospital by creating the largest school for training medical technicians in the world. Each year, San Antonio graduates over 152,000 students across all three bases. The BRAC recommended locating management and command centers for the Fifth Army, Sixth Army, Military Property Management, and Military Health Care in the Air Trade Area. As a result, it provides jobs in six targeted industries: health care, health care education, communications, technology, intelligence, and security.

The 2005 BRAC recommendations strengthened San Antonio's role as a leading military research, training, and education center. It established a Joint Base San Antonio; it consolidates installation management at the three military bases in San Antonio, thereby creating the largest installation in the Department of Defense, while supporting 78,000 personnel and approximately $10.3 billion in property.

Fort Sam Houston serves as the command headquarters for the U.S. Army North, U.S. Army South, and Army Medical Command. It is also home to the Army Medical Department Center. The San Antonio Military Medical Command became fully operational in 2012, and it is now the largest medical teaching and research center in the military.

Lackland AFB provides basic military training for all enlisted personnel entering the Air Force, Air Force Reserve and Air National Guard. Lackland AFB is home to the 37th Training Group and is situated on 9,700 acres within the City. Lackland AFB also is home to the Defense Language Institute English Language Center and the Inter-American Air Forces Academy, which train international military personnel from more than 130 countries. More than 86,000 students graduate annually from Lackland AFB's various training centers.

Randolph AFB is home of the 902nd Mission Support Wing. Randolph's mission is to train pilots, navigators and electronic warfare officers.

Brooks City-Base continues to draw private business investment. However, the military missions have been relocated as a result of the 2005 BRAC recommendations. While many of the military missions are being relocated from Brooks City-Base, private development is increasing. In addition, Brooks City-Base is continuing its goal of sustainability by creating a Tax Increment Reinvestment Zone (TIRZ).

The TIRZ has been established and the City is utilizing the tax increments generated to assist in funding street infrastructure projects

The installations employ over 95,152 uniformed and civilian personnel as shown on Table 3-12. On any given day, there are an additional 39,000 military dependents and 20,000 students on the bases.

The BRAC process expanded and consolidated the military health care platform in the Air Trade Area presenting opportunities for increasing the civilian medical research and bioscience sectors in the Air Trade Area.

In addition to these military installations, the Air Trade Area is home to Port San Antonio, formerly Kelly AFB. On July 13, 2001, Kelly AFB officially closed and the land and facilities were transferred to the Greater Kelly Development Authority (GKDA), a City-created Local Redevelopment Authority responsible for overseeing the redevelopment of the base into a business and industrial park. The business park is now known as the Port, which is adjacent and contiguous to Lackland AFB. The Port has developed a rail port for direct international rail operations, including inland port distribution with the maritime Port of Corpus Christi, and continues to work on establishing international air cargo operations and the expansion and addition of new tenants.

With a stable tenant base of over 80 organizations, the Port has over 14,000 workers generating a payroll of over $487 million a year. The Port's customer base adds over $4.0 billion to the local economy.

4. Air Traffic

This section presents historical and forecast aviation activity at the Airport and discusses key factors affecting these activity levels. Because of their impact on traffic at the Airport, the status of the airline industry and aviation activity at Austin-Bergstrom International Airport (Austin-Bergstrom), the nearest competing facility to the Airport, are also discussed in this chapter.

4.1 State of the Airline Industry

In addition to the socioeconomic factors presented in the previous section, the state of the airline industry has the potential to affect the projections of aviation demand at the Airport. The airline industry as a whole has transformed itself into a profitable business since 2010. The industry's profitability followed a period of prolonged financial difficulty from 2001 through 2009 that resulted from weak economic conditions, political instability and military activity in the world, and the terrorist events occurring on and after September 11, 2001. Since 2010, several airlines have merged, opportunities to generate ancillary, revenue by charging for services previously included in the price of a ticket have been implemented, and seat capacity in the market has been limited to allow airlines to generate revenue that allows them to earn a return on invested capital. Details of these trends are discussed below.

From January 2001 through August 2001, average domestic passenger airfares decreased approximately 20.0 percent from their heights reached in 2000. These fare decreases were a leading indicator of a slowing economy in the U.S. and around the world during the period immediately prior to the downfall of the dot-com companies. During this period, airlines in the U.S. began to struggle to earn a profit under cost structures built around revenue generation at higher fare levels.

The events of September 11, 2001 and the subsequent military actions in Iraq and Afghanistan, Severe Acute Respiratory Syndrome (SARS), and the Avian Flu Virus exacerbated the airlines' financial difficulties. Not only were passengers paying 20 percent less on average for domestic airline tickets compared to 2000, but many passengers also chose not to fly out of fear or because of the inconvenience caused by time consuming and confusing security procedures at airports.

From 2002 through 2005, the U.S. airline industry as a whole operated at a net loss primarily for two reasons. First, low cost carriers including AirTran, Frontier, JetBlue, and Southwest increased their collective market share of U.S. domestic enplanements from approximately 18.0 percent to approximately 30.0 percent. With this larger market share, low cost carriers had a substantial impact on domestic airfare pricing. As a result, domestic airfares did not return to levels experienced prior to 2001. Second, jet fuel prices began to rise appreciably for the first time in many years. Jet fuel commodities became the largest component of most airlines' cost structures, surpassing labor.

In response to these circumstances, network airlines in the U.S. engaged in a cost-cutting process from 2002 through 2005 to reduce their non-fuel costs so that they could earn a profit at new prevailing domestic airfare levels. This cost-cutting process included: (1) simplifying fleets by retiring older less-efficient aircraft, (2) improving labor productivity and lowering compensation levels, (3) rationalizing route networks by allocating smaller or regional aircraft to markets where demand was insufficient to support larger aircraft, and eliminating under-performing hubs, (4) focusing efforts at attracting higher yield passengers, and (5) allocating more capacity to international routes while curtailing domestic capacity growth plans.

As a result of these cost-cutting initiatives, the U.S. airline industry as a whole achieved a net profit in 2006 and 2007 for the first time since 2000. However, upward pressure on costs, especially fuel costs, and downward pressure on ticket prices continued to dampen a full recovery.

In 2008, airlines took further steps to rationalize domestic capacity and safeguard the financial recovery of the industry as a result of fuel costs and downward pressure on airfares. However, oil prices spiked to approximately $150 per barrel, the "housing bubble" burst, and a credit crisis occurred, resulting in the U.S. and world economies falling into recession; unemployment rates quickly doubled.

In 2009, while the airlines' cost outlook improved as oil prices stabilized at approximately $80.00 per barrel, the airlines' revenue outlook deteriorated as ticket prices declined more precipitously than they did following September 11, 2001 as a result of the global credit crisis. Early in 2009, the airlines engaged in another round of capacity reductions resulting in increases in airfares in the second half of 2009. AirTran and Southwest posted net profits for the year, and many other airlines, including JetBlue, achieved positive operating margins in their fourth quarter.

The U.S. airline industry returned to net profitability in 2010 and has remained profitable to date, though domestic seat capacity levels have remained relatively flat since 2009. Growth in airline seat capacity has been consistent with slow but positive U.S. economic growth over the period. More robust economic growth, and resultant air traffic growth, has occurred in 2014.

Since 2010, three large airline mergers have taken place, including American Airlines – US Airways, United Airlines – Continental Airlines, and Southwest Airlines – AirTran Airways. Each of these mergers has allowed the combined company to eliminate overlapping capacity, and curtail service to hubs such as Continental's Cleveland hub, and AirTran's Atlanta hub. This is consistent with the earlier merger of Delta Air Lines and Northwest Airlines, which resulted in the elimination of hub service at Cincinnati and Memphis. The merger of American and US Airways is relatively recent and major capacity reductions have not yet occurred, but it is likely the combined network will be adjusted over the next two years.

The lack of airline seat capacity growth has allowed airlines to raise ticket prices since 2010. Historically high oil prices, averaging approximately $100.00 per barrel over much of the period, have required airlines to raise airfares and limit seat capacity growth. In addition, airlines have un-bundled the pricing of their products, and now charge separately for checked baggage, advanced seat assignments, inflight food and beverages, as well as other goods and services that were formerly included in the airfare. These ancillary charges now represent approximately 20.0 percent of passenger revenue to the largest U.S. airlines.

In recent months, oil prices have decreased over 50.0 percent, and economic growth in the U.S. has increased to the highest rates observed since the global credit crisis of 2008 and the global recession that followed in 2009. While these circumstances may signal a return to more robust air traffic growth, the airline industry is more concentrated with the largest four airlines representing over 80.0 percent of the U.S. domestic market, and airline management teams are more focused on maximizing profits and returns on invested capital rather than expanding market share, so more moderate traffic growth than was seen in previous periods of strong economic growth is more likely over the forecast period.

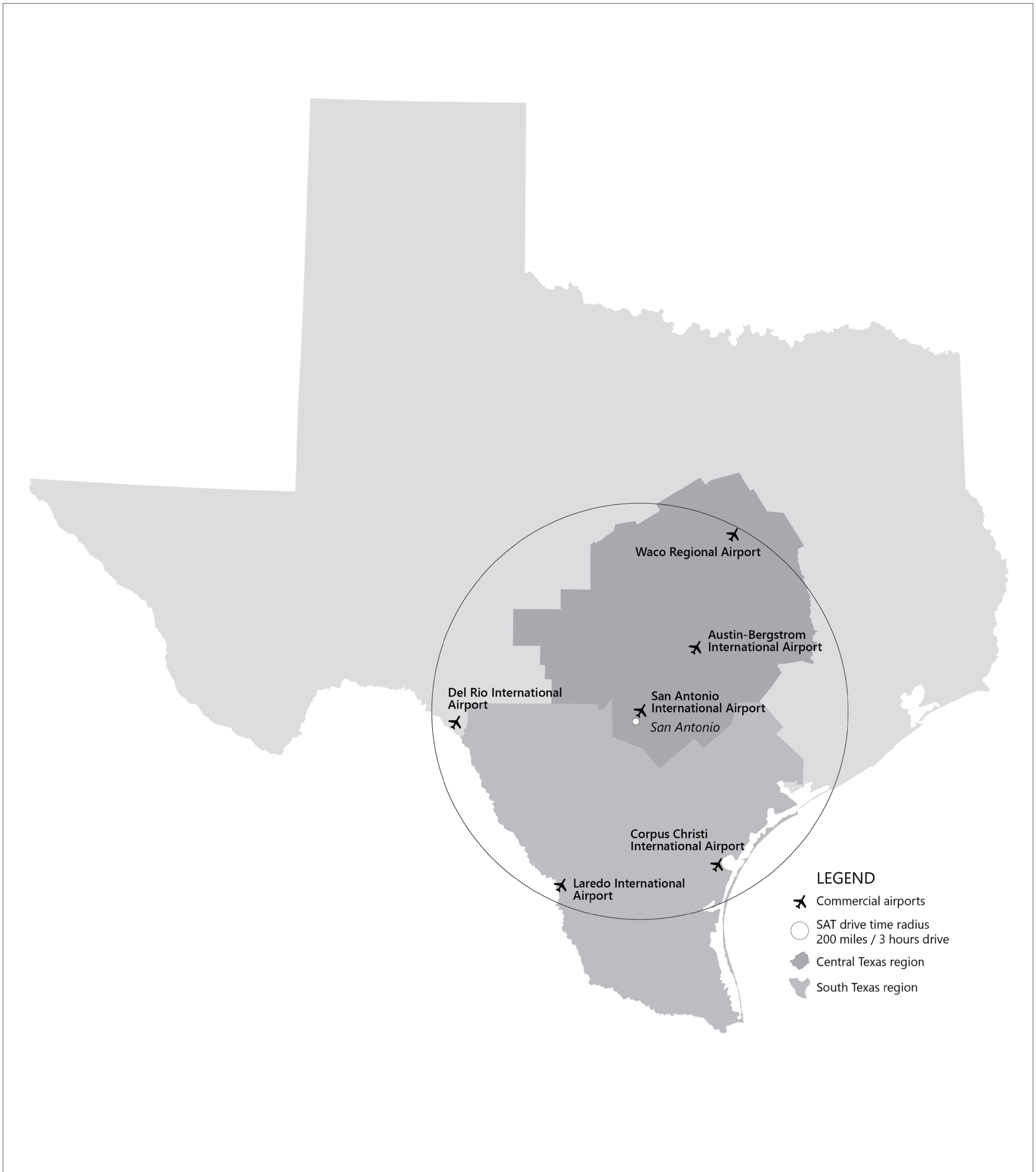
4.2 San Antonio International Airport

The Air Trade Area is the primary source of demand for air transportation at the Airport as approximately 92.0 percent of passengers using the Airport begin or end their journeys there. In general, an airport's potential service area is limited by distance from the airport as well as the time it takes to travel to the airport. An airport's service area is further defined by the availability and quality of air service at surrounding airports. **Exhibit 4-1** and **Table 4-1** display airports with commercial airline service within 200 miles of the Airport, which corresponds to a drive time of approximately three hours.

While airports located in Corpus Christi, Laredo, and Waco, Texas are within this region, they are relatively far from the Airport, and have significantly more limited flight options. Austin-Bergstrom is located within the potential service area of the Airport and has comparable air service to what is offered at the Airport. However, significant traffic diversion between the two facilities does not occur due to comparable fare and service levels at each airport.

Austin-Bergstrom is located approximately 78.0 road miles northeast of the Airport. Under favorable driving conditions, the travel time from the Airport to Austin-Bergstrom by car is approximately one hour and seventeen minutes. As a result, the reach of the Airport's service region to the northeast has been limited to reflect competition from Austin-Bergstrom.

The commercial air services available at Austin-Bergstrom are substantially similar to that available at the Airport as shown on **Table 4-2**, though the two markets are distinct and air service at each airport reflects that. Austin-Bergstrom is projected to have 21,993 average daily departure seats in July 2015, approximately 41.3 percent more than the Airport's 15,560. Similarly, Austin-Bergstrom is projected to have an average of 170 daily departing flights, approximately 34.9 percent more than the Airport's 126 daily departing flights. The difference in capacity between the two airports is, in aggregate, not likely to generate significant traffic diversion between them, though each has distinct strengths that cause a limited amount of diversion.



SOURCE: Inter*VISTAS* Consulting Inc., April 2015.
PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

EXHIBIT 4-1

Commercial Airports
within 200 Miles of the Airport

**Table 4-1: Air Services at Surrounding Airports,
San Antonio International Airport, San Antonio Airport System, July 2015**

	ROAD DISTANCE (MILES)[1/]	APPROXIMATE DRIVE TIME[1/]	NON-STOP DESTINATIONS SERVED[2/]	AVERAGE DAILY DEPARTURES[2/]	AVERAGE DAILY DEPARTURE SEATS[2/]
San Antonio International Airport	-	-	30	126	15,560
Austin-Bergstrom International Airport	78	1 hour, 17 minutes	36	170	21,993
Corpus Christi International Airport	151	2 hours, 13 minutes	2	17	1,328
Laredo International Airport	167	2 hours, 36 minutes	4	8	507
Waco Municipal Airport	186	2 hours, 57 minutes	1	5	240

NOTES:

1/ Mapquest.com, data capture date: April 4, 2015.

2/ Innovata schedules via Diio online portal, data capture date: April 29, 2015.

SOURCE: See notes above.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Table 4-2: Comparison of Air Services San Antonio International Airport and Austin-Bergstrom International Airport, July 2015

	SAN ANTONIO INTERNATIONAL AIRPORT	AUSTIN-BERGSTROM INTERNATIONAL AIRPORT
Non-stop Destinations Served		
Domestic	25	32
International	5	4
Total	30	36
Scheduled Carriers		
United States Flag	5	11
Foreign Flag	4	2
Total	9	13
Average Daily Departures	126	170
Average Daily Departure Seats	15,560	21,993

SOURCE: Innovata schedules via Diio online portal, data capture date: April 29, 2015.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

The Airport had non-stop service to 30 destinations, while Austin-Bergstrom had non-stop service to 36 destinations in July 2015.[1] The Airport and Austin-Bergstrom both had non-stop service to 26 of the same markets. The three markets that are unique to the Airport are Guadalajara, Mexico City and Monterrey, Mexico. San Antonio has generated significantly more demand for travel to Mexico than Austin, and the service pattern at the Airport reflects that. The ten markets that are unique to Austin-Bergstrom are Boston, Branson, Cincinnati, Harlingen, Lubbock, Portland (Oregon), Victoria (Texas), Los Cabos, Mexico, London, England, and Toronto, Canada. Austin is the capital of Texas and is home to a large high-technology business sector that generates more demand to these markets than does San Antonio.

In July 2015, nine airlines have published scheduled service at the Airport, and thirteen airlines have published scheduled service at Austin-Bergstrom. Five airlines have published scheduled service at both airports including network carriers Alaska, American, Delta, and United, and low cost carrier Southwest. Air Canada, Allegiant, Branson Air Express, British Airways, Frontier, JetBlue, Public Charters, and Virgin America are unique airlines to Austin-Bergstrom, while AeroMexico, InterJet, Viva Aerobus, and Volaris are unique airlines to the Airport. Southwest is the largest carrier at each airport offering approximately 45.4 percent of seat capacity at the Airport and approximately 38.6 percent of seat capacity at Austin-Bergstrom. American is the second largest carrier at each airport offering approximately 22.1 percent of seat capacity at the Airport and approximately 20.0 percent of seat capacity at Austin-Bergstrom. United is the third largest carrier at each airport offering approximately 15.8 percent of seat capacity at the Airport and approximately 15.1 percent of seat capacity at Austin-Bergstrom. While the differences in air service do reflect the differences in demand generated by each market, and do drive some diversion between the two airports' service areas based on the availability of non-stop service, they do not cause diversion between the two airports' service areas for similar services available at both airports.

Table 4-3 displays the average one-way airfares at the Airport and Austin-Bergstrom for the Airport's largest 28 markets by O&D passengers. Of the 28 markets, the Airport has a lower airfare in 15 markets, while Austin-Bergstrom has a lower airfare in 13 markets. On average, airfares in these markets are $181.59 at the Airport and $179.61 at Austin-Bergstrom. Because the airfares at the Airport and Austin-Bergstrom do not differ materially, there is limited economic incentive to cause significant traffic diversion between the two airports' service areas.

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[1] The words, "destination," and, "market," are used interchangeably in this report to describe passenger service between one urban area and another rather than service between unique pairs of airports. For example, the San Antonio – New York City market includes passenger services between SAT and both Newark Liberty and John F. Kennedy international airports.

Focusing on markets or destinations rather than unique airport pairs is more appropriate because the various airports in an urban area largely serve the same demand flows. This report is focused on demand generated by and for the San Antonio market, whereas the variety of airports served within those markets is more typically driven by an airline's network structure.

Table 4-3: Airfare Comparison San Antonio International Airport and Austin-Bergstrom International Airport

RANK	MARKET	SAN ANTONIO INTERNATIONAL AIRPORT	AUSTIN-BERGSTROM INTERNATIONAL AIRPORT
1	Dallas/Fort Worth [1/]	$ 126.93	$ 137.00
2	Washington, D.C./Baltimore [2/]	$ 227.14	$ 222.30
3	Los Angeles [3/]	$ 204.16	$ 185.67
4	New York City [4/]	$ 211.22	$ 192.79
5	Chicago [5/]	$ 189.22	$ 203.65
6	Las Vegas	$ 167.16	$ 148.46
7	Denver	$ 151.93	$ 124.79
8	Atlanta	$ 175.83	$ 183.79
9	Orlando [6/]	$ 163.28	$ 135.98
10	San Francisco [7/]	$ 219.92	$ 195.49
11	Phoenix [8/]	$ 178.85	$ 176.58
12	Seattle/Tacoma/Bellingham [9/]	$ 171.00	$ 188.38
13	San Diego/Carlsbad [10/]	$ 170.94	$ 187.16
14	El Paso	$ 129.02	$ 143.74
15	Houston [11/]	$ 143.00	$ 145.93
16	Philadelphia	$ 186.94	$ 201.64
17	Boston/Manchester/Providence [12/]	$ 240.02	$ 196.37
18	Saint Louis	$ 180.51	$ 189.46
19	Nashville	$ 165.87	$ 169.55
20	Miami/Fort Lauderdale/Palm Beach [13/]	$ 227.18	$ 157.24
21	Minneapolis/Saint Paul	$ 224.21	$ 245.66
22	Tampa Bay [14/]	$ 174.59	$ 178.97
23	Detroit	$ 232.25	$ 237.03
24	Salt Lake City	$ 192.84	$ 198.57
25	Charlotte	$ 193.26	$ 216.07
26	Kansas City	$ 159.54	$ 151.59
27	Richmond/Norfolk/Newport News [15/]	$ 208.11	$ 198.32
28	New Orleans	$ 173.27	$ 151.52
Weighted Average		$ 181.59	$ 179.61

NOTES:

1/ Dallas Love Field and Dallas/Fort Worth International Airport.

2/ Baltimore/Washington International Thurgood Marshall, Ronald Reagan Washington National, and Washington Dulles International airports.

3/ Bob Hope, John Wayne, Long Beach, Los Angeles International, and LA/Ontario International airports.

4/ John F. Kennedy International, LaGuardia, Long Island Macarthur, Newark Liberty International, Stewart International, and Westchester County airports.

5/ Midway and O'Hare international airports.

6/ Orlando and Orlando Sanford international airports.

7/ Norman Y. Mineta San Jose, Oakland, and San Francisco international airports.

8/ Phoenix Sky Harbor International and Phoenix-Mesa Gateway airports.

9/ Bellingham and Seattle/Tacoma international airports.

10/ McClellan - Palomar and San Diego International airports.

11/ George Bush Intercontinental and William P. Hobby airports.

12/ Boston Logan International, Manchester Boston Regional, and T. F. Green airports.

13/ Fort Lauderdale/Hollywood, Miami, and Palm Beach international airports.

14/ Saint Petersburg/Clearwater, Sarasota Bradenton, and Tampa international airports.

15/ Newport News/Williamsburg, Norfolk, and Richmond international airports.

SOURCE: United States Department of Transportation O&D Passenger Survey for the year ended December 31, 2014.

PREPARED BY: Inter*VISTAS* Consulting, Inc., April 2015.

In summary, the adjacent service area of Austin-Bergstrom to the northeast limits the service area of the Airport. While both airports have similar airfares and service patterns, each airport serves a unique market. There are modest differences in airlines serving the markets and destinations served, which does cause a modest amount of traffic diversion for non-stop service at one airport that is not available at the other. However, there are no significant differences in price or service at each airport, so there is not a significant amount of net traffic diversion between the two markets despite their geographic proximity.

4.3 Airlines Serving the Airport

Airlines offering scheduled service at the Airport in July 2015 are shown on **Table 4-4**. The Airport has scheduled passenger service from one low cost carrier, four U.S. network carriers and nine of their regional affiliates, and four Mexican carriers. Four U.S. all-cargo carriers and one foreign all-cargo carrier provide service to the Airport. This diverse group of airlines provides a stable base of scheduled service to the Airport.

Low cost carrier Southwest provides service to a wide variety of business and leisure destinations ensuring significant seat capacity is available at competitive airfares. All of the U.S. network carriers including Alaska, American, Delta, and United, serve the Airport with a combination of mainline narrow-body equipment supplemented by regional jet equipment of their affiliates. Mexican carriers AeroMexico Connect, InterJet, Viva Aerobus, and Volaris provide service to three Mexican cities; the latter three Mexican carriers are low cost carriers. Ameriflight, FedEx, Kalitta, Martinair, and UPS provide all-cargo service to the Airport.

This diverse set of airlines also provides a competitive environment at the Airport. Network airlines and their regional affiliates provide access to large hubs where Air Trade Area passengers can make connections to hundreds of markets throughout the U.S. and around the world. Low cost carriers provide quality services to popular destinations at competitive fares at the Airport. Mexican Airlines provide non-stop access to significant markets in Mexico. All-cargo carriers offer shippers of time-sensitive materials high quality and cost effective access to the Air Trade Area. Together, the diversity of airline service provides Air Trade Area passengers and shippers with a wide range of air service options.

4.4 Historical Air Service

Passenger traffic at the Airport in the year-ended December 31, 2014, the most recent period for which data is available, was comprised of approximately 92.3 percent O&D passengers. **Table 4-5** displays the 28 largest domestic O&D passenger markets at the Airport for the year-ended December 31, 2014. Each of these markets represents at least 1.0 percent of total domestic O&D traffic at the Airport. Collectively, the largest 28 markets represent approximately 72.2 percent of domestic O&D traffic at the Airport.

Domestic O&D traffic patterns at the Airport are relatively diversified as none of the largest markets represents more than approximately 8.1 percent of domestic traffic. Most of the largest markets correspond to large metropolitan areas in the U.S. located far enough from the Air Trade Area to make air travel an efficient option in terms of total trip time.

Table 4-4: Airlines Serving San Antonio International Airport, July 2015

MAJOR AND NATIONAL AIRLINES	REGIONAL AND COMMUTER AFFILIATE AIRLINES	CARGO AIRLINES
United States Flag	**United States Flag**	**United States Flag**
Alaska Airlines	American	Ameriflight
American Airlines	Compass Airlines 1/	FedEx
Delta Air Lines	Mesa Airlines 2/	Kalitta Air
Southwest Airlines	PSA Airlines	UPS
United Airlines	Republic Airlines	
	SkyWest Airlines 3/	
	Delta	
	Compass Airlines 1/	
	Endeavor Airlines	
	ExpressJet Airlines 4/	
	SkyWest Airlines 3/	
	United	
	ExpressJet Airlines 4/	
	GoJet Airlines	
	Mesa Airlines 2/	
	Shuttle America	
	SkyWest Airlines 3/	
Foreign Flag	**Foreign Flag**	**Foreign Flag**
InterJet	AeroMexico	Martinair Aviation
Viva Aerobus	AeroMexico Connect	
Volaris		

NOTES:

1/ Compass Airlines serves as a regional affiliate of American Airlines and Delta Air Lines.

2/ Mesa Airlines serves as regional affiliate of American Airlines and United Airlines.

3/ SkyWest Airlines serves as a regional affiliate of American Airlines, Delta Air Lines, and United Airlines.

4/ ExpressJet Airlines serves as a regional affiliate of Delta Air Lines and United Airlines.

SOURCE: City of San Antonio, Department of Aviation.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Table 4-5: Largest Domestic Origin and Destination Passenger Markets
San Antonio International Airport

RANK	MARKET	PASSENGERS	MARKET SHARE
1	Dallas/Fort Worth 1/	547,390	8.1%
2	Washington, D.C./Baltimore 2/	346,460	5.1%
3	Los Angeles 3/	321,840	4.8%
4	New York City 4/	305,490	4.5%
5	Chicago 5/	291,030	4.3%
6	Las Vegas	277,380	4.1%
7	Denver	236,080	3.5%
8	Atlanta	225,600	3.3%
9	Orlando 6/	171,750	2.5%
10	San Francisco 7/	171,550	2.5%
11	Phoenix 8/	164,170	2.4%
12	Seattle/Tacoma/Bellingham 9/	154,800	2.3%
13	San Diego/Carlsbad 10/	147,730	2.2%
14	El Paso	134,080	2.0%
15	Houston 11/	122,170	1.8%
16	Philadelphia	121,310	1.8%
17	Boston/Manchester/Providence 12/	107,910	1.6%
18	Saint Louis	106,960	1.6%
19	Nashville	106,820	1.6%
20	Miami/Fort Lauderdale/Palm Beach 13/	104,130	1.5%
21	Minneapolis/Saint Paul	102,050	1.5%
22	Tampa Bay 14/	98,560	1.5%
23	Detroit	93,550	1.4%
24	Salt Lake City	90,690	1.3%
25	Charlotte	89,260	1.3%
26	Kansas City	84,280	1.2%
27	Richmond/Norfolk/Newport News 15/	75,100	1.1%
28	New Orleans	72,750	1.1%
Others		1,877,990	27.8%
Total 16/		6,748,880	100.0%

NOTES:

1/ Dallas Love Field and Dallas/Fort Worth International Airport.

2/ Baltimore/Washington International Thurgood Marshall, Ronald Reagan Washington National, and Washington Dulles International airports.

3/ Bob Hope, John Wayne, Long Beach, Los Angeles International, and LA/Ontario International airports.

4/ John F. Kennedy International, LaGuardia, Long Island Macarthur, Newark Liberty International, Stewart International, and Westchester County airports.

5/ Midway and O'Hare international airports.

6/ Orlando and Orlando Sanford international airports.

7/ Norman Y. Mineta San Jose, Oakland, and San Francisco international airports.

8/ Phoenix Sky Harbor International and Phoenix-Mesa Gateway airports.

9/ Bellingham and Seattle/Tacoma international airports.

10/ McClellan - Palomar and San Diego International airports.

11/ George Bush Intercontinental and William P. Hobby airports.

12/ Boston Logan International, Manchester Boston Regional, and T. F. Green airports.

13/ Fort Lauderdale/Hollywood, Miami, and Palm Beach international airports.

14/ Saint Petersburg/Clearwater, Sarasota Bradenton, and Tampa international airports.

15/ Newport News/Williamsburg, Norfolk, and Richmond international airports.

16/ Figures may not add due to rounding.

SOURCE: United States Department of Transportation O&D Passenger Survey for the year ended December 31, 2014.

PREPARED BY: Inter*VISTAS* Consulting, Inc., April 2015.

Table 4-6 summarizes non-stop scheduled passenger service at the Airport in May 2015, and **Exhibit 4-2** displays points served non-stop from the Airport graphically. Airlines offer non-stop service to 29 markets from the Airport. Markets with non-stop service from the Airport include 25 of the Airport's 28 largest domestic O&D markets. Thirteen markets have non-stop service on multiple airlines, and low cost carriers serve twenty markets.

The Airport has non-stop service to four Mexican markets, which are not included on Table 4-5. Cancun, Guadalajara, Mexico City/Toluca, and Monterrey are the four largest markets in Mexico with significant business and cultural links to San Antonio. Each of the Mexican markets is served by multiple carriers and each is served by at least one low cost carrier. Service to Mexico is a market in which the Airport has a clear advantage over Austin-Bergstrom, and is able to attract passengers from further to the northeast of San Antonio.

There are three markets among the largest 28 without non-stop service from the Airport. They are Boston, Massachusetts, Kansas City, Missouri and Richmond, Virginia, which are relatively efficiently served on numerous one-stop or single connecting flights from the Airport. Each of these markets represents a significant opportunity for new airline service at the Airport in the future. Only one of the markets not served from the Airport, Boston, has non-stop service from Austin-Bergstrom.

4.5 Historical Passenger Activity

Table 4-7 and **Exhibit 4-3** present historical enplanements at the Airport from FY 1995 through FY 2014. Enplanements at the Airport have increased at a compound annual growth rate of approximately 1.6 percent from FY 1995 to FY 2014 from approximately 3.1 million to approximately 4.2 million passengers. From FY 2002 to FY 2010, enplanements have increased more rapidly at a compound annual growth rate of approximately 2.0 percent. The continued increase in air service at the Airport and competitive fares offered by airlines at the Airport have ensured that demand for travel to and from the Air Trade Area continues to be met at the Airport.

Enplanements have increased in 15 of the last 20 years at the Airport, indicating the overall strength of the market. Enplanements at the Airport generally follow economic trends of the U.S. since the Air Trade Area is a significant business, convention, and tourist destination.

In FY 1998, enplanements at the Airport decreased a modest 0.4 percent annually as a result of Conquest, Western Pacific, and US Airways discontinuing service at the Airport. Conquest Airlines was a small commuter airline that provided service on turbo-prop equipment to a number of cities in Texas. The airline was not affiliated with a major network carrier, and its business proved unsustainable. Western Pacific Airlines offered service to its hub at Colorado Springs, but went bankrupt after prolonged competition with Frontier Airlines and United Airlines. US Airways eliminated service to the Airport in FY 1998, but subsequently returned.

Passenger enplanements declined in FY 2001, FY 2002, and FY 2003 as a result of the terrorist attacks of September 11, 2001 and the subsequent military action in Iraq and Afghanistan, SARS, and the economic recession. The Airport was impacted by many passengers choice not to fly out of fear or because of the inconvenience caused by time consuming and confusing security procedures at airports.

Table 4-6: Non-stop Markets Served
San Antonio International Airport, July 2015

MARKET/AIRPORT	AIRLINE(S)	AVERAGE DAILY DEPARTURES	AVERAGE DAILY DEPARTURE SEATS
Dallas			
Dallas Love Field	Southwest	9	1,266
Dallas/Fort Worth International	American	14	2,064
		24	3,330
Houston			
George Bush Intercontinental	United, United Express	10	1,044
William P. Hobby	Southwest	4	519
		14	1,563
Atlanta	Delta	7	1,160
	Southwest	2	286
		9	1,446
Chicago			
Midway International	Southwest	3	434
O'Hare International	American Eagle	3	223
	United, United Express	3	366
		9	1,023
Los Angeles International	American Eagle	3	228
	Delta Connection	2	152
	Southwest	2	290
	United Express	3	201
		10	871
Phoenix Sky Harbor International	American Eagle	5	370
	Southwest	3	427
		8	798
Denver	Southwest	3	415
	United, United Express	3	347
		6	763
Mexico City			
Benito Juarez International	AeroMexico Connect	2	198
	InterJet	2	252
	Southwest	1	143
Adolfo López Mateos International (Toluca)	InterJet	0	27
		5	620
Las Vegas	Southwest	4	598
Washington, D.C. - Baltimore			
Baltimore/Washington International	Southwest	3	424
Washington Dulles International	United Express	2	154
		5	578
El Paso	Southwest	3	373
Orlando International	Southwest	2	313
Nashville	Southwest	2	309
New York City			
John F. Kennedy International	Delta	1	160
Newark Liberty International	United	1	129
		2	289
San Diego International	Southwest	2	286
Charlotte	American, American Eagle	3	275
Saint Louis	Southwest	2	268
Detroit	Delta, Delta Connection	3	249
Minneapolis/Saint Paul	Delta Connection	3	216
Cancun	Southwest	1	143
	United	0	61
		1	204
Salt Lake City	Delta, Delta Connection	2	202
Monterrey	AeroMexico Connect	1	50
	InterJet	1	78
	Viva Aerobus	0	48
		2	176
Seattle/Tacoma	Alaska	1	163
New Orleans	Southwest	1	143
Tampa International	Southwest	1	143
Guadalajara	InterJet	0	44
	Volaris	0	73
		1	117
Philadelphia	American	1	99
San Francisco International	United Express	1	76
Miami	American	1	70
		126	15,560

NOTE: Totals may not add due to rounding. Markets listed with zero average daily departures have fewer than four scheduled departures per week.

SOURCE: Innovata schedules via Diio online portal, data capture date: April 29, 2015.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

SOURCE: Inter*VISTAS* Consulting Inc., April 2015.
PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

EXHIBIT 4-2

Non-Stop Cities Served from the Airport

Table 4-7: Historical Enplaned Passengers
San Antonio International Airport

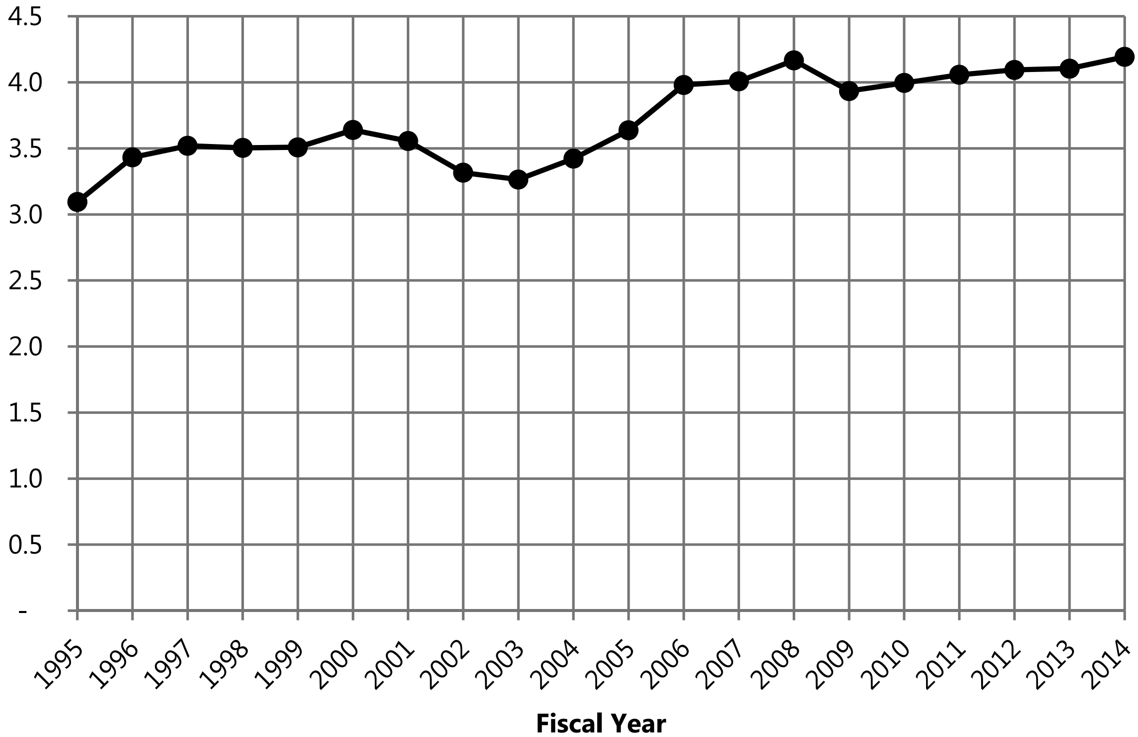
(For the Fiscal Years Ending September 30)

FISCAL YEAR	MAJOR/ NATIONAL	REGIONAL/ COMMUTER	CHARGER/ UNSCHEDULED	TOTAL	ANNUAL CHANGE
1995	2,987,912	42,615	63,730	3,094,257	
1996	3,270,232	95,984	65,916	3,432,132	10.9%
1997	3,418,471	51,426	49,450	3,519,347	2.5%
1998	3,394,197	47,813	61,516	3,503,526	-0.4%
1999	3,425,634	18,864	63,460	3,507,958	0.1%
2000	3,585,073	23,321	30,638	3,639,032	3.7%
2001	3,491,885	26,523	37,593	3,556,001	-2.3%
2002	3,149,587	89,359	76,799	3,315,745	-6.8%
2003	3,088,101	128,116	48,028	3,264,245	-1.6%
2004	3,167,556	232,909	22,236	3,422,701	4.9%
2005	3,337,715	267,523	31,590	3,636,828	6.3%
2006	3,583,829	388,380	7,925	3,980,134	9.4%
2007	3,595,064	407,134	5,603	4,007,801	0.7%
2008	3,675,083	485,170	6,199	4,166,452	4.0%
2009	3,556,054	372,319	6,111	3,934,484	-5.6%
2010	3,357,390	624,958	13,193	3,995,541	1.6%
2011	3,412,127	632,743	12,351	4,057,221	1.5%
2012	3,354,431	727,776	12,184	4,094,391	0.9%
2013	3,272,059	809,609	22,353	4,104,021	0.2%
2014	3,333,629	827,047	31,893	4,192,569	2.2%
	Compound Annual Growth Rate				
1995-2014	0.6%	16.9%	-3.6%	1.6%	
2002-2014	0.5%	20.4%	-7.1%	2.0%	

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Exhibit 4-3: Historical Enplaned Passengers



SOURCE: City of San Antonio Department of Aviation, November 2014.
PREPARED BY: Inter*VISTAS* Consulting Inc., March 2015.

As the airline industry began to recover after three years of business transformation and economic growth improved, passenger enplanements began to increase again at the Airport in FY 2004. From FY 2004 through FY 2008, the U.S. economy grew while a more stable and diverse group of airlines were serving the Airport. Passenger enplanements grew each year during this period to reach record levels in FY 2008. In FY 2009, enplanements decreased approximately 5.6 percent as a result of national and global economic weakness and the Avian Flu crisis. Airport enplanements increased approximately 1.4 percent in FY 2010, and enplanements increased each year thereafter as U.S. economic conditions improved.

Consistent with trends at most U.S. airports, passenger activity at the Airport has shifted toward regional/commuter airlines from major/national airlines over the past fifteen years. From FY 1995 to FY 2014, passenger traffic on regional/commuter airlines increased at a compound annual growth rate of approximately 16.9 percent, while passenger traffic on major/national airlines increased at a compound annual rate of approximately 0.6 percent. Over this period, major/national airlines transferred many routes to regional affiliates to better match capacity with demand. This trend is even more pronounced between FY 2002 and FY 2014 when regional/commuter airline traffic increased at a compound annual growth rate of approximately 20.4 percent while major/national airline traffic increased at a compound annual growth rate of approximately 0.5 percent. Passenger activity on charter/unscheduled airlines has decreased as more passengers have been accommodated on scheduled services. Approximately two-thirds of chartered/unscheduled passengers are being deported from the United States on flights operated for Immigration and Customs Enforcement.

The trend toward replacement of mainline equipment with regional equipment will likely continue as American and US Airways combine their operations over the next two years. Following recent airline mergers, each airline now serves more markets from the Airport, though mainline equipment has been replaced by regional equipment to better match capacity with demand and eliminate redundancies.

Table 4-8 presents monthly enplanements at the Airport for FY 2013, FY 2014, and FY 2015. In FY 2014, enplanements at the Airport increased approximately 2.2 percent over FY 2013. Enplanements increased year-over-year each month from April through September of FY 2014. In November, February, and March of FY 2014, enplanements trailed those of the prior year when bad weather in the northeast and midwest caused several airline cancellations at the Airport. In October, December, and January of FY 2014, passenger enplanements increased over the prior year.

In the first seven months of FY 2015, enplanements at the Airport increased approximately 0.8 percent over the same period in FY 2014. Enplanements were higher than the previous year in October 2014 and January, March, and April 2015 as a result of improved economic conditions and higher airline capacity. Enplanements were lower than the previous year in November and December of 2014 and February 2015 due to higher levels of cancellations caused by bad weather.

From FY 2011 through FY 2015 airlines have added new capacity to the market to meet demand to and from the Air Trade Area:

- Alaska Airlines inaugurated service to Seattle
- American Airlines inaugurated service to Los Angeles and Miami
- Delta Air Lines inaugurated service to Los Angeles
- InterJet inaugurated service to Mexico City and Toluca
- InterJet and Viva Aerobus each inaugurated service to Monterrey
- InterJet and Volaris each inaugurated service to Guadalajara
- Southwest Airlines inaugurated service to Cancun, Mexico City, New Orleans, and Saint Louis
- United Airlines inaugurated service to Cancun
- US Airways inaugurated service to Philadelphia

The new seat capacity on these new and existing routes will continue to help meet growing demand in the Air Trade Area.

Table 4-8: Monthly Enplaned Passengers
San Antonio International Airport

(For the Fiscal Years Ending September 30)

	FISCAL YEAR 2013	FISCAL YEAR 2014	ANNUAL CHANGE	FISCAL YEAR 2015	ANNUAL CHANGE
October	347,570	351,458	1.1%	358,858	2.1%
November	348,831	337,121	-3.4%	333,621	-1.0%
December	343,648	366,488	6.6%	361,410	-1.4%
January	301,797	301,855	0.0%	304,944	1.0%
February	286,286	278,607	-2.7%	277,783	-0.3%
March	363,612	363,472	0.0%	367,525	1.1%
April	344,955	350,667	1.7%	364,790	4.0%
May	356,178	365,538	2.6%		
June	383,576	394,884	2.9%		
July	381,639	409,555	7.3%		
August	340,113	355,064	4.4%		
September	305,816	317,860	3.9%		
October - April	2,336,699	2,349,668	0.6%	2,368,931	0.8%
Total	4,104,021	4,192,569	2.2%		

SOURCE: City of San Antonio, Department of Aviation, April 2015.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

4.5.1 IMPACT OF MEXICAN LOW-COST CARRIER SERVICE AT THE AIRPORT

As shown on **Table 4-9**, international enplanements at the Airport have increased significantly over the last five fiscal years. In FY 2009, international enplanements represented approximately 1.8 percent of total enplanements, while in FY 2014 international enplanements represented approximately 5.6 percent of total enplanements. Although Southwest Airlines and United Airlines offer non-stop service to Mexico City and Cancun, the vast majority of international enplanements at the Airport traveled on Mexican carriers AeroMexico, InterJet, Viva Aerobus, or Volaris. Viva Aerobus served the market between November, 2011 and August, 2013, and reentered the market in November, 2014.

Passengers boarding flights to Mexico at the airport have availed themselves of convenient flights to Cancun, Guadalajara, Mexico City, Monterrey, and Toluca. Since 2011, nominal passenger airfares between San Antonio and Mexico have decreased from approximately $267 to $205 one-way as published by the United States Department of Transportation Origin and Destination Passenger Survey. Lower prices have stimulated demand by attracting passengers that might otherwise have traveled to Mexico by a surface mode. Furthermore, airfares to Mexico from San Antonio are approximately $65.00 less expensive than from Austin, which has likely caused some passengers from Austin to travel from the Airport to Mexico.

Increased international enplanements at the Airport has not been achieved at the expense of domestic enplanements traveling to Mexico via an intermediate point. Some passengers travelling to Mexico board a domestic flight at the Airport, and make a connection at an intermediate airport such as Dallas/Fort Worth International Airport or George Bush Intercontinental Airport - Houston to a flight bound for Mexico. At the same time that Mexican low cost carriers started service at the Airport and airfares between the Airport and Mexico decreased, passengers traveling to Mexico via an intermediate point increased from approximately 93,000 annual passengers to approximately 160,000 annual passengers as published by the United States Department of Transportation Origin and Destination Passenger Survey.

4.5.2 REAL AIRFARES

As reported on the U.S. Department of Transportation's Origin and Destination Passenger Survey, the real price of domestic airline tickets to and from the Airport were relatively flat, increasing an average of 0.6 percent annually from approximately $178.00 in 2002 to approximately $190.00 in 2013 (constant 2010 dollars). The real average yield per revenue passenger mile (the average amount paid by passengers to fly one mile) was the same in 2002 as it was 2013, approximately 15.5 cents. Since real airfares increased slightly while real yields remained flat, the average length of a passenger journey has increased over the period.

Relatively flat airfares have been partially offset by increases in ancillary fees charged by airlines. However, airlines report that passenger price sensitivity to air travel is related to the initial purchase price, but not for additional services. This is consistent with the experience of airport operators, which earn a significant portion of non-aeronautical revenues from purchase decisions subsequent to the initial decision to purchase air travel. Therefore, the minimal changes in real ticket prices contributed to increases in passenger activity at the airport as steady average airfares made flying more affordable and more attractive to a larger number of people.

Table 4-9: Domestic and International Enplaned Passengers
San Antonio International Airport

(For the Fiscal Years Ending September 30)

FISCAL YEAR	DOMESTIC	SHARE	INTERNATIONAL	SHARE	TOTAL	ANNUAL CHANGE
1995	3,012,061	97.3%	82,196	2.7%	3,094,257	
1996	3,341,313	97.4%	90,819	2.6%	3,432,132	10.9%
1997	3,419,329	97.2%	100,018	2.8%	3,519,347	2.5%
1998	3,382,708	96.6%	120,818	3.4%	3,503,526	-0.4%
1999	3,392,138	96.7%	115,820	3.3%	3,507,958	0.1%
2000	3,518,472	96.7%	120,560	3.3%	3,639,032	3.7%
2001	3,439,091	96.7%	116,910	3.3%	3,556,001	-2.3%
2002	3,218,056	97.1%	97,689	2.9%	3,315,745	-6.8%
2003	3,178,789	97.4%	85,456	2.6%	3,264,245	-1.6%
2004	3,334,258	97.4%	88,443	2.6%	3,422,701	4.9%
2005	3,543,679	97.4%	93,149	2.6%	3,636,828	6.3%
2006	3,882,346	97.5%	97,788	2.5%	3,980,134	9.4%
2007	3,902,810	97.4%	104,991	2.6%	4,007,801	0.7%
2008	4,074,551	97.8%	91,901	2.2%	4,166,452	4.0%
2009	3,865,354	98.2%	69,130	1.8%	3,934,484	-5.6%
2010	3,916,980	98.0%	78,561	2.0%	3,995,541	1.6%
2011	3,989,229	98.3%	67,992	1.7%	4,057,221	1.5%
2012	3,918,253	95.7%	176,138	4.3%	4,094,391	0.9%
2013	3,862,130	94.1%	241,891	5.9%	4,104,021	0.2%
2014	3,957,035	94.4%	235,534	5.6%	4,192,569	2.2%
			Compound Annual Growth Rate			
1995-2014	1.4%		5.7%		1.6%	
2002-2014	1.7%		7.6%		2.0%	

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Real average ticket prices have remained nearly constant at the Airport for a variety of reasons. First, the trend at the Airport is consistent with trends nationally over the period in which real passenger yield decreased only slightly, an average of -0.5 percent annually from 2002 to 2013. This trend was driven by increased market share by low cost carriers in the U.S. At the Airport, additional low cost carrier service from InterJet, Southwest, and Volaris was added during this period. Second, real airfares have been under pressure during the period as a result of weak economic conditions as well as the impacts of terrorist events on and after September 11, 2001, global political instability, the global credit crisis, and military activity throughout the world. Finally, airlines have reduced their cost structures over the period, and some of those savings have been passed on to consumers in the form of lower airfares.

Airlines are earning a profit from services to the Airport.

4.5.3 AIRLINE PASSENGER MARKET SHARE

Table 4-10 presents the Airport's historical enplanement market share for FY 2000, FY 2010, and FY 2014. The Airport's market is competitive, featuring the U.S. network carriers Alaska, American, Delta, and United, low cost carrier Southwest Airlines, Mexican network carrier AeroMexico, and Mexican low cost carriers InterJet and Volaris. Low cost carrier market share at the Airport including InterJet, Southwest, and Volaris was approximately 44.8 percent in FY 2014. Network carriers AeroMexico, Alaska, American, Delta, and United carried approximately 54.5 percent of enplanements during the same period. Mexican carriers AeroMexico, InterJet, and Volaris represented approximately 4.0 percent of the market in FY 2014. In general, the broad base of airlines serving the Airport and relative balance in market share between network and low cost airlines has made the Airport a more stable market capable of sustaining consistent growth in enplanements enhanced by new capacity, and lower fares.

The market for passenger traffic at the Airport is competitive as no single airline (including code-share partners) has more than a 42.2 percent share of passengers, the market share achieved by Southwest. Southwest provides non-stop service from the Airport to most of the airline's "Mega Cities" including Atlanta, Baltimore/Washington, Chicago, Dallas, Denver, Houston, Las Vegas, Los Angeles, and Phoenix. These destinations serve large flows of local passengers as well as connecting passengers to various other points on the Southwest network beyond these Mega Cities. Oakland is the only Southwest Mega City not yet served non-stop from the Airport. In addition, Southwest operates from the Airport to several other significant points on its network located in Nashville, Orlando, Saint Louis, San Diego, and Tampa. Finally, Southwest provides service to four other significant markets from San Antonio including Cancun, El Paso, Mexico City, and New Orleans.

Southwest has grown incrementally at the Airport ever since the airline was founded in 1971. Since FY 2000, the airline has increased enplaned passengers and market share as shown on Table 4-10. Over the forecast period, no major changes to Southwest's service pattern are expected at the Airport, and incremental growth is expected to continue.

Table 4-10: Enplaned Passenger Market Share
San Antonio International Airport

(For the Fiscal Years Ending September 30)

	FY 2000	MARKET SHARE	FY 2010	MARKET SHARE	FY 2014	MARKET SHARE
Southwest Airlines	1,255,619	34.5%	1,481,973	37.1%	1,621,333	38.7%
AirTran Airways	-	0.0%	136,295	3.4%	146,333	3.5%
	1,255,619	34.5%	1,618,268	40.5%	1,767,666	42.2%
American Airlines	604,380	16.6%	696,884	17.4%	617,061	14.7%
American Eagle 1/	-	0.0%	15,443	0.4%	66,212	1.6%
US Airways	-	0.0%	79,860	2.0%	82,128	2.0%
US Airways Express 2/	-	0.0%	110,080	2.8%	151,774	3.6%
Trans World Airlines (TWA)	177,316	4.9%	-	0.0%	-	0.0%
America West Airlines	88,945	2.4%	-	0.0%	-	0.0%
	870,641	23.9%	902,267	22.6%	917,175	21.9%
United Airlines	164,618	4.5%	37,685	0.9%	259,567	6.2%
United Express 3/	-	0.0%	299,623	7.5%	382,623	9.1%
Continental Airlines	451,212	12.4%	408,188	10.2%	-	0.0%
	615,830	16.9%	745,496	18.7%	642,190	15.3%
Delta Air Lines	575,243	15.8%	333,458	8.3%	446,472	10.6%
Delta Connection 4/	8,580	0.2%	183,230	4.6%	166,708	4.0%
Northwest Airlines	112,007	3.1%	58,264	1.5%	-	0.0%
	695,830	19.1%	574,952	14.4%	613,180	14.6%
InterJet	-	0.0%	-	0.0%	98,141	2.3%
AeroMexico	-	0.0%	366	0.0%	841	0.0%
Aerolitoral	14,019	0.4%	16,267	0.4%	59,730	1.4%
	14,019	0.4%	16,633	0.4%	60,571	1.4%
Alaska Airlines	-	0.0%	-	0.0%	50,961	1.2%
Volaris	-	0.0%	-	0.0%	10,714	0.3%
Frontier Airlines	-	0.0%	64,736	1.6%	-	0.0%
Midwest Airlines	30,128	0.8%	-	0.0%	-	0.0%
	30,128	0.8%	64,736	1.6%	-	0.0%
Mexicana de Aviación	63,803	1.8%	59,681	1.5%	-	0.0%
Aeromar	722	0.0%	315	0.0%	-	0.0%
Sun Country Airlines	61,802	1.7%	-	0.0%	-	0.0%
Unscheduled Airlines	30,638	0.8%	13,193	0.3%	31,971	0.8%
Total	3,639,032	100.0%	3,995,541	100.0%	4,192,569	100.0%

NOTES:

1/ Includes Chautauqua Airlines, Envoy Airlines, Republic Airlines, and Trans States Airlines doing business as American Eagle.

2/ Includes Mesa Airlines, PSA Airlines, Republic Airlines, and SkyWest Airlines doing business as US Airways Express.

3/ Includes Continental Express, ExpressJet Airlines, GoJet Airlines, Mesa Airlines, Shuttle America Airlines, SkyWest Airlines, and Trans States Airlines doing business as United Express.

4/ Includes Atlantic Southeast Airlines (ASA), Chautauqua Airlines, Comair, Compass Airlines, Endeavor Airlines, ExpressJet Airlines, GoJet Airlines, Mesaba Airlines, Pinnacle Airlines, Shuttle America Airlines, and SkyWest Airlines doing business as Delta Connection.

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

American, United, and Delta, the second, third, and fourth largest airlines at the Airport, have enplaned passenger market shares of 21.9 percent, 15.3 percent, and 14.6 percent, respectively. InterJet, AeroMexico, Alaska, and Volaris have a more limited presence at the Airport. The diverse and competitive group of airlines serving the market provide the Airport with the ability to sustain its traffic base even if the Airport were to lose the service of one airline.

American and US Airways announced their intention to merge in 2013, and have received approval from the U.S. Department of Justice to do so without violating anti-trust laws. In addition, the two airlines have been granted a single operating certificate from the FAA. The combination of American and US Airways is not expected to have a material impact on service or traffic at the Airport. American serves its hubs at Chicago, Dallas/Fort Worth, Los Angeles, and Miami, while US Airways serves its hubs at Charlotte, Philadelphia, and Phoenix from the Airport. Each of these markets is among the Airport's largest 28, so they have significant local demand that will continue to support non-stop service. In addition, the connecting opportunities available at each airline's hubs are distinct from one another because they are located in different geographic regions and focus on distinct connecting traffic flows. While capacity to one or more of the hubs of the combined airline may be adjusted, for the reasons described above it is not likely that there will be a material decrease in capacity or demand overall at the Airport.

4.6 Historical Cargo Activity

Table 4-11 presents historical cargo activity at the Airport. From FY 1995 through FY 2014, cargo handled at the Airport has increased an average of 1.3 percent annually from approximately 181.0 million tons to approximately 231.5 million tons. Since FY 2002, cargo activity at the Airport has decreased approximately 0.9 percent annually, which is consistent with national and international decreases in air cargo activity in recent years. Cargo is comprised of freight and mail, of which freight represented approximately 70.4 percent of the tonnage in FY 2014, up from approximately 67.7 percent in earlier years.

As shown on **Table 4-12**, FedEx and UPS are the largest cargo haulers at the Airport, and collectively handle approximately 91.7 percent of cargo. FedEx and UPS primarily handle express freight and mail, while Ameriflight, Kalitta, Martinair, and Others handle heavy freight. Heavy freight represents a relatively small component of freight handled at the Airport; together Ameriflight, Kalitta, Martinair, and Others handle approximately 3.0 percent of freight at the Airport. Passenger airlines at the Airport also handle approximately 5.2 percent of express freight and mail in the bellies of their aircraft. The cargo airlines at the Airport led by FedEx and UPS have served the market for many years, and form a diversified service offering. Increases in cargo activity over the forecast period will be incremental.

Table 4-11: Historical Air Cargo (tons)
San Antonio International Airport

(For the Fiscal Years Ending September 30)

FISCAL YEAR	FREIGHT	MAIL	TOTAL	ANNUAL CHANGE
1995	122,923,492	58,039,474	180,962,966	
1996	127,249,074	60,847,101	188,096,175	3.9%
1997	183,100,369	59,273,715	242,374,084	28.9%
1998	218,694,027	61,271,856	279,965,883	15.5%
1999	225,291,754	77,130,543	302,422,297	8.0%
2000	203,078,741	79,984,136	283,062,877	-6.4%
2001	155,447,220	68,774,468	224,221,688	-20.8%
2002	198,040,016	58,903,871	256,943,887	14.6%
2003	171,974,124	82,211,086	254,185,210	-1.1%
2004	188,617,516	78,149,239	266,766,755	4.9%
2005	185,809,080	75,265,578	261,074,658	-2.1%
2006	203,284,801	76,369,884	279,654,685	7.1%
2007	212,630,963	72,220,199	284,851,162	1.9%
2008	214,324,213	68,164,459	282,488,672	-0.8%
2009	197,952,753	62,263,902	260,216,655	-7.9%
2010	208,920,146	63,758,876	272,679,022	4.8%
2011	198,198,233	67,481,309	265,679,542	-2.6%
2012	193,594,641	69,921,499	263,516,140	-0.8%
2013	166,180,721	68,392,853	234,573,574	-11.0%
2014	162,891,167	68,622,370	231,513,537	-1.3%
	Compound Annual Growth Rate			
1995-2014	1.5%	0.9%	1.3%	
2002-2014	-1.6%	1.3%	-0.9%	

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Tabel 4-12: Air Cargo Market Share (FY 2014)
San Antonio International Airport

	CARGO (TONS)	MARKET SHARE
Freighter Cargo		
FedEx	143,601,917	62.0%
UPS	68,756,932	29.7%
Ameriflight	5,423,479	2.3%
Martinair	1,381,585	0.6%
Kalitta Air	195,861	0.1%
Others	1,710	0.0%
Total	219,361,484	94.8%
Belly Cargo	12,152,053	5.2%
Total	231,513,537	100.0%

SOURCE: City of San Antonio, Department of Aviation, November 2014.
PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

4.7 Historical Aircraft Operations and Landed Weight

Table 4-13 presents historical aircraft operations at the Airport between FY 1995 and FY 2014. From FY 1995 to FY 2014, aircraft operations decreased at a compound annual rate of approximately 0.3 percent. Over the more recent period from FY 2002 to FY 2014, aircraft operations increased at a compound annual rate of approximately 0.6 percent. Major/national airline operations have decreased over the period as a significant amount of passenger airline activity was reallocated to regional/commuter airline operators, which have increased operations significantly. Charter/unscheduled activity has decreased significantly as more travelers have opted to fly on scheduled services. Charter airline activity has been negatively impacted by increased scheduled capacity on leisure routes from the Airport to destinations such as Cancun, Mexico and Las Vegas, Nevada and by the increase in the price of fuel, which disproportionately impacts charter airlines because they use older less-fuel efficient aircraft. Cargo airline activity has decreased modestly over the period as a result of changes in the air cargo business and the increase in the cost of fuel.

Over the period FY 1995 to FY 2014, major/national carrier operations decreased at a compound annual rate of approximately 1.5 percent as regional/commuter operations increased at a compound annual rate of approximately 5.9 percent. In the more recent period from FY 2002 through FY 2014 major/national airline operations decreased approximately 1.9 percent while regional/commuter operations increased approximately 12.7 percent as airlines aggressively sought efficiency gains following the events of September 11, 2001 and the global credit crisis of 2008 by replacing mainline narrow-body equipment with regional jet equipment.

Cargo airline operations have decreased slightly at a compound annual rate of approximately 0.7 percent from FY 1995 through FY 2014, but increased at a compound annual growth rate of approximately 0.5 percent from FY 2002 through FY 2014. FedEx and UPS have served the Airport consistently over the entire period and provide dependable shipping options for time sensitive express freight and mail to and from the Air Trade Area. Ameriflight, Kalitta Air, and Martinair operate flights at the Airport that provide shipping options to the Air Trade Area for heavy freight.

Table 4-14 presents historical landed weight at the Airport from FY 1995 to FY 2014. During this time period, landed weight increased at a compound annual rate of approximately 0.2 percent, and from FY 2002 to FY 2014 it increased at a compound annual rate of approximately 1.6 percent. This increase is largely the result of increased passenger airline activity, with the largest increases coming from regional/commuter airlines.

From FY 1995 through FY 2014, major/national airline landed weight decreased at a compound annual growth rate of approximately 1.1 percent while regional/commuter airline landed weight increased at a compound annual growth rate of approximately 13.6 percent. From FY 2002 through FY 2014, major/national airline landed weight increased at a compound annual growth rate of approximately 0.3 percent while regional/commuter landed weight increased at a compound annual growth rate of approximately 17.8 percent as network airlines reallocated a significant amount of flying to their regional affiliates. In the future, increases in landed weight can be expected as a result of new service and the replacement of smaller regional jets with larger regional jets by legacy carriers. The relative distribution of landed weight between major/national and regional/commuter carriers will likely skew modestly toward regional/commuter carriers over the forecast period.

Table 4-13: Historical Aircraft Operations
San Antonio International Airport

(For the Fiscal Years Ending September 30)

FISCAL YEAR	MAJOR/ NATIONAL	REGIONAL/ COMMUTER	CARGO	CHARTER/ UNSCHEDULED	TOTAL	ANNUAL CHANGE
1995	79,000	9,276	9,226	4,688	102,190	
1996	80,134	10,920	9,244	7,516	107,814	5.5%
1997	80,236	8,292	13,724	1,680	103,932	-3.6%
1998	79,044	6,542	15,780	1,120	102,486	-1.4%
1999	79,650	3,374	13,176	1,490	97,690	-4.7%
2000	80,994	3,572	10,152	2,358	97,076	-0.6%
2001	78,686	3,076	8,428	1,474	91,664	-5.6%
2002	74,648	6,600	7,584	1,156	89,988	-1.8%
2003	75,040	8,962	7,264	736	92,002	2.2%
2004	73,226	16,006	7,272	426	96,930	5.4%
2005	73,992	15,184	7,300	462	96,938	0.0%
2006	76,272	21,982	7,188	500	105,942	9.3%
2007	77,608	20,478	9,284	548	107,918	1.9%
2008	80,134	21,338	8,980	432	110,884	2.7%
2009	76,276	13,908	7,602	698	98,484	-11.2%
2010	70,272	18,612	7,144	1,274	97,302	-1.2%
2011	64,946	21,858	7,416	1,124	95,344	-2.0%
2012	62,390	24,808	8,434	1,500	97,132	1.9%
2013	61,428	28,352	8,390	1,512	99,682	2.6%
2014	59,582	27,784	8,010	1,228	96,604	-3.1%
	Compound Annual Growth Rate					
1995-2014	-1.5%	5.9%	-0.7%	-6.8%	-0.3%	
2002-2014	-1.9%	12.7%	0.5%	0.5%	0.6%	

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Table 4-14: Historical Landed Weight (1,000-Pound Units)
San Antonio International Airport

(For the Fiscal Years Ending September 30)

FISCAL YEAR	MAJOR/ NATIONAL	REGIONAL/ COMMUTER	CARGO	CHARTER/ UNSCHEDULED	TOTAL	ANNUAL CHANGE
1995	4,862,133	84,411	469,630	58,226	5,474,400	
1996	4,717,142	136,284	543,600	60,698	5,457,724	-0.3%
1997	4,770,028	76,525	640,894	19,229	5,506,676	0.9%
1998	4,768,247	90,094	783,797	57,715	5,699,852	3.5%
1999	4,859,597	31,582	734,442	105,798	5,731,419	0.6%
2000	4,990,463	40,146	658,122	179,683	5,868,414	2.4%
2001	4,849,842	48,529	636,967	111,962	5,647,300	-3.8%
2002	3,762,408	131,715	705,083	88,591	4,687,797	-17.0%
2003	4,475,334	194,769	736,325	55,735	5,462,163	16.5%
2004	4,234,234	390,773	752,062	34,605	5,411,674	-0.9%
2005	4,333,756	396,986	758,734	38,350	5,527,826	2.1%
2006	4,491,417	573,225	796,105	36,242	5,896,989	6.7%
2007	4,637,393	576,350	843,085	32,700	6,089,529	3.3%
2008	4,712,667	682,290	814,124	27,852	6,236,932	2.4%
2009	4,312,437	609,361	739,907	46,013	5,707,718	-8.5%
2010	4,168,667	705,179	626,117	85,102	5,585,065	-2.1%
2011	4,160,325	725,553	724,917	70,899	5,681,693	1.7%
2012	4,041,428	825,950	825,980	94,670	5,788,027	1.9%
2013	3,988,137	942,356	749,652	94,308	5,774,454	-0.2%
2014	3,903,199	944,969	732,320	76,610	5,657,098	-2.0%
	Compound Annual Growth Rate					
1995-2014	-1.1%	13.6%	2.4%	1.5%	0.2%	
2002-2014	0.3%	17.8%	0.3%	-1.2%	1.6%	

NOTE: Figures may not add due to rounding.

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Cargo landed weight increased at an average annual rate of approximately 2.4 percent from FY 1995 through FY 2014, and increased at a more modest average rate of approximately 0.3 percent annually from FY 2002 through FY 2014. The increases in cargo landed weight correspond with increases in express and mail cargo at the Airport handled by FedEx and UPS. Freighter flights operated by Ameriflight, Kalitta, and Martinair are a modest but stable component of cargo landed weight.

Charter/unscheduled landed weight increased approximately 1.5 percent per annum from FY 1995 through FY 2014, but decreased approximately 1.2 percent per annum from FY 2002 through FY 2014 as a result of more passengers using scheduled airline services and higher fuel prices making charter operations on largely fuel-inefficient aircraft uneconomic.

4.8 Forecasts of Aviation Demand

Forecasts of aviation demand were prepared on the basis of socio-economic and demographic factors in the Air Trade Area and the U.S. as a whole, the Airport's traffic performance over the long-term as well as during the most recent seven-year period, and anticipated airline activity at the Airport. These forecasts are based on a number of assumptions, discussed below.

The forecasts anticipate that the Airport will continue to attract O&D travelers to and from the Air Trade Area with air service to both major markets and airline connecting hubs provided by both network carriers and their regional affiliates as well as low cost carriers and Mexican carriers.

- Net traffic diversion between the Airport and Austin-Bergstrom is not forecast to be an issue over the forecast period. The air service patterns at both facilities are expected to reflect demand generated in their respected air service areas, and airfare levels are expected to remain comparable over the forecast period. It is anticipated that the air service offered at each airport will not be identical because Austin and San Antonio are adjacent but distinct markets where a minority of air service offerings will be unique to each market. The vast majority of airlines will serve both markets with substantially similar service patterns similar to the circumstances at the present time. Passengers and shippers to and from the Air Trade Area will continue to choose to use the Airport over the forecast period rather than use Austin-Bergstrom.

- Forecasts of aviation demand anticipate that the balance of major/national operations and regional/commuter operations will evolve modestly in favor of regional/commuter carriers over the forecast period. As discussed in previous sections, airlines attempt to match capacity and demand, and are now beginning to increase capacity and add new markets where appropriate. Cargo operations will increase incrementally over the forecast period.

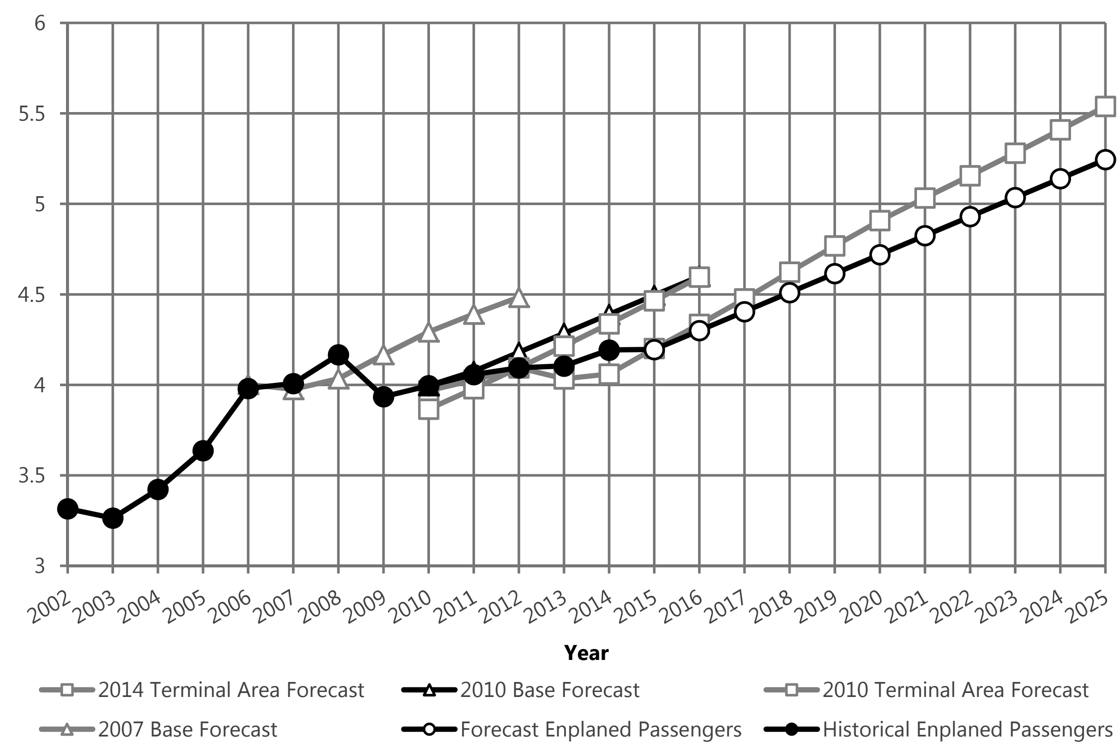
- Increases in future enplanements at the Airport can be expected as airlines increase capacity to meet demand as flights currently operate at record load factors. Many of the smaller 37-50 seat regional jets that operate at the Airport will likely be replaced with larger 70-100 seat regional jets.

- The forecasts do not account for the occurrence of unforeseen external events including, but not limited to, labor disruptions, airline mergers, extraordinary increases in airfares, political instability, military or terrorist action, extraordinary increases in aviation fuel costs, or economic booms or busts.

4.8.1 ENPLANEMENT FORECASTS

The enplanement forecast has been developed using a macro-economic analysis of the relationship between traffic growth and economic growth in the U.S. as measured by Real GDP and real airfares combined with a micro-economic analysis of likely capacity deployment of airlines currently serving the market as well as those likely to serve the market over the forecast period. **Exhibit 4-4** and **Table 4-15** present historical and forecast enplanements at the Airport for major/national airlines, regional/commuter airlines, and charter/unscheduled airlines. Total enplanements are forecast to increase at a compound annual growth rate of approximately 2.1 percent from 4,192,569 in FY 2014 to 5,035,000 in FY 2023. This increase is similar to rates experienced over the past 12 years even though economic growth in the U.S. as a whole is expected to be higher over the forecast period because real airfares are not expected to decrease over the forecast period as they did over the historical period.

Exhibit 4-4: Comparison of Enplaned Passenger Forecasts



SOURCES: City of San Antonio, Department of Aviation, November 2010; Forecast, Inter*VISTAS* Consulting LLC, November 2010.
PREPARED BY: Inter*VISTAS* Consulting Inc. March 2015.

Table 4-15: Forecast Enplaned Passengers
San Antonio International Airport

(For the Fiscal Years Ending September 30)

FISCAL YEAR	MAJOR/ NATIONAL	REGIONAL/ COMMUTER	CHARTER/ UNSCHEDULED	TOTAL	ANNUAL CHANGE
Historical					
2002	3,149,587	89,359	76,799	3,315,745	
2003	3,088,101	128,116	48,028	3,264,245	-1.6%
2004	3,167,556	232,909	22,236	3,422,701	4.9%
2005	3,337,715	267,523	31,590	3,636,828	6.3%
2006	3,583,829	388,380	7,925	3,980,134	9.4%
2007	3,595,064	407,134	5,603	4,007,801	0.7%
2008	3,675,083	485,170	6,199	4,166,452	4.0%
2009	3,556,054	372,319	6,111	3,934,484	-5.6%
2010	3,357,390	624,958	13,193	3,995,541	1.6%
2011	3,412,127	632,743	12,351	4,057,221	1.5%
2012	3,354,431	727,776	12,184	4,094,391	0.9%
2013	3,272,059	809,609	22,353	4,104,021	0.2%
2014	3,333,629	827,047	31,893	4,192,569	2.2%
Forecast					
2015 1/	3,344,692	832,912	32,112	4,209,716	0.4%
2016	3,388,000	880,000	32,000	4,300,000	2.1%
2017	3,443,000	930,000	32,000	4,405,000	2.4%
2018	3,498,000	980,000	32,000	4,510,000	2.4%
2019	3,553,000	1,030,000	32,000	4,615,000	2.3%
2020	3,608,000	1,080,000	32,000	4,720,000	2.3%
2021	3,663,000	1,130,000	32,000	4,825,000	2.2%
2022	3,718,000	1,180,000	32,000	4,930,000	2.2%
2023	3,773,000	1,230,000	32,000	5,035,000	2.1%
	Compound Annual Growth Rate				
2002-2014	0.5%	20.4%	-7.1%	2.0%	
2014-2023	1.4%	4.5%	0.0%	2.1%	

NOTE:

1/ Forecast of 2015 enplanements is based on FY 2015 mid-year estimate.

SOURCES: Historical, City of San Antonio, Department of Aviation, November 2014; Forecast, Inter*VISTAS* Consulting LLC, July 2015.

PREPARED BY: Inter*VISTAS* Consulting Inc., July 2015.

Major/national airlines are forecast to increase enplanements at a compound annual growth rate of approximately 1.4 percent from FY 2014 to FY 2023 while regional/commuter airlines are forecast to increase at a compound annual growth rate of approximately 4.5 percent. The difference in growth rates anticipates that the relative share of enplanements between the two groups evolve modestly in favor of regional/commuter enplanements over the forecast period. Major/national enplanements are forecast to increase more modestly than regional/commuter enplanements because the regional/commuter category includes the carriers that have smaller aircraft suitable for developing new non-stop markets. Major/national carriers will increase activity as they up-gauge capacity in larger markets incrementally. It is expected that both groups will gradually increase the average aircraft size over the period. This forecast corresponds to an increase in enplaned passengers per operation from approximately 95.0 in FY 2014 to approximately 98.0 in FY 2023. Charter/unscheduled passenger activity is forecast to remain a constant at the Airport over the forecast period.

For FY 2015, estimates of enplanements indicate an increase of approximately 0.4 percent over levels experienced in FY 2014. In FY 2016, forecast enplanements are expected to increase approximately 2.1% as a result of additional capacity added to the market in the second half of FY 2015, including additional service to Miami and Los Angeles on American Airlines, to Los Angeles on Delta Air Lines, to New Orleans on Southwest Airlines, and to Mexico on AeroMexico.

From FY 2016 through FY 2023, passenger traffic is forecast to increase in a linear fashion. Therefore, the increment of passenger growth is assumed to be constant while the growth rate is assumed to diminish over time due to the higher base of each successive year. This is consistent with the historical trend of linear growth of passenger traffic at the Airport and in the U.S. Enplanement growth at the Airport has been forecast based on the expected average growth in the economy of the U.S. as a whole as measured by increases in Real GDP.

Increases in enplaned passengers at the Airport fluctuate with U.S. Real GDP rather than measures of economic growth in the Air Trade Area due to the significant influence of inbound business, convention, and leisure traffic on activity at the Airport. Even though economic growth in the Air Trade Area has exceeded national economic growth historically, activity at the Airport has more closely mirrored changes in the national economy. Average annual passenger enplanement growth of approximately 2.0 percent from FY 1995 through FY 2014 was driven by growth in the U.S. Real GDP of approximately 2.5 percent on average annually during the period. This implies a multiplier between U.S. GDP and passenger enplanements at the Airport of 1.3.

From FY 2014 through FY 2023, U.S. Real GDP is forecast by Woods and Poole Economics, Inc. to increase an average of approximately 2.3 percent annually. As noted previously, passenger enplanements are forecast to increase an average of approximately 2.1 percent annually. The rate of passenger enplanement growth during the forecast period is consistent with the more robust outlook for the growth in the U.S. Economy as a whole. However, the multiplier between U.S. Real GDP and passenger enplanements at the Airport has been reduced to approximately 1.1 during the forecast period primarily because it is not expected that real airfares will decrease over the forecast period as they did over the historical period.

The multiplier between U.S. GDP and passenger enplanements at the Airport is forecast to diminish for a variety of reasons. First, forecasts of U.S. GDP are inherently uncertain. At present, most economists are increasing their expectations for U.S. economic growth over the next year, but it is prudent that passenger forecasts at the Airport reflect a more conservative increase in economic growth. Second, the multiplier between economic growth and traffic growth typically diminishes over time without material decreases in real airfares. Finally, the airlines currently serving the market and those that might serve the market in the future are planning only incremental additions in capacity, so larger increases to traffic are unlikely to be accommodated.

The diverse and competitive mix of airlines serving the Airport is expected to have new aircraft available to support expansion at the Airport in the future. AeroMexico, Alaska, American, Delta, InterJet, Southwest, United, Viva Aerobus, and Volaris are taking deliveries of new aircraft that will likely be deployed in U.S. markets, including the Airport. While airlines are not adding significant domestic capacity, they do have aircraft on order for fleet growth or to replace smaller regional jet aircraft with larger regional jets.

The forecasts presented herein are somewhat more conservative than those prepared in the FAA's February 2014 Terminal Area Forecast (TAF) for the Airport as shown on Exhibit 4-4. Through FY 2023, the TAF anticipated growth of approximately 1,221,000 enplanements at the Airport, or at a compound annual growth rate of approximately 3.0 percent. The forecast in Table 4-15 anticipates a compound annual growth rate of approximately 2.1 percent, or 842,431 enplanements, to arrive at a forecast of approximately 5,035,000 enplanements by FY 2023. The forecast presented in this report reflects historical growth in enplaned passengers of approximately 2.0 percent per annum, which is offered as appropriate for financial planning purposes.

4.8.2 DEPLANEMENT FORECASTS

Because demand for rental cars is related to arriving passengers, deplaned passenger forecasts have been prepared. Deplaned passenger forecasts have been developed in exactly the same manner as the enplaned passenger forecasts described above. **Table 4-16** presents historical and projected deplaned passengers by major category. As shown, total deplaned passengers are expected to increase from 4,181,865 in FY 2014 to approximately 5,025,000 in FY 2023, which corresponds to a compound annual growth rate of approximately 2.1 percent.

Deplaned passengers on major/national airlines, regional/commuter, and charter/unscheduled airlines are forecast to increase at the same increments of growth as enplaned passengers. It bears mention that the number of charter/unscheduled deplaned passengers has been significantly lower than the number of enplaned passengers in recent years. There are a significant number of foreign nationals being deported on charter flights from the Airport by Immigration and Customs Enforcement, which accounts for the discrepancy between enplaned and deplaned charter/unscheduled passengers. This discrepancy is projected to remain over the forecast period.

Table 4-16: Forecast Deplaned Passengers
San Antonio International Airport

(For the Fiscal Years Ending September 30)

FISCAL YEAR	MAJOR/ NATIONAL	REGIONAL/ COMMUTER	CHARTER/ UNSCHEDULED	TOTAL	ANNUAL CHANGE
Historical					
2002	3,160,427	87,863	78,400	3,326,690	
2003	3,110,014	130,221	47,751	3,287,986	-1.2%
2004	3,193,418	226,630	22,233	3,442,281	4.7%
2005	3,336,066	265,625	31,095	3,632,786	5.5%
2006	3,596,210	391,956	7,489	3,995,655	10.0%
2007	3,610,413	419,103	5,415	4,034,931	1.0%
2008	3,691,101	487,225	6,437	4,184,763	3.7%
2009	3,572,018	380,790	9,330	3,962,138	-5.3%
2010	3,331,677	636,598	16,427	3,984,702	0.6%
2011	3,410,380	652,164	13,904	4,076,448	2.3%
2012	3,366,994	750,577	14,289	4,131,860	1.4%
2013	3,282,051	825,751	18,758	4,126,560	-0.1%
2014	3,321,391	842,845	17,629	4,181,865	1.3%
Forecast					
2015	3,321,000	846,000	18,000	4,185,000	0.1%
2016	3,376,000	896,000	18,000	4,290,000	2.5%
2017	3,431,000	946,000	18,000	4,395,000	2.4%
2018	3,486,000	996,000	18,000	4,500,000	2.4%
2019	3,541,000	1,046,000	18,000	4,605,000	2.3%
2020	3,596,000	1,096,000	18,000	4,710,000	2.3%
2021	3,651,000	1,146,000	18,000	4,815,000	2.2%
2022	3,706,000	1,196,000	18,000	4,920,000	2.2%
2023	3,761,000	1,246,000	18,000	5,025,000	2.1%
	Compound Annual Growth Rate				
2002-2014	0.4%	20.7%	-11.7%	1.9%	
2014-2023	1.4%	4.4%	0.2%	2.1%	

SOURCES: Historical, City of San Antonio, Department of Aviation, November 2014; Forecast, Inter*VISTAS* Consulting LLC, December 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

4.8.3 OPERATIONS FORECASTS

Table 4-17 presents historical and projected aircraft operations by major category. As shown, total operations are expected to increase from 96,604 in FY 2014 to approximately 112,000 in FY 2023, which corresponds to a compound annual growth rate of approximately 1.7 percent.

Passenger airline operations forecasts were developed based on recent relationships between enplanements, load factors, and average seating capacity of aircraft utilized at the Airport. Specifically, enplaned passengers per operation are expected to rise from approximately 95.0 to approximately 98.0 over the forecast period. This assumption is based on the continued increase in narrow-body and larger regional jet activity experienced over the last several years as airlines optimize efficiency both at the Airport and nationally. Major/national airline operations are forecast to increase at a compound annual growth rate of approximately 0.7 percent while regional/commuter airline operations are forecast to increase at a compound annual growth rate of approximately 3.7 percent to reflect the gradual replacement of existing aircraft with incrementally larger aircraft between FY 2014 and FY 2023.

Cargo operations are forecast to increase at a compound annual growth rate of approximately 1.1 percent from FY 2014 to FY 2023. While the forecast rate of growth is higher than rates of growth in cargo operations from FY 2002 through FY 2014, the number of incremental cargo operations over the forecast period is consistent with historical development of cargo operations at the Airport in recent years driven by FedEx and UPS.

Charter/unscheduled operations have been forecast to remain flat from FY 2014 through FY 2023. Charter/unscheduled operations are driven by flights chartered by Immigration and Customs Enforcement to deport people from the U.S. The forecast of charter/unscheduled operations is consistent with charter/unscheduled passenger enplanements remaining approximately 0.6 percent to approximately 0.8 percent of total Airport enplanements.

4.8.4 LANDED WEIGHT FORECASTS

Table 4-18 presents historical and forecast airline landed weight at the Airport. As shown, landed weight is forecast to increase from approximately 5.7 billion pounds in FY 2014 to approximately 6.5 billion pounds in FY 2023. This corresponds to a compound annual growth rate of approximately 1.6 percent.

Major/national airline landed weight is forecast to increase at a compound annual growth rate of approximately 1.1 percent, while regional/commuter airline landed weight is forecast to increase at a compound annual growth rate of approximately 4.0 percent. Major/national landed weight is forecast to increase more modestly than operations due to the replacement of smaller aircraft with larger aircraft along with the inauguration of new frequencies. Regional/commuter landed weight is forecast to increase more modestly than operations due to the replacement of older-generation regional jets with more weight efficient models.

Table 4-17: Forecast Aircraft Operations
San Antonio International Airport

(For the Fiscal Years Ending September 30)

FISCAL YEAR	MAJOR/ NATIONAL	REGIONAL/ COMMUTER	CARGO	CHARTER/ UNSCHEDULED	TOTAL	ANNUAL CHANGE
Historical						
2002	74,648	6,600	7,584	1,156	89,988	
2003	75,040	8,962	7,264	736	92,002	2.2%
2004	73,226	16,006	7,272	426	96,930	5.4%
2005	73,992	15,184	7,300	462	96,938	0.0%
2006	76,272	21,982	7,188	500	105,942	9.3%
2007	77,608	20,478	9,284	548	107,918	1.9%
2008	80,134	21,338	8,980	432	110,884	2.7%
2009	76,276	13,908	7,602	698	98,484	-11.2%
2010	70,272	18,612	7,144	1,274	97,302	-1.2%
2011	64,946	21,858	7,416	1,124	95,344	-2.0%
2012	62,390	24,808	8,434	1,500	97,132	1.9%
2013	61,428	28,352	8,390	1,512	99,682	2.6%
2014	59,582	27,784	8,010	1,228	96,604	-3.1%
Forecast						
2015	59,500	27,300	8,000	1,200	96,000	-0.6%
2016	60,000	28,700	8,100	1,200	98,000	2.1%
2017	60,500	30,100	8,200	1,200	100,000	2.0%
2018	61,000	31,500	8,300	1,200	102,000	2.0%
2019	61,500	32,900	8,400	1,200	104,000	2.0%
2020	62,000	34,300	8,500	1,200	106,000	1.9%
2021	62,500	35,700	8,600	1,200	108,000	1.9%
2022	63,000	37,100	8,700	1,200	110,000	1.9%
2023	63,500	38,500	8,800	1,200	112,000	1.8%
	Compound Annual Growth Rate					
2002-2014	-1.9%	12.7%	0.5%	0.5%	0.6%	
2014-2023	0.7%	3.7%	1.1%	-0.3%	1.7%	

SOURCES: Historical, City of San Antonio, Department of Aviation, November 2014; Forecast, Inter*VISTAS* Consulting LLC, November 2010.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Table 4-18: Forecast Aircraft Landed Weight (1,000-Pound Units)
San Antonio International Airport

(For the Fiscal Years Ending September 30)

FISCAL YEAR	MAJOR/ NATIONAL	REGIONAL/ COMMUTER	CARGO	CHARTER/ UNSCHEDULED	TOTAL	ANNUAL CHANGE
Historical						
2002	3,762,408	131,715	705,083	88,591	4,687,797	
2003	4,475,334	194,769	736,325	55,735	5,462,163	16.5%
2004	4,234,234	390,773	752,062	34,605	5,411,674	-0.9%
2005	4,333,756	396,986	758,734	38,350	5,527,826	2.1%
2006	4,491,417	573,225	796,105	36,242	5,896,989	6.7%
2007	4,637,393	576,350	843,085	32,700	6,089,529	3.3%
2008	4,712,667	682,290	814,124	27,852	6,236,932	2.4%
2009	4,312,437	609,361	739,907	46,013	5,707,718	-8.5%
2010	4,168,667	705,179	626,117	85,102	5,585,065	-2.1%
2011	4,160,325	725,553	724,917	70,899	5,681,693	1.7%
2012	4,041,428	825,950	825,980	94,670	5,788,027	1.9%
2013	3,988,137	942,356	749,652	94,308	5,774,454	-0.2%
2014	3,903,199	944,969	732,320	76,610	5,657,098	-2.0%
Forecast						
2015	3,900,000	950,000	730,000	75,000	5,655,000	0.0%
2016	3,950,000	1,000,000	740,000	75,000	5,765,000	1.9%
2017	4,000,000	1,050,000	750,000	75,000	5,875,000	1.9%
2018	4,050,000	1,100,000	760,000	75,000	5,985,000	1.9%
2019	4,100,000	1,150,000	770,000	75,000	6,095,000	1.8%
2020	4,150,000	1,200,000	780,000	75,000	6,205,000	1.8%
2021	4,200,000	1,250,000	790,000	75,000	6,315,000	1.8%
2022	4,250,000	1,300,000	800,000	75,000	6,425,000	1.7%
2023	4,300,000	1,350,000	810,000	75,000	6,535,000	1.7%
	Compound Annual Growth Rate					
2002-2014	0.3%	17.8%	0.3%	-1.2%	1.6%	
2014-2023	1.1%	4.0%	1.1%	-0.2%	1.6%	

SOURCES: Historical, City of San Antonio, Department of Aviation, September 2014; Forecast, Inter*VISTAS* Consulting LLC, November 2010.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Landed weight generated by cargo aircraft activity is forecast to increase at a compound annual growth rate of approximately 1.1 percent from FY 2014 through FY 2023. This forecast reflects incremental growth over time that is consistent with the historical growth of cargo landed weight driven by FedEx and UPS.

Charter/unscheduled landed weight is forecast to be relatively constant from FY 2014 through FY 2023. Historically, charter/unscheduled landed weight per landing has been consistent, and it is not expected that the fleets of charter/unscheduled operators at the Airport will change significantly over the forecast period. The average landed weight per landing corresponds to that of a small narrow-body aircraft such as an Airbus 320 or Boeing 737 type aircraft. Forecast charter/unscheduled landed weight is consistent with forecast charter/unscheduled passenger enplanements remaining approximately 0.6 percent to approximately 0.8 percent of total Airport enplanements.

5. The Airport Rental Car Market

This chapter focuses on rental car activity and demand at the Airport and its relationship to deplaned passenger levels. The chapter consists of an overview of the rental car industry, a description of recent trends and events occurring in the rental car industry nationwide, and a review of the Airport's rental car market including current rental car operators, historical rental car activity, and the nature of Airport rental car activity.

5.1 Industry Overview[1]

The U.S. rental car market consists of two basic components: (1) the airport segment and (2) the local/insurance replacement segment. As discussed in more detail later in this chapter, demand for rental cars within the airport segment is directly related to trends in the national economy. Nationwide, airport-related rental car activity declined significantly in 2002 due to the economic recession and the events of September 11, 2001 and the subsequent downturn in the aviation industry. Airport-related rental car demand grew steadily between 2002 and 2008 as the national economy expanded, before declining again in 2009 due to the economic recession. Beginning in 2010, airport-related demand for rental cars has again demonstrated steady growth as the economy continues to strengthen.

The recent consolidation of the U.S. rental car industry has created three major rental car companies that operate a total of eleven national brands: Avis Budget Car Rental, LLC (owner of the Avis Rent A Car System, LLC, Budget Rent a Car, Zipcar[2], and Payless Rent A Car brands), EAN Holdings, LLC (owner of the Enterprise Rent-A-Car, Alamo Rent A Car, and National Car Rental brands), and the Hertz Corporation (owner of Hertz, Dollar Rent A Car, Thrifty Car Rental, and Firefly brands).[3]

There are other international, national, and local rental car companies who hold minor market shares in their respective airport markets. Below are brief profiles of each of the eleven major national brands, obtained from their respective websites, grouped by their parent organization.

1 This section provides an overview of the rental car industry. The rental car market at the Airport is discussed in Section 5.3.

2 Includes Zipcar, which operates as a car sharing and car club service, providing 24 hour access car rental reservations to company members who pay for automobile services via membership fees and hourly usage.

3 These national brands have historically operated at the Airport; in some cases as franchise operators.

Avis Budget Car Rental, LLC., owner of Avis Rent A Car System, LLC, Budget Rent a Car, Zipcar, and Payless Rent A Car

- **Avis Rent A Car System, LLC** was founded in 1946 and was the first company to rent cars from airport locations. The company's business mix is 60 percent corporate and 40 percent leisure; 75 percent airport and 25 percent off-airport; and 85 percent U.S. domestic and 15 percent international. As of November 2014, the company had 5,450 locations in 165 countries.[4]
- **Budget Rent a Car** was founded in 1958 and the name was chosen to appeal to the "budget minded" or "value-conscious" renter. The company's business mix is 30 percent corporate and 70 percent leisure; 75 percent airport and 25 percent off-airport; and 90 percent U.S. and 10 percent international. Budget Rent a Car has more than 3,000 locations in more than 120 countries.[5] [6]
- **Budget Car & Truck Rental** offers the opportunity for self-employed agencies and operators to own and manage independent rental car locations under the Budget Rent a Car brand.
- **Zipcar** was founded in 1999 and is the world's largest car sharing and car club service. The company provides 24 hour access car rental reservations to company members who pay for automobile services via membership fees and hourly usage. Zipcar's mission is to reduce global automobile pollution and congestion through alternative transportation solutions.[7] Zipcar was acquired by Avis Budget Group on January 2, 2013.
- **Payless Rent A Car** was founded in 1971 and offers discount rental car deals at major airport locations.[8] The company operates approximately 120 rental locations in the United States, Europe, and South America and was acquired by Avis Budget Group on July 15, 2013.

EAN Holdings LLC, Owner of Enterprise Rent-A-Car, Alamo Rent A Car, and National Car Rental

- **Enterprise Rent-A-Car** was founded in 1957 in St. Louis. The company has more than 6,500 neighborhood and airport branch offices, with more than 5,500 offices located within 15 miles of 90 percent of the U.S. population.[9]
- **Alamo Rent A Car** was founded in 1974 in Florida, and it is known for pioneering the concept of unlimited free mileage. Primarily, the company brands itself providing rental cars to family and leisure travelers.[10]

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4 Source: www.Avis.com, last accessed November 2014.

5 Source: www.Budget.com, last accessed November 2014.

6 In addition to the Budget Rent a Car brand operating by the Avis Budget Group, Inc., Budget Franchise offers the opportunity for self-employed agencies and operators to own and manage independent rental car locations under the Budget Rent a Car brand.

7 Source: www.zipcar.com/about, last accessed November 2014.

8 Source: www.paylesscar.com, last accessed November 2014.

9 Source: www.Enterprise.com, *Fact Sheet*, last accessed November 2014.

10 Source: www.Alamo.com, *About Alamo Rent A Car*, last accessed November 2014.

- **National Car Rental** was founded in 1947 by a group of 24 independent car rental operators. The company brands itself as a premium, international recognized brand serving the daily rental needs of the frequent airport business traveler.[11]

The Hertz Corporation, Owner of Hertz, Dollar Rent A Car, Thrifty Car Rental, and Firefly

- **Hertz** was founded in 1918 in Chicago. The company has approximately 8,800 locations in 150 countries. Hertz is the largest general use car rental brand in the world and the leading rental car brand in the U.S airport market segment.[12]
- **Dollar Rent A Car** was founded in 1965 in Los Angeles, California. The company has more than 570 worldwide locations in 61 countries, including more than 260 in the United States and Canada.[13]
- **Thrifty Car Rental** was founded in 1958. The company brands itself as a value-oriented car rental company that has a significant presence both in the airport and local car rental markets. In the U.S., approximately 80 percent of its business is focused on the airport market and 20 percent in the local market. The company operates more than 1,000 locations in 77 countries through corporately-owned and franchised stores.[14]
- **Firefly** was launched in March 2013 by Hertz Holdings to provide discount rates on car rentals designed for vacation and holiday travel. Firefly currently operates in Australia, Mexico, and the United States.

Table 5-1 presents the overall U.S. rental car market share, based on gross sales held by each major rental car company between CY 2011 and CY 2014. In CY 2014 the three rental car leaders in gross sales account for an estimated 94.7 percent of total gross rental car sales generated in the U.S.[15] As shown in Table 5-1, in CY 2014 Enterprise Holdings has the largest share (approximately 49.2 percent) of the total U.S. rental car market, with an estimated $12.9 billion of gross sales, due in large part to its dominance of the insurance/car replacement market through its Enterprise Rent-A-Car brand.

Recent and past mergers and acquisitions within the rental car market have created select leaders among the rental car companies at airports in the U.S. These transactions have had minimal effect on the demand for rental cars at the Airport; as such demand is largely a function of economic conditions and trends in demand for travel-related services rather than the presence of any one particular rental car company at the Airport. **Exhibit 5-1** presents a timeline regarding the creation of multi-brand rental car organizations since 1995.

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11 Source: www.NationalCar.com, *Company Information*, last accessed November 2014.

12 Source: www.Hertz.com, *Hertz History*, last accessed November 2014.

13 Source: www.Dollar.com, *Corporate Background*, last accessed November 2014.

14 Source: www.Thrifty.com, *General Information*, last accessed November 2014.

15 Source: Auto Rental News, http://www.autorentalnews.com/Content/Research-Statistics.aspx, November 2014.

Table 5-1: U.S. Rental Car Company Market Share

(Dollars in Billions for Calendar Years Ending December 31)

	TOTAL U.S. RENTAL CAR MARKET							
	ACTUAL 2011		ACTUAL 2012		ACTUAL 2013		ESTIMATED 2014	
COMPANY	GROSS SALES	SHARE	GROSS SALES	SHARE	GROSS SALES	SHARE	GROSS SALES	SHARE
Enterprise Holdings 1/	$11.100	48.8%	$11.500	48.7%	$11.900	48.7%	$12.850	49.2%
Hertz 2/	4.241	18.7%	5.200	22.0%	6.324	25.9%	6.400	24.5%
Avis Budget Group 3/	4.500	19.8%	4.600	19.5%	5.000	20.5%	5.500	21.1%
Dollar Thrifty Automotive Group 4/	1.597	7.0%	-	0.0%	-	0.0%	-	0.0%
Others	1.298	5.7%	2.300	9.7%	1.190	4.9%	1.377	5.3%
Total	$22.736	100.0%	$23.600	100.0%	$24.414	100.0%	$26.127	100.0%

NOTES:

1/ Enterprise Holdings includes Alama Rent A Car, Enterprise Rent-A-Car, National Car Rental

2/ Hertz Global Holdings sold the Advantage Rent-A-Car brand to Macquarie Capital and Franchise Services of North America, Inc. (Simply Wheelz LLC) in December 2012, and Dollar Thrifty Automotive Group was acquired by Hertz Global Holdings, Inc. in November 2012. In March 2013, Hertz launched Firefly Car Rental that currently operates across Europe and the United States.

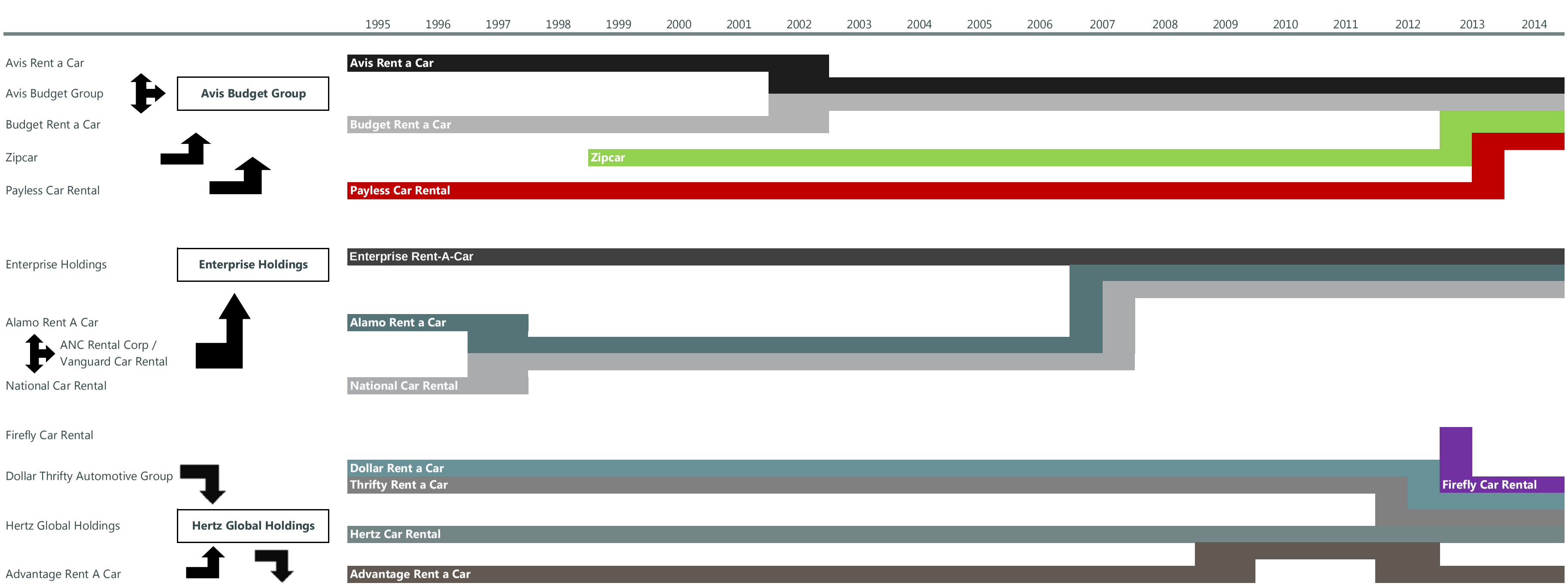
3/ Avis Budget Group acquired Zipcar January 2, 2013 and Payless Car Rental July 15, 2013.

4/ Dollar Thrifty Automotive Group was acquired by Hertz Global Holdings, Inc. on November 20, 2012.

SOURCE: Auto Rental News, http://www.autorentalnews.com/Content/Research-Statistics.aspx, March 2015.

PREPARED BY: Ricondo & Associates, Inc., May 2015.

Exhibit 5-1: Timeline of Rental Car Company Brand Consolidation [1/]



NOTES:
1/ This table presents the timing of transactions that resulted in a combination of rental car brands under a holding company, not every financial transaction where a brand changed ownership.

SOURCES: www.enterpriseholdings.com, www.avis.com, www.zipcar.com, www.fireflycarrental.com, www.dollar.com, www.advantage.com, www.hertz.com, paylesscar.com, last accessed November 2014.
PREPARED BY: Ricondo & Associates, Inc., June 2015.

5.2 Industry Trends

This section presents a review of historical rental car industry activity trends, a discussion of consolidated rental car facilities, and a discussion of airport taxes and surcharges that are added to a customer's total rental car bill.

5.2.1 RENTAL CAR INDUSTRY ACTIVITY

Demand within the U.S. airport rental car market is generally influenced by economic trends. While rental car rates and other costs, as well as the availability of other forms of transportation, may factor into a particular decision to rent a vehicle, generally as economic activity increases and the propensity of travel rises, demand for rental cars increases as well. In periods of economic weakness, the propensity of travel tends to decline, as does demand for rental cars. Thus, airport-related rental car activity is primarily related to passenger activity in a particular market.

Exhibit 5-2 depicts total U.S. rental car gross sales compared to total U.S. domestic O&D deplanements between 1994 and 2014, while **Exhibit 5-3** illustrates the annual growth of U.S. rental car gross sales and U.S. nominal GDP compared to total U.S domestic O&D deplanements, between 1995 and 2014. These two exhibits demonstrate the relationship between economic conditions and demand for travel-related services. The U.S. economy expanded at approximately 5.8 percent compound annual growth rate, as measured by GDP, between 1994 and 2000. The strong economy during this period spurred demand for travel, with deplanements rising at approximately 3.8 percent compound annual growth rate and total U.S. rental car gross sales increasing at approximately 7.3 percent compound annual growth rate. The U.S. economy began to weaken in early 2001, a trend that was exacerbated by the events of September 11, 2001. Furthermore, air travel demand was depressed by the outbreak of SARS during this period.

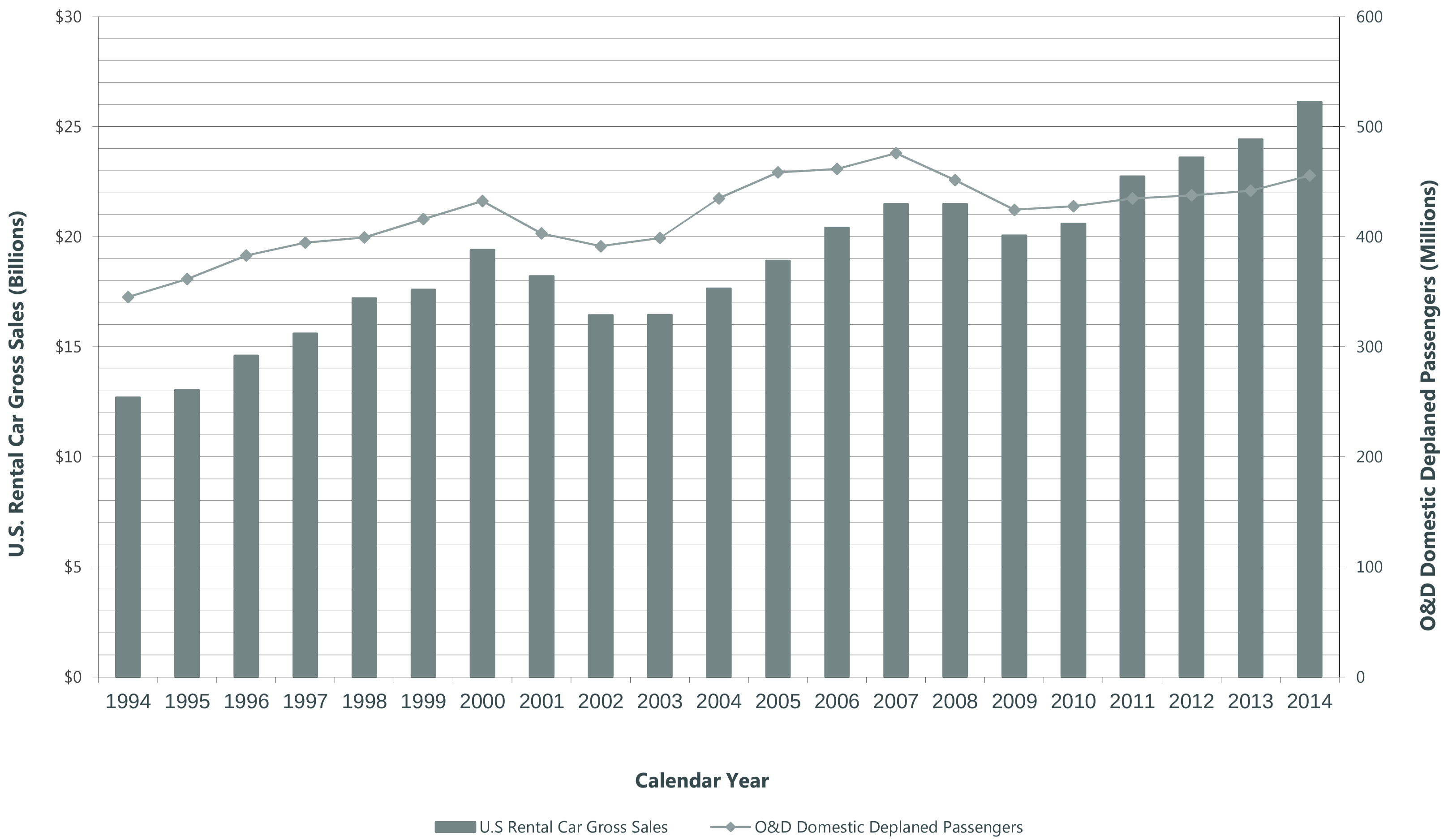
For the 2001 to 2002 period, GDP growth slowed to approximately 3.4 percent compound annual rate, with deplanements declining at approximately 2.9 percent compound annual rate and total U.S. rental car gross sales declining at approximately 9.7 percent compound annual rate.

The U.S. economy began to rebound in 2003, with GDP rising at approximately 5.9 percent compound annual growth rate through 2007. During this period, total U.S. domestic O&D deplanements increased at a compound annual growth rate of approximately 4.5 percent, while total U.S. rental car gross sales grew at approximately 6.9 percent compound annual growth rate, reflecting gains in both the airport and local/insurance replacement markets. In December 2007, the economy entered an economic downturn,[16] with GDP growth slowing to approximately 1.9 percent for 2008 and approximately 2.5 percent decline for 2009.

[16] Source: National Bureau of Economic Research Business Cycle Dating Committee, "Determination of the December 2007 Peak in Economic Activity", December 11, 2008.

Exhibit 5-2: U.S. Rental Car Market Gross Sales

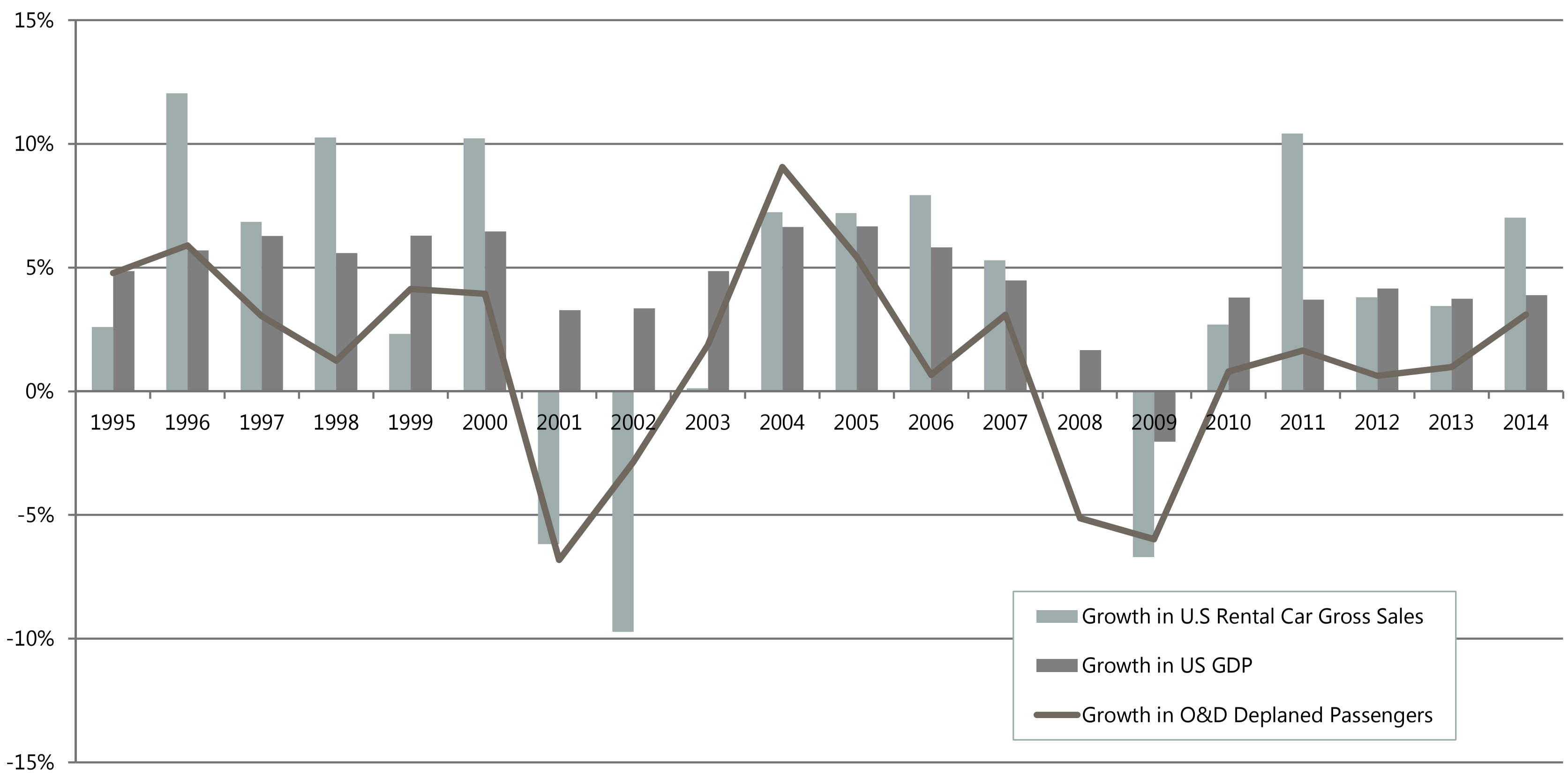
(Calendar Years Ending December 31)



SOURCES: Auto Rental News, US DOT Origin & Destination Survey of Airline Passenger Traffic, May 2015.
PREPARED BY: Ricondo & Associates, Inc., June 2015.

Exhibit 5-3: Comparison of Growth in Annual U.S. Rental Car Gross Sales, US GDP, and O&D Deplaned Passengers

(Calendar Years Ending December 31)



SOURCES: Auto Rental News; US DOT Origin & Destination Survey of Airline Passenger Traffic; Bureau of Economic Analysis, US DOT O&D Passengers, accessed through Diio LLC, May 2015.
PREPARED BY: Ricondo & Associates, Inc., June 2015.

Due to the economic weakness and the airlines' actions to reduce system wide capacity, the number of deplaning passengers decreased approximately 5.1 and 6.0 percent nationwide in 2008 and 2009, respectively, effecting U.S. rental car gross sales which held flat through 2008 and decreased by approximately 6.7 percent in 2009. The U.S. economy began to rebound in 2010, with GDP rising nationwide in 2010 through 2014, and predictably the same trend was evident for travel activity as measured by deplaned passengers and rental car gross sales. U.S. deplaned passengers and rental car gross sales grew at approximately 1.4 and 5.4 percent, respectively, following the rebound of the economic downturn in 2009 to 2014. The nation experienced marked growth in rental car gross sales, GDP, and O&D deplaned passengers in 2014, with annual growth of 7.0, 3.9, and 3.1 percent, respectively.

5.2.2 CONSOLIDATED RENTAL CAR FACILITIES

As airline passenger activity has grown over the past 20 years, so has terminal roadway congestion at many of the nation's airports. A contributing factor to this congestion was the presence of numerous buses required to transport rental car customers to their vehicles. CONRAC facilities became a popular means for airport operators to address this element of the congestion problem. Instead of each rental car company having its own shuttle bus system to transport customers to and from individual remote sites, a CONRAC facility brings all the on-airport rental car companies together at a single location with a single transit system, typically a bus system, transporting rental car customers to and from the terminal. Where space permits, as is the case with the City's planned CONRAC Facility, airports are locating their consolidated rental car facilities adjacent to or within walking distance of the terminal building. This serves to enhance the customer service experience by making rental cars more accessible and eliminating the need for shuttle buses altogether.

One of the first CONRAC facilities in the U.S. was completed at San Francisco International Airport. Subsequently, consolidated facilities opened at Dallas/Fort Worth International, George Bush Intercontinental Houston, Baltimore-Washington International Thurgood Marshall, Fort Lauderdale/Hollywood International, Miami International, and Hartsfield-Jackson Atlanta International Airport, among others. Typically, the primary source of financing for these facilities has been revenue bonds (either special facility or general airport revenue bonds) backed by a CFC, which is a fee imposed by an airport upon the customers of the rental car companies specifically to fund construction of a facility. These fees are typically based on rental car transaction days, although some CFCs are applied on a per-contract basis.

5.2.3 AIRPORT TAXES AND SURCHARGES

Airport taxes and surcharges received a lot of attention from the rental car industry during the 1990s, both in terms of their opposition to new taxes to pay for non-rental car-related facilities (such as convention centers and sports arenas) and their support of actions that allowed them to pass through charges, such as airport concession fees, to their customers. The concept of taxing rental car transactions for non-rental car-related facilities is often a popular option for local governments since they can export part of the tax burden to non-residents. The opponents to this concept point out that it raises the cost of rental cars which, in economic theory, decreases demand.

The rental car companies themselves began passing through certain costs and fees to their customers in the late 1990s as they sought ways to increase profitability. This practice allowed rental car companies to increase fees and outsource some of the expense to the customer, while not lowering their base rental rates.

5.3 Rental Car Market at the Airport

The Airport is currently served by 10 different rental car brands. The rental car companies that operate the brands at the Airport are as follows:

- The Hertz Corporation d/b/a Hertz, Dollar Rent a Car and Thrifty Car Rental (Dollar Thrifty Group)
- EAN Holdings, LLC d/b/a Enterprise Rent-A-Car, Alamo Rent a Car, National Car Rental
- Avis Budget Car Rental[17], LLC d/b/a Avis Rent A Car System, LLC and Payless Rent A Car
- Advantage OPCO, LLC d/b/a Advantage Rent A Car
- Satrac Inc dba Budget Rent A Car d/b/a Budget Car & Truck Rental

Table 5-2 presents the FY 2010 to FY 2014 market share held by each brand as measured by gross sales. The most recent data available for FY 2014 shows Hertz led the market with approximately 21.3 percent share, followed by Avis Rent A Car at approximately 17.6 percent, Dollar Thrifty Group at approximately 16.1 percent, Enterprise Rent-A-Car at approximately 14.7 percent, and National Car Rental at approximately 13.4 percent.

Table 5-2 also presents the market share by Concessionaire. For FY 2014, Hertz Corporation has the largest market share at approximately 37.5 percent, followed by EAN Holdings, LLC at approximately 36.3 percent, Avis Budget Rent Car Rental LLC at approximately 18.5 percent, Satrac Inc. dba Budget Rent A Car at approximately 4.9 percent, and Advantage OPCO, LLC at approximately 2.8 percent. Currently, there is no presence of off-Airport rental car companies serving the Airport.

5.4 Historical Rental Car Demand at the Airport

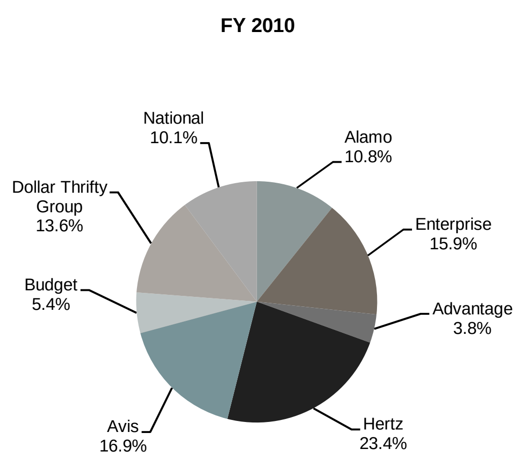
This section discusses historical rental car activity at the Airport for FY 2010 through FY 2014. Rental car demand at the Airport is primarily measured by the amount of rental car gross sales and the number of rental car transaction days.

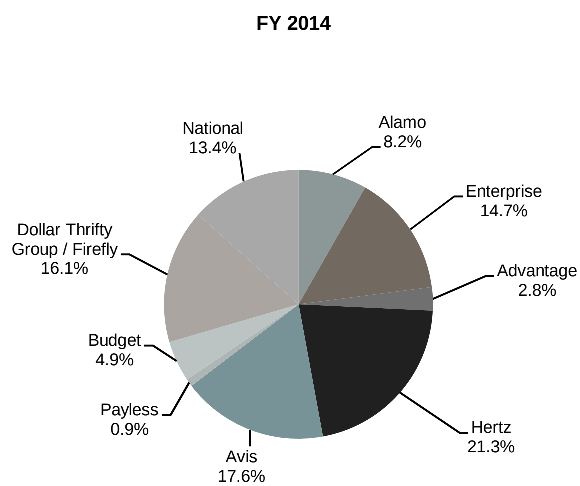
[17] Avis Budget Car Rental acquired Zipcar in January 2013, however, Zipcar is not included as a rental car brand at the Airport. Zipcar operates as a car sharing and car club service, providing 24 hour access car rental reservations to company members who pay for automobile services via membership fees and hourly usage.

Table 5-2: San Antonio International Airport Rental Car Market Share by Gross Revenue

(Fiscal Years Ended September 30)

BRAND	2010	2011	2012	2013	2014
Hertz Corporation 1/	**27.2%**	**24.8%**	**36.4%**	**36.7%**	**37.5%**
Hertz	*23.4%*	*21.4%*	*21.7%*	*22.1%*	*21.3%*
Dollar Thrifty Group / Firefly 2/			*14.8%*	*14.6%*	*16.1%*
Advantage Rent A Car	*3.8%*	*3.4%*			
EAN Holdings, LLC	**36.8%**	**38.2%**	**38.7%**	**36.7%**	**36.3%**
Enterprise Rent-A-Car	*15.9%*	*16.1%*	*16.8%*	*15.9%*	*14.7%*
Alamo Rent a Car	*10.8%*	*10.6%*	*9.4%*	*7.9%*	*8.2%*
National Car Rental	*10.1%*	*11.5%*	*12.6%*	*12.9%*	*13.4%*
Avis Budget Car Rental LLC 3/	**16.9%**	**17.8%**	**17.6%**	**18.1%**	**18.5%**
Avis Rent A Car System, LLC	*16.9%*	*17.8%*	*17.6%*	*18.1%*	*17.6%*
Payless Rent A Car					*0.9%*
Advantage OPCO, LLC 1/			**3.0%**	**3.7%**	**2.8%**
Advantage Rent A Car			*3.0%*	*3.7%*	*2.8%*
Dollar Thrifty Group 1/	**13.6%**	**15.0%**			
Dollar Thrifty Group	*13.6%*	*15.0%*			
Satrac Inc. dba Budget Rent A Car	**5.4%**	**4.3%**	**4.3%**	**4.8%**	**4.9%**
Budget Car & Truck Rental 4/	*5.4%*	*4.3%*	*4.3%*	*4.8%*	*4.9%*





NOTES: Figures may not add due to rounding.

1/ Hertz Global Holdings sold the Advantage Rent-A-Car brand to Macquarie Capital and Franchise Services of North America, Inc. (Simply Wheelz LLC) in December 2012, and Dollar Thrifty Automotive Group was acquired by Hertz Global Holdings, Inc. in November 2012.

2/ In March 2013, Hertz launched Firefly Car Rental that currently operates across Europe and the United States. As shown, the airport combines gross revenues of Firefly and Dollar Thrifty Group. As of [Month 2015] Firefly no longer operates at the Airport.

3/ Avis Budget Group acquired Payless Car Rental July 15, 2013.

4/ Budget Car & Truck Rental operates as a Franchise at the Airport.

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Ricondo & Associates, Inc., June 2015.

Exhibit 5-4 depicts the annual growth of deplaned passengers compared to the growth in gross rental car sales at the Airport between FY 2011 and FY 2014. Similar to the nationwide experience, both deplaned passenger activity and gross rental car sales increased at the Airport following the 2009 economic downturn of the U.S. economy. Between FY 2011 and FY 2013, the Airport experienced a decline in growth of deplaned passengers while growth in rental car gross sales held relatively level. However, in FY 2014 the

Airport experienced a significant growth in rental car gross sales while deplaned passengers regained positive growth, growing at approximately 10.1 percent and approximately 1.3 percent, respectively.

Exhibit 5-5 presents gross sales generated by the rental car companies on a quarterly basis, compared to the rolling 12-month percent change for both gross rental car sales and O&D deplaned passengers from the first quarter of FY 2010 through the second quarter of FY 2015. This data indicates that the trend in rental car activity and gross rental car sales continue to grow despite a relatively stagnant deplaned passenger growth. The most recent first and second quarter FY 2015 gross rental car sales have increased approximately 5.5 and 1.6 percent, respectively, over the same periods in FY 2014, indicating consistent growth in most recent rental car demand.

Table 5-3 reflects rental car transactions days, deplaned passengers, ratio of transaction days to deplaned passengers, CFC rate per transaction day, CFC collections, gross rental car revenue, and average daily rental rate at the Airport for FY 2010 through FY 2014. As shown on Table 5-3, deplaned passengers have increased at a compound annual growth rate of approximately 1.2 percent between FY 2010 and FY 2014. Rental car transaction days have conversely decreased at a compound annual rate of approximately 1.5 percent during this same period. Since introduced on April 1, 2012, actual CFC collections have remained flat at the Airport between FY 2012 (estimated proration) and FY 2014 at approximately $9.1 million annually.

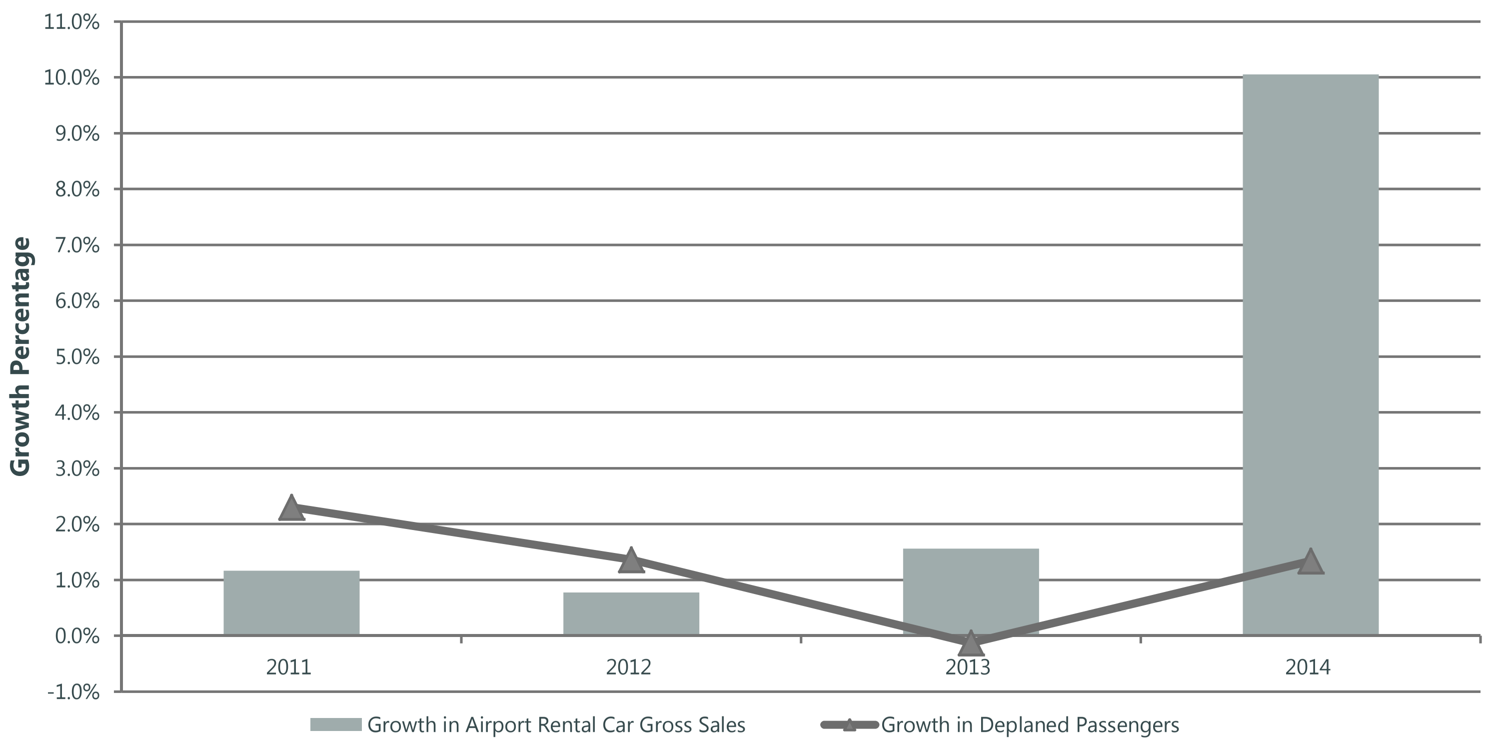
Table 5-3 also presents data on Airport gross rental car sales at the Airport, which grew at approximately 3.3 percent compound annual growth rate between FY 2010 and FY 2014, while deplaned passengers grew at approximately 1.2 percent compound annual growth rate for the same time period. The average daily rental rate has increased steadily from $40.74 in FY 2010, to $49.37 in FY 2014 with a compound annual growth rate of approximately 4.9 percent.

Table 5-3 also presents the ratio of rental car transaction days to deplaned passengers which has decreased from approximately 54.3 percent of deplaned passengers renting cars in 2010 to approximately 48.7 percent in FY 2014.

Exhibit 5-6 reflects monthly rental car transaction days from October 2009 through March 2015. The monthly data indicates the seasonality of rental car transaction days at the Airport, with highs in the summer months and lows during the winter months. Exhibit 5-6 shows that the Airport's monthly rental car transaction days experienced a declining trend in FY 2013 after strong growth in FY 2010 through FY 2012. Since March of FY 2013, the Airport has reversed the declining trend in year over year percent change and rolling twelve month percent change of rental car transaction days.

Exhibit 5-4: Growth Comparison of Airport Gross Rental Car Sales and Deplaned Passengers at the Airport

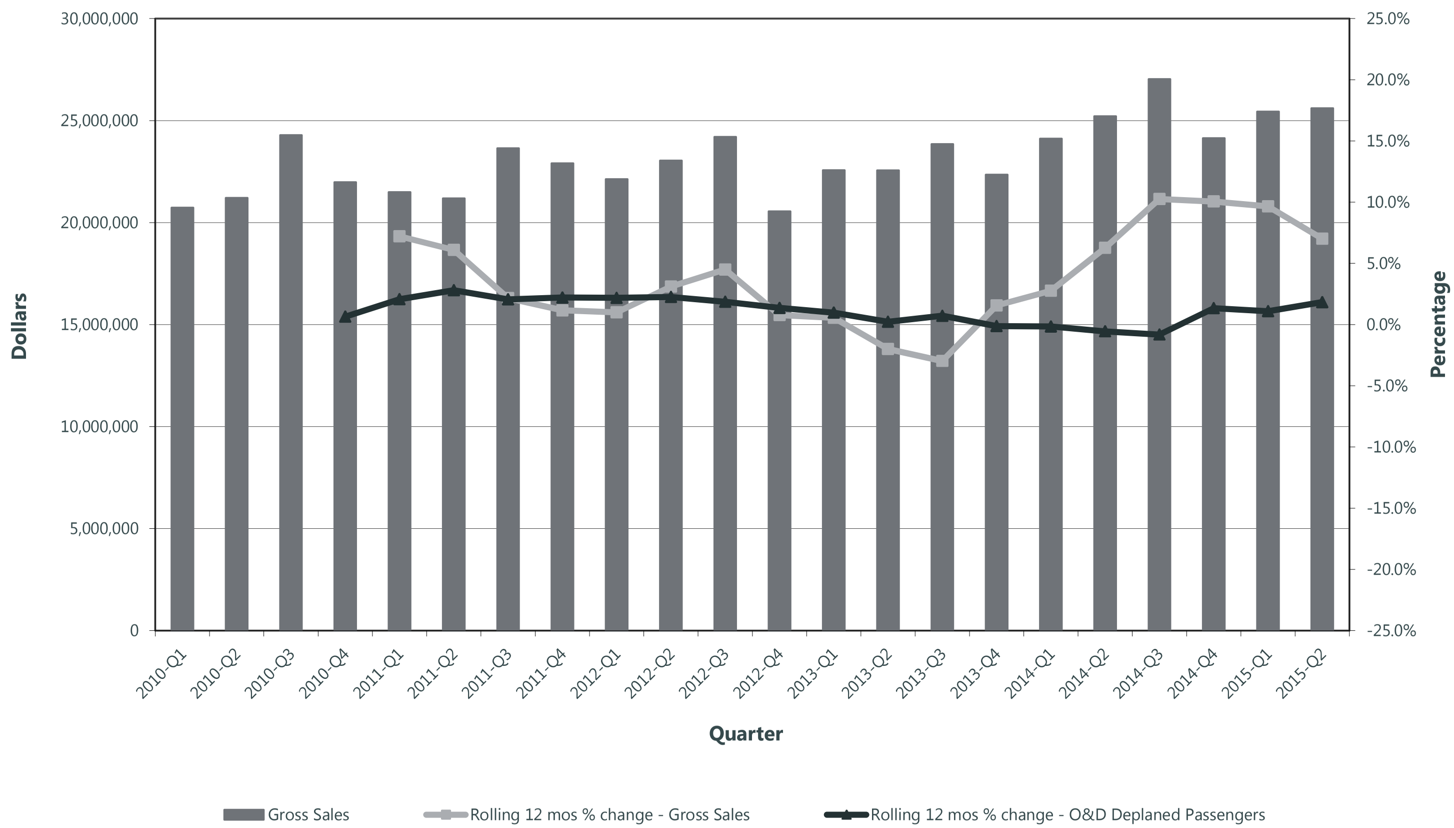
(Fiscal Years Ending September 30)



SOURCE: City of San Antonio, Department of Aviation, November 2014.
PREPARED BY: Ricondo & Associates, Inc., June 2015.

Exhibit 5-5: Quarterly Gross Sales Compared to the Rolling 12 Month Percent Change in Gross Sales and O&D Deplaned Passengers

(Fiscal Years Ending September 30)



SOURCE: City of San Antonio, Department of Aviation, May 2015.

PREPARED BY: Ricondo & Associates, Inc., June 2015.

Table 5-3: Historical Rental Car Activity

(Fiscal Years Ended September 30)

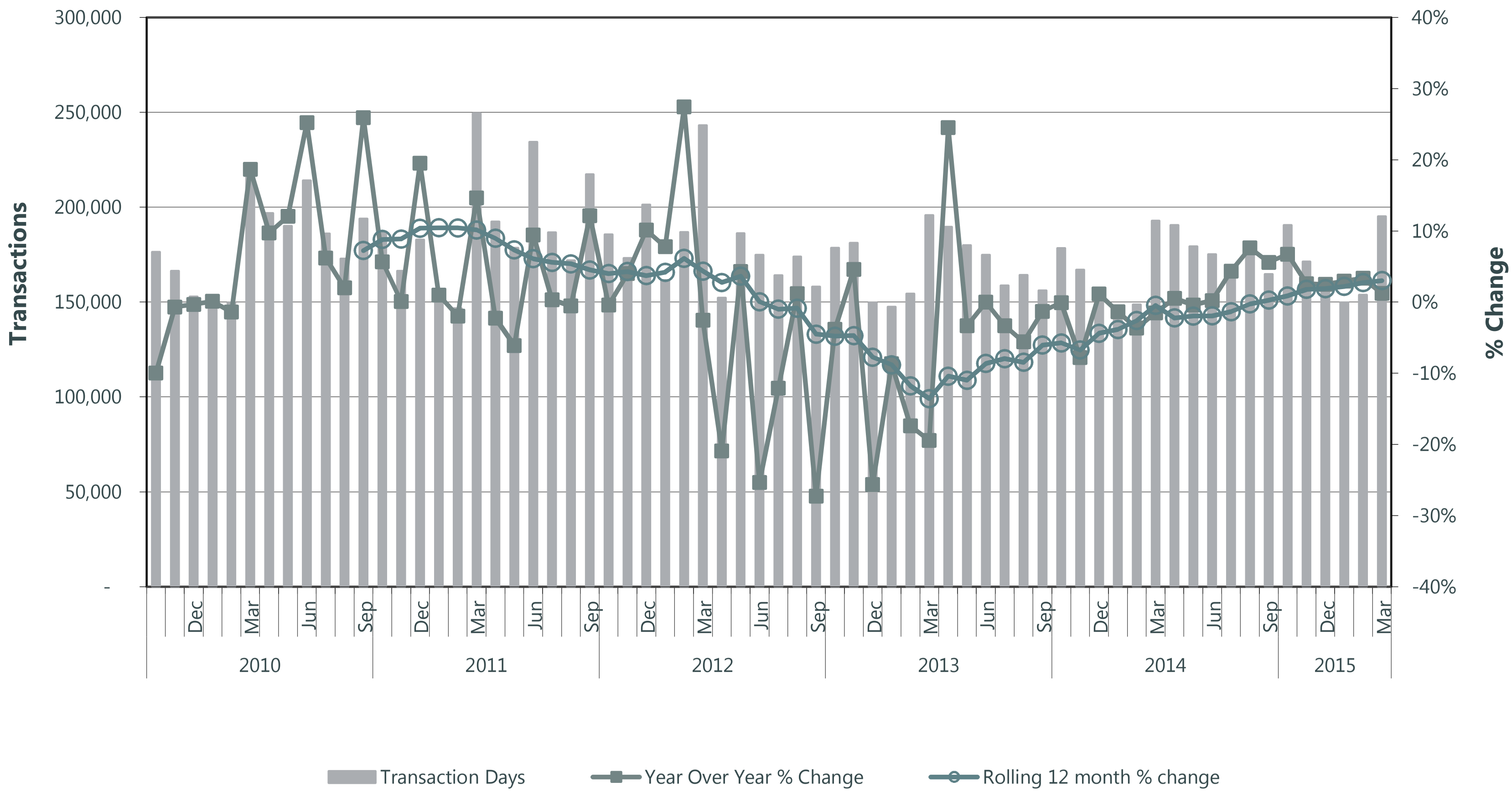
		ACTUAL					CAGR [4/]
		2010	2011	2012[1/]	2013	2014	2010-2014
Rental Car Transaction Days [2/]	[A]	2,164,939	2,262,722	2,160,785	2,030,130	2,035,682	-1.5%
Deplaned Passengers	[B]	3,984,702	4,076,448	4,131,860	4,126,560	4,181,865	1.2%
Ratio of Transactions Days to Deplaned Passengers	[C] = [A] / [B]	54.3%	55.5%	52.3%	49.2%	48.7%	-2.7%
CFC Rate ($ per transaction day)	[D]	N/A	N/A	$ 4.50	$ 4.50	$ 4.50	N/A
Calculated CFC Collections	[E] = [A] * [D]	N/A	N/A	$ 9,723,533	$ 9,135,585	$ 9,160,569	N/A
Actual CFC Collections [3/]		**N/A**	**N/A**	**$ 4,524,984**	**$ 9,140,378**	**$ 9,160,569**	N/A
Gross Rental Car Sales	[F]	$ 88,199,983	$ 89,224,958	$ 89,915,162	$ 91,314,822	$ 100,495,241	3.3%
Average Daily Rental Rate	[G] = [F] / [A]	$ 40.74	$ 39.43	$ 41.61	$ 44.98	$ 49.37	4.9%

NOTES:
1/ CFC collections began on April 1, 2012 at a rate of $4.50 per transaction day. Actual CFC collections in FY 2012 are based on six months of collections
2/ FY 2014 Rental Car Transaction Days are an estimate based off of FY 2014 Actual CFC Collections divided by the CFC Rate
3/ It is assumed that Actual CFC Collections do not exactly equal Rental Car Transaction Days times the CFC Rate due to timing of collections
4/ Compound Annual Growth Rate

SOURCE: City of San Antonio, Department of Aviation, November 2014.
PREPARED BY: Ricondo & Associates, Inc., June 2015.

Exhibit 5-6: Airport Montly Rental Car Transaction Days

(Fiscal Years Ending September 30)



SOURCE: City of San Antonio, Department of Aviation, May 2015.

PREPARED BY: Ricondo & Associates, Inc., June 2015.

5.5 Factors Influencing Rental Car Demand at the Airport

Rental car customers generally make purchasing decisions based primarily on rental rates and convenience, and other secondary factors including the presence of alternative forms of transportation. This section discusses specific factors that could influence rental car demand at the Airport—including rental rates, CFC level, local rental car markets, and other demand factors.

5.5.1 CAR RENTAL RATES

Table 5-4 reflects two-day leisure (weekend) and three-day business (weekday) rental car rates for the Airport and five other Texas airports including Austin-Bergstrom (AUS), Dallas/Fort Worth International (DFW), George Bush Intercontinental Houston (IAH), William P. Hobby (HOU), and Killeen-Fort Hood Regional (GRK). Rental rates were obtained on November 25, 2014 from the websites of several major U.S. rental car companies operating at the Airport and were based on the following:

Two-day weekend rental (leisure):

- Pick up Friday, July 10, 2015 at 5pm
- Drop off Sunday, July 12, 2015 at 5pm
- Standard size car

Three-day weekday rental (business):

- Pick up Monday, July 13, 2015 at 10am
- Drop off Thursday, July 16, 2015 at 10am
- Standard size car

As shown on Table 5-4 the rates at the Airport for a two-day weekend rental is approximately $157.07, which is the highest rate among the sample airports, with AUS second at approximately $156.85. DFW had the lowest rate among the sample airports at approximately $75.32 for the two-day weekend rental.

The Airport has the fourth highest rates in the survey for weekday rentals, with a three-day weekday rental rate of approximately $365.07. AUS has the highest rate for a three-day weekday rental at approximately $418.46. GRK had the lowest three-day weekday rental at approximately $134.58. Table 5-4 also reflects the breakdown of other charges and taxes charged at each airport. As shown, CFCs, facility fees, and/or transportation charges range from zero to eleven percent of total rental rates for weekend rentals (with the Airport at approximately six percent), and from zero to four percent of total rental rates for weekday rentals (with the Airport at approximately four percent).[18] While rental car rates at the Airport rank in the higher tier of the peer group of surrounding airports, rental rates at the Airport are comparable to those at other airports in major cities across the country.

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18 HOU is the only airport in the sampling that does not charge a CFC.

Table 5-4: Car Rental Rate Comparison - Selected Surrounding Airports

Two-Day Weekend Rental [1/]
(ordered most expensive to least expensive)

	SAN ANTONIO (SAT)	AUSTIN-BERGSTROM (AUS)	HOUSTON (IAH)	HOUSTON (HOU)	KILLEEN/FORT HOOD (GRK)	DALLAS/FORT WORTH (DFW)
Base Rental Rate	$110.25	$107.59	$97.45	$108.50	$65.70	$44.45
Taxes	$18.14	$18.09	$17.20	$16.69	$7.93	$8.95
Customer Facility Charge	$9.00	$11.90	$8.00	$0.00	$4.00	$8.00
Airport Concession Fee Recovery	$12.76	$12.45	$11.31	$12.43	$6.84	$5.09
Vehicle License Fee	$4.92	$4.93	$4.32	$4.70	$1.23	$3.45
Energy Recovery Fee	$2.00	$1.89	$1.89	$2.00	$1.49	$0.99
Transportation Fee	$0.00	$0.00	$5.17	$0.00	$0.00	$4.40
Total Rental Rate	**$157.07**	**$156.85**	**$145.35**	**$144.32**	**$87.19**	**$75.32**
Base Rental Rate	*70%*	*69%*	*67%*	*75%*	*75%*	*59%*
Customer Facility Charge	*6%*	*8%*	*6%*	*0%*	*5%*	*11%*
Other Charges [2/]	*13%*	*12%*	*16%*	*13%*	*11%*	*18%*
Taxes	*12%*	*12%*	*12%*	*12%*	*9%*	*12%*
Total	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*

Three-Day Weekday Rental [3/]
(ordered most expensive to least expensive)

	AUSTIN-BERGSTROM (AUS)	HOUSTON (IAH)	DALLAS/FORT WORTH (DFW)	SAN ANTONIO (SAT)	HOUSTON (HOU)	KILLEEN/FORT HOOD (GRK)
Base Rental Rate	$304.99	$274.37	$264.69	$266.95	$245.28	$101.93
Taxes	$49.07	$44.05	$42.52	$42.07	$38.58	$12.24
Customer Facility Charge	$17.85	$12.00	$12.00	$13.50	$0.00	$6.00
Airport Concession Fee Recovery	$34.60	$31.11	$29.63	$30.39	$27.78	$10.58
Vehicle License Fee	$9.36	$9.16	$9.07	$9.39	$7.22	$1.85
Energy Recovery Fee	$2.59	$2.59	$1.49	$2.76	$2.76	$1.99
Transportation Fee	$0.00	$5.17	$6.60	$0.00	$0.00	$0.00
Total Rental Rate	**$418.46**	**$378.45**	**$366.00**	**$365.07**	**$321.61**	**$134.58**
Base Rental Rate	73%	72%	72%	73%	76%	76%
Customer Facility Charge	4%	3%	3%	4%	0%	4%
Other Charges [2/]	11%	13%	13%	12%	12%	11%
Taxes	12%	12%	12%	12%	12%	9%
Total	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*

NOTES:
1/ Standard size car; pick-up Friday, July 10, 2015 at 5:00 pm; drop off Sunday, July 12, 2015 at 5:00 pm.
2/ Other Charges include Airport Concession Fee Recovery, Vehicle License Fee, Energy Recovery Fee, and Transportation Fee.
3/ Standard size car; pick-up Monday, July 13, 2015 at 10:00 am; drop off Thursday, July 16, 2015 at 10:00 am.

SOURCES: www.hertz.com, www.avis.com, www.enterprise.com, May 6, 2015.
PREPARED BY: Ricondo & Associates, Inc., June 2015.

5.5.2 CFC LEVEL

Airports also began adding airport fees to pay for CONRAC facilities and consolidated shuttle bus costs. Unlike PFCs at many airports, CFCs and transportation fees are not regulated by the federal government.

A list of rental car CFCs and transportation fees at selected U.S. airports is shown in **Table 5-5**. Table 5-5 reflects CFC levels and transportation fees at various U.S. airports. As shown, many of the Airports on the table charge a CFC per transaction day, while other airports (San Francisco, Los Angeles, Oakland, Louisville, and Tucson) charge on a per contract basis. Currently, Chicago – O'Hare and Philadelphia share the highest fee per transaction day in the nation at $8.00 while San Francisco has the highest fee per contract at $20.00. At least five airports, Phoenix, Houston-Intercontinental, Dallas/Fort Worth, Kansas City, and Columbus, charge both a CFC (per transaction day) and an additional fee for busing or facility costs (per transaction) on rental car contracts.

5.5.3 OTHER FACTORS INFLUENCING RENTAL CAR DEMAND

Travel and tourism is a growing industry in the Air Trade Area, stimulating demand for inbound air travel and rental car activity at the Airport. The Air Trade Area has shown success in maintaining economic output and employment levels relative to other major markets in the U.S. since the turn of the recession. The San Antonio market benefits from the size and diversity of the seventh largest city in the U.S., driving air traffic at the airport and tourism to the Air Trade Area.

The diversified economy in the Air Trade Area has helped unemployment rates in the Air Trade Area fall below those in Texas and the U.S. as a whole. San Antonio is a major tourist destination for domestic and international visitors, generating strong demand for rental cars in the market and at the Airport. The Air Trade Area is also home to a large military presence and expansions in the health care, bioscience, IT, and hospitality sectors that assist in economic development and air traffic within San Antonio and at the Airport.

Other factors that influence rental car demand at the Airport include local/nationwide economic conditions and consumer income. The Air Trade Area's stable and diverse local economy, as described in Chapter 3, helps support future long-term growth in Airport passenger travel and the demand for rental cars. The strength of the U.S. economy in large part dictates growth of air travel and rental car demand nationwide. As the U.S. economy expands, consumer income and the demand for goods and services (including rental cars) increases. Conversely, nationwide economic recession generally decreases consumer income and the demand for goods and services, including rental cars.

5.6 Projection of Airport Rental Car Transaction Days

Based on a review of historical rental car activity data, demand for rental cars at the Airport is not primarily a function of deplaned passenger activity. However, rental car transaction days at the Airport remain to be dependent on deplaned passenger activity in each fiscal year between FY 2010 and FY 2014, but not necessarily a converse relationship in any given fiscal year. In the long-term, it is reasonable to expect that the relationship between rental car transaction days and deplaned passenger will correlate as deplaned passengers continue to grow at the Airport.

Table 5-5: Customer Facility Charge and Transportation Fees at Select U.S. Airports

AIRPORT	AIRPORT CODE	HUB SIZE	CFC	ADDITIONAL FEE	FEE MAXIMUM
Charged Per Transaction Day			**Per Transaction Day**		
Chicago - O'Hare	ORD	L	$8.00		
Philadelphia	PHL	L	$8.00		
San Diego	SAN	L	$7.50		
San Jose	SJC	M	$7.50		5 days
Anchorage	ANC	M	$7.00		
New Orleans	MSY	M	$6.20		
Burbank	BUR	M	$6.00		5 days
Phoenix	PHX	L	$6.00	$1.81 1/	
Providence	PVD	M	$6.00		
Seattle	SEA	L	$6.00		
Austin-Bergstrom	AUS	M	$5.95		
Tampa	TPA	L	$5.95		
Atlanta	ATL	L	$5.00		
Kansas City	MCI	M	$5.00	$3.00 2/ & $2.00 3/	
Salt Lake City	SLC	L	$5.00		
Cincinnati	CVG	M	$4.75		
Miami	MIA	L	$4.60		
Columbus	CMH	M	$4.50	$0.50 4/	
Honolulu	HNL	l	$4.50		
Nashville	BNA	M	$4.50		
San Antonio	**SAT**	**M**	**$4.50**		
Houston-Intercontinental	IAH	L	$4.00	$4.72 5/	
Charlotte	CLT	L	$4.00		
Dallas/Fort Worth	DFW	L	$4.00	$2.20 6/	
Indianapolis	IND	M	$4.00		
Memphis	MEM	M	$4.00		
Fort Lauderdale	FLL	L	$3.95		7 days
Baltimore	BWI	L	$3.75		
Chicago - Midway	MDW	L	$3.75		
Las Vegas	LAS	L	$3.75		
Albuquerque	ABQ	M	$3.50		
Hartford	BDL	M	$3.50		
El Paso	ELP	S	$3.50		
Minneapolis	MSP	L	$3.25		
Pittsburgh	PIT	M	$3.00		
Newark	EWR	L	$2.50		
Orlando	MCO	L	$2.50		5 days
Washington Reagan	DCA	L	$2.50		
Cleveland	CLE	M	$2.15		
Denver	DEN	L	$2.15		
Killeen/Fort Hood	GRK	N	$2.00		
Fort Myers	RSW	M	$1.00		
Milwaukee	MKE	M	$1.00		
Charged Per Contract			**Per Contract**		
San Francisco	SFO	L	$20.00		
Los Angeles	LAX	L	$10.00		
Oakland	OAK	M	$10.00		
Louisville	SDF	M	$5.00		
Tucson	TUS	M	$4.50		

NOTES:
1/ Facility maintenance fee per day.
2/ Facility fee per day.
3/ Transportation fee per day.
4/ Garage recoupment charge per transaction.
5/ Transportation fee per transaction day.
6/ Busing fee per transaction.

SOURCE: Ricondo & Associates; Rental Car Company web sites, May 2015.
PREPARED BY: Ricondo & Associates, Inc., May 2015.

For purposes of this analysis, specific assumptions were made regarding rental car transactions per deplaned passenger, as follows:

- **Deplaned Passengers**. The assumptions for deplaned passengers are explained in Chapter 4.
- **Rental Car Transaction Days.** Rental car transaction days per deplaned passenger are assumed to be 48.8 percent throughout the Projection Period, which is the approximate historical average ratio of transaction days per deplaned passengers for FY 2013, FY 2014, and year-to-date FY 2015.

Other assumptions used in developing the projection of rental car transaction days include the following:

- **Local/National Economy.** The economic base of the Air Trade Area will remain stable and diversified during the Projection Period, as described in Chapter 3 of this report.
- **Passenger Levels at the Airport.** Passenger projections described earlier herein will be realized.
- **Car Rental Rates.** Car rental rates at the Airport will continue to be competitive in relation to other means of transportation, and are not anticipated to depress rental car demand.
- **CFC level.** The CFC level at the Airport is assumed to increase from its current level of $4.50 per transaction day to $5.00 per transaction day on July 1, 2015 and to $5.50 per transaction day on September 1, 2018.[19] The scheduled increase is not assumed to have a material effect on rental car demand or transactions days at the Airport.
- **CONRAC Facility.** The new CONRAC Facility will not have a material effect on rental car demand or rental car transaction days at the Airport.
- **Rental Car Companies.** It is anticipated that all of the existing rental car companies at the Airport will continue to operate at the Airport. Additionally, there are other rental car companies who are not currently operating at the airport that are expected to lease space in the CONRAC Facility.

Based on the methodology and assumptions described above, the projection of rental car activity and CFC collections is presented in **Table 5-6**. Projected rental car transaction days are calculating by applying the growth rate for deplaned passengers (as presented in Chapter 4, Table 4-16) to the actual FY 2014 rental car transactions days. Rental car transaction days at the Airport are expected to grow from approximately 2.0 million in FY 2015 to approximately 2.5 million in FY 2023. Furthermore, CFC Collections are expected to increase from approximately $9.4 million in FY 2015 to approximately $13.5 million in FY 2023, representing a compound annual growth rate of approximately 4.7 percent. This significant growth in CFC Collections through the projection period is due in part to the expected CFC rate increases on July 1, 2015 and September 1, 2018 to $5.00 per transaction day and $5.50 per transaction day, respectively. Although it is reasonable to assume that total demand for rental cars may increase upon substantial completion of the CONRAC Facility, the relationship between deplaned passengers and rental car transactions has been held constant to develop a conservative projection of CFC collections.

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[19] CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

Table 5-6: Projected Rental Car Activity and CFC Collections

(Fiscal Years Ending September 30)

		PROJECTED								
		2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Growth Rate		0.1%	2.5%	2.4%	2.4%	2.3%	2.3%	2.2%	2.2%	2.1%
Deplaned Passengers	[A]	4,185,000	4,290,000	4,395,000	4,500,000	4,605,000	4,710,000	4,815,000	4,920,000	5,025,000
Historical Average Ratio of Transaction Days to Deplaned Passengers [1/]	[B]	48.8%	48.8%	48.8%	48.8%	48.8%	48.8%	48.8%	48.8%	48.8%
Rental Car Transaction Days	[C] = [A] x [B]	2,042,280	2,093,520	2,144,760	2,196,000	2,247,240	2,298,480	2,349,720	2,400,960	2,452,200
CFC Rate ($ per transaction day) [2/]	[D]	$4.50/$5.00	$ 5.00	$ 5.00	$5.00/$5.50	$ 5.50	$ 5.50	$ 5.50	$ 5.50	$ 5.50
CFC Collections	[E] = [C] x [D]	$ 9,360,450	$ 10,467,600	$ 10,723,800	$ 10,980,000	$ 12,359,820	$ 12,641,640	$ 12,923,460	$ 13,205,280	$ 13,487,100

Compound Annual Growth Rate in CFC Collections	
2016 - 2018 ($5.00 CFC Rate Collections)	2.4%
2019 - 2023 ($5.50 CFC Rate Collections)	2.2%
2015 - 2023 (Projection Period)	4.7%

NOTES:

1/ Based on average ratio of transaction days to deplaned passengers for FY 2013, FY 2014, and year-to-date FY 2015 through January.

2/ CFC collections began on April 1, 2012 at a rate of $4.50 per transaction day. The CFC rate is projected to increase to $5.00 per transaction day on July 1, 2015 and is projected to increase to $5.50 per transaction day on September 1, 2018. CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

SOURCES: City of San Antonio, Department of Aviation (Historical Average Ratio); Coastal Securities (CFC Rates as of May 20, 2015); Inter *VISTAS* Consulting Inc. (Deplaned Passengers); Ricondo & Associates, Inc. (Projections), May 2015.

PREPARED BY: Ricondo & Associates, Inc., June 2015.

6. Financial Analysis – Series 2015 CFC Bonds

6.1 Financial Framework

This section discusses the Aviation Department's financial structure and the CONRAC Lease Agreements and Concession Agreements.

6.1.1 FINANCIAL STRUCTURE AND ACCOUNTING

The Aviation Department is an enterprise fund of the City. From an accounting perspective, the Aviation Department is operated as an independent enterprise and is separate from other City enterprises and funds. For financial reporting purposes, the City combines the operations of the two airports that comprise the Airport System.

The Aviation Department funds operations at the Airport System with revenues generated from Airport rentals, fees, and charges. Capital improvements at the Airport are funded by the Aviation Department with (1) revenues generated from Aviation Department rentals, fees, and charges; (2) federal, state, and other grants-in-aid; (3) PFC revenues; (4) PFC Bond proceeds; (5) Airport Revenue Bond proceeds; and (6) CFCs including Series 2015 Bond proceeds. No general tax fund revenues are used to operate or maintain either the Airport or Stinson.

6.1.2 CONRAC LEASE AGREEMENTS

The CONRAC Lease Agreements term begins at the Date of Beneficial Occupancy (DBO) through twenty (20) full Fiscal Years. DBO is the date on which the Aviation Director declares that the CONRAC is open for business and can begin serving the public. There will be one DBO for the entire CONRAC. No Operator may begin rental car operations in the CONRAC until the DBO. Key terms of the CONRAC Lease Agreement are identified below:

1. Rents and Fees

   a. Ground Rent: For use of the facility site on which the facility is going to be constructed, a ground rent of $1.00 per square foot per year is being charge to the facility users. The initial ground rent is $488,275 per year. This amount is prorated between the CONRAC and the Public Parking area based on square footage. The Operators will pay the Airport Ground Rent of $361,078 annually. The ground rental rate per square foot will be escalated 15.0 percent every five years during the term of the Lease Agreement.

b. Customer Facility Charge: The CFC will pay the debt service and certain operating costs of the Facility. The CFC is a per transaction day charge at a rate established by the City to be charged to every rental car customer entering into a customer contract with an Operator at or near the Airport. Under the Lease Agreement, the initial CFC rate is $5.00 per transaction day, as approved by City Council on June 18, 2015. The CFC proceeds are to be held in trust by the Operators for the City. These funds are the City's property and Operators, as agents for the City, only hold a possessory interest, not an equitable interest in these funds held in trust. The CFC is to pay: Facility Debt Service (including coverage and reserves), Administrative Costs, Major Maintenance, CFC Eligible Routine Maintenance, Facility Renewals and Replacements, and other Bond requirements.

c. Customer Facility Charge Rate Adjustment: Each year, the City will analyze the adequacy of the CFC rate per transaction day to produce sufficient proceeds to pay debt service and the costs and expenses of the Facility in the subsequent year. If necessary, the City can increase or decrease the CFC rate per transaction day to a level that is adequate to pay all Facility requirements in the subsequent year but not generate excessive surpluses.

d. Contingent Fee: A Contingent Fee will be imposed on the Operators and the Airport, if necessary. The purpose of the Contingent Fee is to provide sufficient additional revenue to remain in compliance with the Bond Documents when CFC proceeds and Bond deposits are forecast to be inadequate to pay when due all financial requirements of the Facility.

e. Contingent Fee Reimbursement: Both the Airport and Operators will be reimbursed Contingent Fees paid in prior fiscal years, if, as, and when in subsequent fiscal years surpluses are available in the CFC Surplus Fund.

2. Facility Maintenance

a. Major Maintenance: Facility Major Maintenance will be performed by the City or Operators and funded with balances available in the CFC Renewal and Replacement Fund. The CFC Renewal and Replacement Fund will be initially funded with $7.5 million from Series 2015 CFC Bonds proceeds and will be subsequently funded with transfers from the CFC Surplus Fund, when available.

b. Public Parking Routine Maintenance: The City will perform and pay for Public Parking Routine Maintenance.

c. CONRAC Routine Maintenance: The Operators are financially responsible for performing and paying for Routine Maintenance of the CONRAC. CONRAC Routine Maintenance is estimated by the Operators to cost approximately $4.0 million per year and is categorized as either CFC Eligible

Routine Maintenance (eligible for reimbursement) or Non-CFC Eligible Routine Maintenance (not eligible for reimbursement).

i. CONRAC CFC Eligible Routine Maintenance: Subject to the availability of funds in the CFC Surplus Fund[1], the Operators will be reimbursed CFC Eligible Routine Maintenance. CFC Eligible Routine Maintenance consists of maintenance of the CONRAC's vertical circulation (elevators and escalators), janitorial services, utilities costs, maintenance in public view areas of the Customer Service Center, CONRAC allocation of Routine Maintenance and replacement thereof, and maintenance of the exterior of the CONRAC, including finishes and lighting.

ii. Facility Maintenance Fee: The Operators will recover the costs of Non-CFC Eligible Routine Maintenance together with the projected shortfalls to funding of CFC Eligible Routine Maintenance by levying a Facility Maintenance Fee (FMF) on their customers. The FMF will be a per Transaction Day charge. Annually, the City will calculate the FMF daily rate for the subsequent year. The FMF proceeds will be remitted monthly to the CONRAC Manager to pay the cost of Non-CFC Eligible Routine Maintenance and shortfalls to the CFC Eligible Routine Maintenance. The City has no interest in or claim to the FMF proceeds. The annual cost of Non-CFC Eligible Routine Maintenance is estimated to be $2.5 million.

3. Tenant Improvement Reimbursements: Operators shall be reimbursed for certain costs of Initial Tenant Improvements incurred by the Operators during the course of construction in an aggregate total amount not to exceed the lesser of: (i) six million dollars ($6,000,000.00) or (ii) fifty percent (50%) of the total aggregate amount of Initial Tenant Improvements constructed by all Operators as described in the CONRAC Lease Agreement.

6.1.3 CONCESSION AGREEMENT

The Concession Agreement shall be effective and binding between the parties conditioned upon Operator then being a party in Good Standing if Operator is party to a Prior Concession Agreement or Off-Airport Rental Car Agreement. The Concession Agreement Term shall commence on the first day of the month following DBO and, unless earlier terminated pursuant to the provisions of this Concession Agreement, shall extend until the last day of the tenth (10th) full Fiscal Year. The period of time between DBO and the first Fiscal Year will be referred to as the Initial Concession Period. Fiscal Year means each successive year during the Term, beginning with the first Fiscal Year after DBO. The City in its sole discretion may agree in writing to extend the Term for up to one additional ten (10) year period; provided that the Operator (1) provides the City with written notice of its request to renew nine (9) months prior to expiration of the Term; and (2) is in Good Standing.

1 In each year, reimbursements for Routine Maintenance will occur as long as a $2 million balance is maintained in the CFC Surplus Fund.

While the Special Facility Indenture does not contain a covenant by the City to provide for the operation of rental car concessions at the CONRAC under the Concession Agreements until the final maturity of the Series 2015 Bonds, the City has covenanted in the Special Facility Indenture that, from the Opening Date until the Series 2015 Bonds are no longer outstanding, it will maintain concession agreements (but not necessarily the Concession Agreements). No assurances can be given that upon the expiration of the Concession Agreements, the Operators, or any other rental car companies, will execute and deliver to the City concession agreements. The failure of any Operator or other rental car company to execute and deliver such an agreement may preclude the Operator or other rental car company from being able to offer rental car services at the Airport.

6.2 CFC Revenues

The CONRAC Lease Agreements provide for the collection of a CFC to cover the costs associated with the construction of the CONRAC Facility including additional covered parking, together with associated roadway improvements and associated infrastructure at the Airport, as well as certain operating expenses as defined in the CONRAC Lease Agreement. The new CONRAC Facility will be located across from the terminal facility and will be connected to the terminal facility via an enclosed skybridge. As previously described in Chapter 1.3, the City intends to use CFCs collected through June 30, 2015 of approximately $29.7 million to fund a portion of the Series 2015 Project on a PAYGO basis.

6.2.1 HISTORICAL AND PROJECTED CFC COLLECTIONS AND REVENUES

Table 6-1 depicts the City's historical and projected collections of CFCs on an annual basis. As previously mentioned, CFC collections began at the Airport on April 1, 2012. Six months of CFCs were collected at the rate of $4.50 per transaction day for a total of approximately $4.5 million in FY 2012. CFC collections increased from approximately $9.1 million in FY 2013, the first full year of CFC collections at the $4.50 per day rate, to approximately $9.2 million in FY 2014. This increase between FY 2013 and FY 2014 represents a compound annual growth rate of approximately 0.2 percent.

Based on the projection of rental car activity presented in Chapter 5, R&A has developed projections of CFC collections, associated interest earnings, debt service coverage, and cash flow under the Special Facility Indenture through the Projection Period. Key assumptions made in these projections include:

- The current on-Airport Concessionaires will continue to operate at the Airport for the duration of the Projection Period. In the event one or more Concessionaires leave the market, the remaining Concessionaires or new entrant Concessionaires will act to serve demand and capture market share with minimal effect on the collection of CFCs.
- Any off-Airport rental car company will be required to pick up and drop off customers at the CONRAC Facility and thus be required to collect and remit the CFC.

Table 6-1: Historical and Projected Rental Car Activity and CFC Collections

(Fiscal Years Ending September 30)

		ACTUAL	ACTUAL	ACTUAL	PROJECTED								
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Growth Rate					0.1%	2.5%	2.4%	2.4%	2.3%	2.3%	2.2%	2.2%	2.1%
Deplaned Passengers	[A]	4,131,860	4,126,560	4,181,865	4,185,000	4,290,000	4,395,000	4,500,000	4,605,000	4,710,000	4,815,000	4,920,000	5,025,000
Historical Average Ratio of Transaction Days to Deplaned Passengers 1/	[B]				48.8%	48.8%	48.8%	48.8%	48.8%	48.8%	48.8%	48.8%	48.8%
Rental Car Transaction Days	[C] = [A] * [B]	2,160,785	2,030,130	2,035,682	2,042,280	2,093,520	2,144,760	2,196,000	2,247,240	2,298,480	2,349,720	2,400,960	2,452,200
CFC Rate ($ per transaction day) 2/	[D]	$ 4.50	$ 4.50	$ 4.50	$4.50/$5.00	$ 5.00	$ 5.00	$5.00/$5.50	$ 5.50	$ 5.50	$ 5.50	$ 5.50	$ 5.50
CFC Collections 3/	[E] = [C] * [D]	$ 4,524,984	$ 9,140,378	$ 9,160,569	$ 9,360,450	$ 10,467,600	$ 10,723,800	$ 10,980,000	$ 12,359,820	$ 12,641,640	$ 12,923,460	$ 13,205,280	$ 13,487,100

Compound Annual Growth Rate of CFC Collections

2012 - 2014	42.3%
2013 - 2014	0.2%
2014 - 2016	6.9%
2016 - 2023	3.7%
2013 - 2023	4.0%

NOTES:

1/ Based on average ratio of transaction days to deplaned passengers for FY 2013, FY 2014, and year-to-date FY 2015 through January.

2/ CFC collections began on April 1, 2012 at a rate of $4.50 per transaction day. The CFC rate is projected to increase to $5.00 per transaction day on July 1, 2015 and is projected to increase to $5.50 per transaction day on September 1, 2018. CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

3/ CFC collections based on actual collections for FY 2012 (six months), FY 2013, and FY 2014 and are projected for FY 2015 through FY 2023 (based on deplanement projections).

SOURCES: City of San Antonio, Department of Aviation (Historical Average Ratio); Coastal Securities (CFC Rates as of June 8, 2015); Inter*VISTAS* Consulting Inc. (Deplaned Passengers Growth Rate); Ricondo & Associates, Inc. (Projections), June 2015

PREPARED BY: Ricondo & Associates, Inc., June 2015

- It is expected that additional Concessionaires will operate at the Airport after the CONRAC Facility opens. Additionally, it's possible that passengers who currently do not rent cars due to the inconvenience of being bussed to a remote location will decide to rent cars once the CONRAC Facility opens. However, the ratio of transaction days to deplaned passengers has been conservatively held constant for the projection period.

As shown on Table 6-1, projected CFC collections through FY 2023 are derived by multiplying projected rental car transaction days by the assumed CFC rate for each Fiscal Year of the Projection Period. An increase in the CFC rate of $4.50 per transaction day to $5.00 per transaction day is scheduled to be implemented on July 1, 2015.[2] On September 1, 2018, the CFC rate is assumed to increase to $5.50 per transaction day and is assumed to remain at this rate throughout the remainder of the Projection Period. As discussed previously in this Report, rental car transaction days are projected to grow primarily as a function of deplaned destination passenger activity at the Airport.

With the CFC rate scheduled to increase to $5.00 per transaction day on July 1, 2015, CFC collections are projected to increase from approximately $9.2 million in FY 2014 to approximately $10.5 million in FY 2016, the first full year of CFC collections at the $5.00 per transaction day rate. This increase represents a compound annual growth rate of approximately 6.9 percent between FY 2014 and FY 2016. CFC collections are projected to increase from approximately $10.5 million in FY 2016 to approximately $13.5 million in FY 2023, which represents a compound annual growth rate of approximately 3.7 percent during this same period and reflects the projected CFC rate increase to $5.50 on September 1, 2018.

6.2.2 APPLICATION OF REVENUES AND FLOW OF FUNDS

Table 6-2 presents projected CFC Revenues and the application of CFC Revenues over the period FY 2015 through FY 2023.

Table 6-3 presents R&A's projection of annual cash flow as provided for in the Special Facility Indenture and the CONRAC Lease Agreements over the period FY 2015 through FY 2023. In each year of the Projection Period, CFC Revenues are sufficient to meet the City's debt service obligations and make all deposits required under the Special Facility Indenture and the CONRAC Lease Agreements.

As shown on Table 6-3, expenses for Major Maintenance are projected to range from approximately $1.3 million to approximately $3.2 million between FY 2021 and FY 2023 and are projected to be paid out from the CFC Renewal and Replacement Fund with funds transferred from the CFC Surplus Fund. Major Maintenance is estimated each year based on a percentage of construction costs. As defined in the CONRAC Lease Agreement, Major Maintenance means any single item, repair, replacement, renewal, or removal of improvements in, of, or to the CONRAC site or any structural aspect of the CONRAC Facility that having a cost in excess of $50,000 and a useful life in excess of five years. Major Maintenance includes the repair or replacement of failed or failing building components as necessary to return the CONRAC to its currently intended use, to prevent further damage, or to make it compliant with changes in laws, regulations, codes, or standards.

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[2] CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

Table 6-2: CFC Application of Revenues

(For Fiscal Years Ending September 30)

	PROJECTED								
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Gross Revenues:									
CFC Collections [1/]	$ 2,467,755	$ 10,467,600	$ 10,723,800	$ 10,980,000	$ 12,359,820	$ 12,641,640	$ 12,923,460	$ 13,205,280	$ 13,487,100
Interest Income [2/]	$ 20,767	$ 145,127	$ 158,945	$ 166,578	$ 171,279	$ 186,856	$ 189,100	$ 185,129	$ 171,455
Total Gross Revenues	**$ 2,488,522**	**$ 10,612,727**	**$ 10,882,745**	**$ 11,146,578**	**$ 12,531,099**	**$ 12,828,496**	**$ 13,112,560**	**$ 13,390,409**	**$ 13,658,555**
Application of Gross Revenues:									
Debt Service Fund									
Debt Service Payments [3/]	$ -	$ 6,380,932	$ 6,939,987	$ 6,939,987	$ 6,939,987	$ 7,939,987	$ 8,157,917	$ 8,412,692	$ 8,687,738
Public Parking Area GARB Debt Fund									
Debt Service Payments [3/]	$ -	$ 1,807,858	$ 1,966,250	$ 1,966,250	$ 1,966,250	$ 2,736,250	$ 2,737,750	$ 2,737,250	$ 2,734,750
Administrative Costs Fund									
Administrative Costs	$ 30,000	$ 20,000	$ 50,000	$ 300,000	$ 300,000	$ 300,000	$ 300,000	$ 300,000	$ 300,000
CFC Surplus Fund									
CFC Surplus Deposits	$ 2,458,522	$ 2,403,938	$ 1,926,509	$ 1,940,341	$ 3,324,863	$ 1,852,259	$ 1,916,893	$ 1,940,467	$ 1,936,068
Total Application of Gross Revenues	**$ 2,488,522**	**$ 10,612,727**	**$ 10,882,745**	**$ 11,146,578**	**$ 12,531,099**	**$ 12,828,496**	**$ 13,112,560**	**$ 13,390,409**	**$ 13,658,555**

NOTES:

1/ CFC collections for the first nine months of FY 2015 will be applied towards project costs. CFC collections began on April 1, 2012 at a rate of $4.50 per transaction day. The CFC rate is projected to increase to $5.00 per transaction day on July 1, 2015 and is projected to increase to $5.50 per transaction day on September 1, 2018. CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

2/ Interest rate of 0.5% on fund balances.

3/ Debt service provided by Coastal Securities; Interest only payments for first five years; adjusted to reflect additional PAYGO CFCs.

SOURCES: Coastal Securities (Debt Service), June 8, 2015; Ricondo & Associates, Inc. (Projections), June 2015

PREPARED BY: Ricondo & Associates, Inc., June 2015

Table 6-3 (1 of 3): Series 2015 Bonds Cash Flow

(For Fiscal Years Ending September 30)

						PROJECTED				
		2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue Fund										
Beginning Balance		$ 29,650,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deposit	CFC Collections [1/]	$ 2,467,755	$ 10,467,600	$ 10,723,800	$ 10,980,000	$ 12,359,820	$ 12,641,640	$ 12,923,460	$ 13,205,280	$ 13,487,100
Transfer In	Debt Service Reserve Fund (Interest) [2/]	$ 10,431	$ 62,587	$ 62,587	$ 62,587	$ 62,587	$ 62,587	$ 62,587	$ 62,587	$ 62,587
Transfer In	Debt Service Coverage Fund (Interest) [2/]	$ 2,037	$ 12,225	$ 12,225	$ 12,225	$ 12,225	$ 12,225	$ 12,225	$ 12,225	$ 12,225
Transfer In	CFC Renewal and Replacement Fund (Interest) [2/]	$ 6,250	$ 37,500	$ 37,500	$ 37,500	$ 37,500	$ 37,500	$ 37,500	$ 37,500	$ 37,500
Transfer In	CFC Surplus Fund (Interest) [2/]	$ 2,049	$ 12,293	$ 24,312	$ 31,945	$ 36,647	$ 45,572	$ 46,903	$ 41,869	$ 27,043
Transfer Out	Construction Fund	$ (21,150,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transfer Out	Airport Parking Operating Funds Account	$ (8,500,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transfer Out	Debt Service Fund [3/ 4/]	$ -	$ (6,364,940)	$ (6,922,593)	$ (6,922,593)	$ (6,922,593)	$ (7,918,439)	$ (8,135,540)	$ (8,389,341)	$ (8,663,322)
Transfer Out	Public Parking Area Debt Fund [3/ 4/]	$ -	$ (1,803,327)	$ (1,961,322)	$ (1,961,322)	$ (1,961,322)	$ (2,728,825)	$ (2,730,241)	$ (2,729,652)	$ (2,727,065)
Transfer Out	Administrative Costs Fund	$ (30,000)	$ (20,000)	$ (50,000)	$ (300,000)	$ (300,000)	$ (300,000)	$ (300,000)	$ (300,000)	$ (300,000)
Transfer Out	CFC Surplus Fund	$ (2,458,522)	$ (2,403,938)	$ (1,926,509)	$ (1,940,341)	$ (3,324,863)	$ (1,852,259)	$ (1,916,893)	$ (1,940,467)	$ (1,936,068)
Ending Balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt Service Fund										
Beginning Balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transfer In	Revenue Fund	$ -	$ 6,364,940	$ 6,922,593	$ 6,922,593	$ 6,922,593	$ 7,918,439	$ 8,135,540	$ 8,389,341	$ 8,663,322
Deposit	Interest [5/]	$ -	$ 15,992	$ 17,393	$ 17,393	$ 17,393	$ 21,547	$ 22,376	$ 23,351	$ 24,415
Payment	Debt Service [3/]	$ -	$ (6,380,932)	$ (6,939,987)	$ (6,939,987)	$ (6,939,987)	$ (7,939,987)	$ (8,157,917)	$ (8,412,692)	$ (8,687,738)
Ending Balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt Service Reserve Fund										
Beginning Balance		$ -	$ 12,517,394	$ 12,517,394	$ 12,517,394	$ 12,517,394	$ 12,517,394	$ 12,517,394	$ 12,517,394	$ 12,517,394
Deposit	Reserve Requirement	$ 12,517,394	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deposit	Interest [5/]	$ 10,431	$ 62,587	$ 62,587	$ 62,587	$ 62,587	$ 62,587	$ 62,587	$ 62,587	$ 62,587
Transfer Out	Revenue Fund [2/]	$ (10,431)	$ (62,587)	$ (62,587)	$ (62,587)	$ (62,587)	$ (62,587)	$ (62,587)	$ (62,587)	$ (62,587)
Ending Balance		$ 12,517,394	$ 12,517,394	$ 12,517,394	$ 12,517,394	$ 12,517,394	$ 12,517,394	$ 12,517,394	$ 12,517,394	$ 12,517,394
Debt Service Coverage Fund										
Beginning Balance		$ -	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911
Deposit	Coverage Requirement	$ 2,444,911	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deposit	Interest [5/]	$ 2,037	$ 12,225	$ 12,225	$ 12,225	$ 12,225	$ 12,225	$ 12,225	$ 12,225	$ 12,225
Transfer Out	Revenue Fund [2/]	$ (2,037)	$ (12,225)	$ (12,225)	$ (12,225)	$ (12,225)	$ (12,225)	$ (12,225)	$ (12,225)	$ (12,225)
Ending Balance		$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911

Table 6-3 (2 of 3): Series 2015 Bonds Cash Flow

(For Fiscal Years Ending September 30)

		PROJECTED								
		2015	2016	2017	2018	2019	2020	2021	2022	2023
Public Parking Area GARB Debt Fund										
Beginning Balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transfer In	Revenue Fund	$ -	$ 1,803,327	$ 1,961,322	$ 1,961,322	$ 1,961,322	$ 2,728,825	$ 2,730,241	$ 2,729,652	$ 2,727,065
Deposit	Interest [5/]	$ -	$ 4,531	$ 4,928	$ 4,928	$ 4,928	$ 7,425	$ 7,509	$ 7,598	$ 7,685
Payment	Debt Service [3/]	$ -	$ (1,807,858)	$ (1,966,250)	$ (1,966,250)	$ (1,966,250)	$ (2,736,250)	$ (2,737,750)	$ (2,737,250)	$ (2,734,750)
Ending Balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Administrative Costs Fund										
Beginning Balance		$ -	$ 30,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transfer In	Revenue Fund	$ 30,000	$ 20,000	$ 50,000	$ 300,000	$ 300,000	$ 300,000	$ 300,000	$ 300,000	$ 300,000
Payment	Administrative Costs	$ -	$ (50,000)	$ (50,000)	$ (300,000)	$ (300,000)	$ (300,000)	$ (300,000)	$ (300,000)	$ (300,000)
Ending Balance		$ 30,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CFC Renewal and Replacement Fund										
Beginning Balance		$ -	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000
Deposit	Renewal and Replacement Funding	$ 7,500,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deposit	Interest [5/]	$ 6,250	$ 37,500	$ 37,500	$ 37,500	$ 37,500	$ 37,500	$ 37,500	$ 37,500	$ 37,500
Transfer In	CFC Surplus Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,290,000	$ 3,223,000	$ 1,290,000
Payment	Major Maintenance	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,290,000)	$ (3,223,000)	$ (1,290,000)
Transfer Out	Revenue Fund [2/]	$ (6,250)	$ (37,500)	$ (37,500)	$ (37,500)	$ (37,500)	$ (37,500)	$ (37,500)	$ (37,500)	$ (37,500)
Ending Balance		$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000	$ 7,500,000
CFC Surplus Fund										
Beginning Balance		$ -	$ 2,458,522	$ 4,862,460	$ 6,388,969	$ 7,329,310	$ 9,114,322	$ 9,380,536	$ 8,373,802	$ 5,408,634
Deposit	Interest [5/]	$ 2,049	$ 12,293	$ 24,312	$ 31,945	$ 36,647	$ 45,572	$ 46,903	$ 41,869	$ 27,043
Transfer In	Revenue Fund	$ 2,458,522	$ 2,403,938	$ 1,926,509	$ 1,940,341	$ 3,324,863	$ 1,852,259	$ 1,916,893	$ 1,940,467	$ 1,936,068
Transfer Out	Revenue Fund [2/]	$ (2,049)	$ (12,293)	$ (24,312)	$ (31,945)	$ (36,647)	$ (45,572)	$ (46,903)	$ (41,869)	$ (27,043)
Payment/Transfer	Routine Maintenance Reimbursement Account	$ -	$ -	$ (400,000)	$ (1,000,000)	$ (1,539,850)	$ (1,586,046)	$ (1,633,627)	$ (1,682,636)	$ (1,733,115)
Transfer Out	CFC Renewal and Replacement Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,290,000)	$ (3,223,000)	$ (1,290,000)
Ending Balance		$ 2,458,522	$ 4,862,460	$ 6,388,969	$ 7,329,310	$ 9,114,322	$ 9,380,536	$ 8,373,802	$ 5,408,634	$ 4,321,587

Table 6-3 (3 of 3): Series 2015 Bonds Cash Flow

(For Fiscal Years Ending September 30)

		PROJECTED								
		2015	2016	2017	2018	2019	2020	2021	2022	2023
Routine Maintenance Reimbursement Account										
Beginning Balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transfer In	CFC Surplus Fund	$ -	$ -	$ 400,000	$ 1,000,000	$ 1,539,850	$ 1,586,046	$ 1,633,627	$ 1,682,636	$ 1,733,115
Payment	Routine Maintenance Reimbursement	$ -	$ -	$ (400,000)	$ (1,000,000)	$ (1,539,850)	$ (1,586,046)	$ (1,633,627)	$ (1,682,636)	$ (1,733,115)
Ending Balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Airport Parking Operating Funds Account										
Beginning Balance		$ 8,500,000	$ 7,285,714	$ 2,428,571	$ -	$ -	$ -	$ -	$ -	$ -
Transfer In	CFC Surplus Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Payment	Airport Parking Operating Funds	$ (1,214,286)	$ (4,857,143)	$ (2,428,571)	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance		$ 7,285,714	$ 2,428,571	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NOTES:

1/ CFC collections for the first nine months of FY 2015 will be applied towards project costs. CFC collections began on April 1, 2012 at a rate of $4.50 per transaction day. The CFC rate is projected to increase to $5.00 per transaction day on July 1, 2015 and is projected to increase to $5.50 per transaction day on September 1, 2018. CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

2/ Interest earnings remain in the fund until requirement is satisfied and then transferred to the CONRAC Revenue Fund thereafter.

3/ Debt service provided by Coastal Securities; Interest only payments for first five years; adjusted to reflect additional PAYGO CFCs.

4/ The transfer out to the Debt Service Fund and the Public Parking Area Debt Fund includes annual debt service less the interest earned in each respective fund.

5/ Interest rate of 0.5% on fund balances.

SOURCES: Coastal Securities (Debt Service), June 8, 2015; Ricondo & Associates, Inc. (Projections), June 2015

PREPARED BY: Ricondo & Associates, Inc., June 2015

Also shown on Table 6-3, funds are transferred annually to the Routine Maintenance Reimbursement Account from the CFC Surplus Fund beginning in FY 2017. The Routine Maintenance Reimbursements are subject to the availability of funds in the CFC Surplus Fund after maintaining a minimum ending balance of $2.0 million and after Major Maintenance reimbursements. Routine Maintenance amount is estimated to be approximately $400,000 in FY 2017, approximately $1,000,000 in FY 2018, approximately $1.5 million in FY 2018 and is then projected to increase at 3.0 percent annually throughout the Projection Period, increasing to approximately $1.7 million in FY 2023.

6.2.3 DEBT SERVICE COVERAGE

Table 6-4 presents the projection of the annual debt service coverage ratio pursuant to the Rate Covenant established in the Special Facility Indenture. Revenues divided by annual debt service requirements result in a debt service coverage ratio ranging from approximately 1.57x to 1.81x throughout the Projection Period, which exceeds the required Rate Covenant in each year of the Projection Period.

Table 6-4 also presents the coverage ratio of total resources to debt service Total resources includes funds in the Debt Service Coverage Fund established pursuant to the Special Facility Indenture. The Debt Service Coverage Fund Requirement is funded from Series 2015 CFC Bonds proceeds and is equivalent to 25.0 percent of the maximum annual debt service requirement for the Series 2015 CFC Bonds. As presented on Table 6-4, the total resources to debt service coverage ranges from approximately 1.85x to 2.16x throughout the Projection Period.

Table 6-4: CFC Debt Service Coverage

(For Fiscal Years Ending September 30)

		2015	2016	2017	2018	2019	2020	2021	2022	2023
						PROJECTED				
Total Resources to Debt Service Coverage										
Revenue:										
CFC Collections [1/]	[A]	$ 2,467,755	$ 10,467,600	$ 10,723,800	$ 10,980,000	$ 12,359,820	$ 12,641,640	$ 12,923,460	$ 13,205,280	$ 13,487,100
Contingent Fees	[B]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest Income [2/]	[C]	$ 20,767	$ 145,127	$ 158,945	$ 166,578	$ 171,279	$ 186,856	$ 189,100	$ 185,129	$ 171,455
Total Revenue	[D] = [A] + [B] + [C]	$ 2,488,522	$ 10,612,727	$ 10,882,745	$ 11,146,578	$ 12,531,099	$ 12,828,496	$ 13,112,560	$ 13,390,409	$ 13,658,555
Total Debt Service	[E]	$ -	$ 6,380,932	$ 6,939,987	$ 6,939,987	$ 6,939,987	$ 7,939,987	$ 8,157,917	$ 8,412,692	$ 8,687,738
Debt Service Coverage - Rate Covenant	[F] = [D] / [E]	N/A	1.66	1.57	1.61	1.81	1.62	1.61	1.59	1.57
Total Resources to Debt Service Coverage										
Debt Service Coverage Fund	[G]	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911	$ 2,444,911
Total Resources	[H] = [D] + [G]	$ 4,933,433	$ 13,057,638	$ 13,327,656	$ 13,591,489	$ 14,976,010	$ 15,273,407	$ 15,557,471	$ 15,835,320	$ 16,103,466
Total Resources to Debt Service Coverage	[I] = [H] / [E]	N/A	2.05	1.92	1.96	2.16	1.92	1.91	1.88	1.85

NOTES:

1/ CFC collections for the first nine months of FY 2015 will be applied towards project costs. CFC collections began on April 1, 2012 at a rate of $4.50 per transaction day. The CFC rate is projected to increase to $5.00 per transaction day on July 1, 2015 and is projected to increase to $5.50 per transaction day on September 1, 2018. CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

2/ Interest rate of 0.5% on fund balances.

SOURCES: Coastal Securities (Debt Service), June 8, 2015; Ricondo & Associates, Inc. (Projections), June 2015

PREPARED BY: Ricondo & Associates, Inc., June 2015

7. Financial Analysis – Series 2015 GARB Bonds

7.1 Airline Agreements

In 2011, the City and certain airlines serving the Airport executed an airport use (Signatory Airlines) and lease agreement (Signatory Agreement) to replace the previous agreement that expired on September 30, 2010. Key provisions of the Signatory Agreement are presented in the following paragraphs.

7.1.1 TERM OF THE AGREEMENT

The initial term of the Signatory Agreement was November 9, 2010 to September 30, 2015, with a two-year extension option. All of the Signatory Airlines have agreed to the option, extending the term through September 30, 2017. If the City and Signatory Airlines agree, the Signatory Agreement may be extended an additional three years, through September 30, 2020.

7.1.2 COST CENTERS

Direct Cost Centers in the Signatory Agreement are defined as the following:

- Airfield
- Apron
- Landside Terminal Building
- Concourse A
- Concourse B
- Baggage Handling System (BHS) and Security Checkpoint
- Loading Bridges
- Other
- Parking
- Stinson

7.1.3 RATES AND CHARGES

Airline Rents and Fees recover the operating and maintenance (O&M) costs and the capital costs, including debt service coverage (25.0 percent of debt service), paid by the airport associated with each cost center. Capital costs are net of costs funded with grants or PFCs. Airline Rates and Charges are described below:

- Terminal Building Rental Rates are calculated on a per square foot basis for specific areas identified as airline space available for lease individually or in common with other airlines. Rates are calculated for individual areas and are further differentiated into enclosed areas and unenclosed areas. Initially, the Terminal Building Rental Rates included the following three Terminal Building Rental Rates, however, starting in FY 2015, the calculation was consolidated into a single Terminal Building Rental Rate.
    - Landside Terminal
    - Concourse A
    - Concourse B
- Apron Area Fees (aircraft parking areas adjacent to the Concourses) are calculated on a per linear foot basis.
- Loading Bridge Use Fees are calculated on a per loading bridge basis.
- BHS and Security Checkpoint Use Fees are calculated using an 80-20 formula for the BHS area and allocated on the basis of proportionate share of passengers for each airline, respectively. Included to the BHS Use Fees is the added Security Checkpoint staffing expenses.
- Landing Fees are calculated on a fee per 1,000 lb. units.
- Federal Inspection Service (FIS) Charges are established annually for use of the customs and immigrations areas for arriving international passengers.

7.1.4 CAPITAL IMPROVEMENT PROGRAM COORDINATION WITH SIGNATORY AIRLINES

Several months prior to the start of each fiscal year, the City will conduct a consultation meeting with the Signatory Airlines during which the City will provide a description of the CIP for the subsequent fiscal year. The Signatory Airlines have the opportunity to defer certain capital projects for one year, providing 75.0 percent of the Signatory Airlines attending the meeting and representing 75.0 percent of the airlines rents, fees and charges agree to the deferral. Certain additional terminal and/or concourse construction could be subject to an additional one year deferral. At the conclusion of the deferral period, the City has the discretion to undertake those capital projects without further Signatory Airline consultation.

7.2 Financing Plan and Debt Service on Existing Bonds

Table 7-1 presents the estimated funding sources for the Series 2015 Project and the Other Capital Projects presented in Chapter 2. These are current Aviation Department estimates based on available information regarding the estimated cost and timing of the Series 2015 Project and Other Capital Projects, and the estimated receipt of federal, state, and other grants and other funds. As shown in Table 7-1, the Series 2015 Project has an estimated total project cost of approximately $171.6 million, of which approximately $13.2 million has been funded as of September 30, 2014. Other Capital Projects have total estimated project costs of approximately $479.3 million, of which approximately $132.1 million has been funded as of September 30, 2014.

A description of estimated funding sources for the project costs of the Series 2015 Project and the Other Capital Projects is presented in greater detail in the following sections.

7.2.1 AIRPORT IMPROVEMENT PROGRAM GRANTS

The FAA Airport Improvement Program (AIP) provides federal discretionary and entitlement grants for eligible airport projects. AIP grants are distributed to airport operators on a reimbursement basis.

The Aviation Department currently expects to receive AIP entitlement grants of approximately $2.3 million per year, based on: (1) levels of funding authorized and appropriated by Congress for the program, (2) the number of passengers and amount of cargo at the Airport, and (3) a 75.0 percent reduction in entitlement grants associated with the Aviation Department's $4.50 PFC level. The Aviation Department also receives AIP discretionary grants for specific projects pursuant to grant applications for such funding and FAA discretionary grant awards, which are a function of the amounts authorized and appropriated by Congress and the FAA's prioritization of competing projects.

As shown on Table 7-1, the Aviation Department expects to use approximately $108.6 million in AIP grants for project costs associated with Other Capital Projects over the Projection Period.

7.2.2 CUSTOMER FACILITY CHARGES

As reflected on Table 7-1, approximately $158.4 million of CFCs over the Projection Period are expected to be used to fund costs of the Series 2015 Project, which will include repayment of debt service on the Series 2015 Bonds and pay-as-you-go (PAYGO) CFCs.[1]

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1 The approximately $13.2 million project costs funded prior to the Projection Period were funded with PAYGO CFCs.

Table 7-1 (1 of 3): Funding Sources for Capital Improvement Program

(For Fiscal Years Ending September 30)

		FUNDING SOURCES										
PROJECT CATEGORY	TOTAL COSTS FUNDED TO DATE 1/	AIP GRANT	CFC 2/	PRIOR GARB	OTHER GRANTS	AVIATION DEPARTMENT FUNDS	OTHER FUNDS	PRIOR PFC BOND	PFC PAYGO	FUTURE BONDS 3/	TOTAL COSTS TO BE FUNDED	TOTAL PROJECT COSTS
SERIES 2015 PROJECT												
CONRAC Projects												
Consolidated Rental Car Facility	$ 13,232,191	$ -	$ 158,367,809	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 158,367,809	$ 171,600,000
Total CONRAC Projects	**$ 13,232,191**	**$ -**	**$ 158,367,809**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 158,367,809**	**$ 171,600,000**
TOTAL SERIES 2015 PROJECT	**$ 13,232,191**	**$ -**	**$ 158,367,809**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 158,367,809**	**$ 171,600,000**
OTHER CAPITAL PROJECTS												
Airfield Projects												
Air Operations Area Perimeter Fence	$ -	$ -		$ -	$ -	$ 4,696,000	$ -	$ -	$ -	$ -	$ 4,696,000	$ 4,696,000
Apron & Utilities	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ 11,152,000	$ 11,152,000	$ 11,152,000
Drainage Master Plan	$ -	$ -		$ -	$ -	$ 477,000	$ -	$ -	$ -	$ -	$ 477,000	$ 477,000
Northside Development Access	$ -	$ -		$ -	$ -	$ 1,380,000	$ -	$ -	$ -	$ -	$ 1,380,000	$ 1,380,000
Pavement Maintenance Management Program	$ -	$ -		$ -	$ -	$ 386,000	$ -	$ -	$ -	$ -	$ 386,000	$ 386,000
Perimeter Road Reconstruction	$ -	$ 1,850,250		$ -	$ -	$ (83,333)	$ -	$ -	$ 700,083	$ -	$ 2,467,000	$ 2,467,000
Runway 12L Improvements	$ -	$ 10,345,000		$ -	$ -	$ -	$ -	$ -	$ -	$ 3,448,333	$ 13,793,333	$ 13,793,333
Runway 12R Decouple & Reconstruction	$ -	$ 2,135,000		$ -	$ -	$ 70,000	$ -	$ -	$ -	$ 13,585,000	$ 15,790,000	$ 15,790,000
Runway 12R Rehabilitation	$ 4,297,731	$ 17,783,603		$ -	$ -	$ (191,775)	$ -	$ -	$ -	$ 5,863,942	$ 23,455,770	$ 27,753,501
Taxiway E Reconstruct	$ 495,000	$ 1,691,682		$ -	$ -	$ 415,318	$ -	$ -	$ -	$ -	$ 2,107,000	$ 2,602,000
Taxiway H Reconstruction	$ -	$ 2,592,000		$ -	$ -	$ 864,000	$ -	$ -	$ -	$ -	$ 3,456,000	$ 3,456,000
Terminal Area Taxiways	$ 23,722,477	$ 30,597,443		$ -	$ -	$ (7,589,632)	$ -	$ -	$ -	$ 15,849,689	$ 38,857,500	$ 62,579,977
Total Airfield Projects	**$ 28,515,208**	**$ 66,994,978**	**$ -**	**$ -**	**$ -**	**$ 423,578**	**$ -**	**$ -**	**$ 700,083**	**$ 49,898,964**	**$ 118,017,603**	**$ 146,532,811**
Acoustical Program Projects												
Residential Acoustical Treatment Program	$ 95,201,187	$ 38,400,000		$ -	$ -	$ 300,000	$ -	$ 2,650,000	$ -	$ 6,950,000	$ 48,300,000	$ 143,501,187
Total Accoustical Program Projects	**$ 95,201,187**	**$ 38,400,000**	**$ -**	**$ -**	**$ -**	**$ 300,000**	**$ -**	**$ 2,650,000**	**$ -**	**$ 6,950,000**	**$ 48,300,000**	**$ 143,501,187**
Terminal Projects												
Air Conditioning Condensate Capture And Reuse	$ -	$ -		$ -	$ -	$ 2,735,000	$ 2,735,000	$ -	$ -	$ -	$ 5,470,000	$ 5,470,000
Common Use Implementation	$ 309,000	$ -		$ -	$ -	$ 6,209,000	$ -	$ -	$ -	$ -	$ 6,209,000	$ 6,518,000
Paging Modernization	$ -	$ -		$ -	$ -	$ 798,000	$ -	$ -	$ -	$ -	$ 798,000	$ 798,000
Passenger Boarding Bridges	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ 2,600,000	$ 2,600,000	$ 2,600,000
Tenant VOIP	$ -	$ -		$ -	$ -	$ 650,000	$ -	$ -	$ -	$ -	$ 650,000	$ 650,000
Terminal A Cutover	$ -	$ -		$ -	$ -	$ 641,000	$ -	$ -	$ -	$ 2,431,000	$ 3,072,000	$ 3,072,000
Terminal A Security Checkpoint Expansion	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ 24,000,000	$ 24,000,000	$ 24,000,000
Terminal A Renovations & Refurbishment, Phase II	$ 1,600,000	$ -		$ 6,372,134	$ -	$ 1,270,000	$ -	$ -	$ -	$ 14,775,000	$ 22,417,134	$ 24,017,134
Terminal B Blast Protection	$ -	$ -		$ -	$ -	$ 327,000	$ -	$ -	$ -	$ -	$ 327,000	$ 327,000
Total Terminal Projects	**$ 1,909,000**	**$ -**	**$ -**	**$ 6,372,134**	**$ -**	**$ 12,630,000**	**$ 2,735,000**	**$ -**	**$ -**	**$ 43,806,000**	**$ 65,543,134**	**$ 67,452,134**

Table 7-1 (2 of 3): Funding Sources for Capital Improvement Program

(For Fiscal Years Ending September 30)

PROJECT CATEGORY	TOTAL COSTS FUNDED TO DATE 1/	FUNDING SOURCES: AIP GRANT	CFC 2/	PRIOR GARB	OTHER GRANTS	AVIATION DEPARTMENT FUNDS	OTHER FUNDS	PRIOR PFC BOND	PFC PAYGO	FUTURE BONDS 3/	TOTAL COSTS TO BE FUNDED	TOTAL PROJECT COSTS
Other Projects												
Abandoned Site Rehabilitation	$ -	$ -		$ -	$ -	$ 132,000	$ -	$ -	$ -	$ -	$ 132,000	$ 132,000
Airport Electronic Sign	$ -	$ -		$ -	$ -	$ 563,000	$ -	$ -	$ -	$ -	$ 563,000	$ 563,000
Airport Lighting Control & Monitoring System	$ -	$ -		$ -	$ -	$ 716,000	$ -	$ -	$ -	$ -	$ 716,000	$ 716,000
Airport Owned Facility Refurbishments	$ 1,107,391	$ -		$ -	$ -	$ 400,000	$ -	$ -	$ -	$ -	$ 400,000	$ 1,507,391
Airport Roadway Improvements	$ -	$ -		$ -	$ -	$ 1,565,000	$ -	$ -	$ -	$ -	$ 1,565,000	$ 1,565,000
Airport Security Plan Implementation	$ -	$ -		$ -	$ 4,168,930	$ -	$ -	$ -	$ -	$ -	$ 4,168,930	$ 4,168,930
Airside Security Program	$ -	$ -		$ -	$ -	$ 3,813,000	$ -	$ -	$ -	$ -	$ 3,813,000	$ 3,813,000
CUP Building Addition	$ -	$ -		$ -	$ -	$ 421,000	$ -	$ -	$ -	$ -	$ 421,000	$ 421,000
Demolition of 3 Surplus Hangars	$ -	$ -		$ -	$ -	$ 212,000	$ -	$ -	$ -	$ -	$ 212,000	$ 212,000
Distributed Antenna System Upgrade	$ -	$ -		$ -	$ -	$ 437,000	$ -	$ -	$ -	$ -	$ 437,000	$ 437,000
Electrification of Ground Support Equipment For Emissions Reduction	$ -	$ -		$ -	$ -	$ 139,000	$ -	$ -	$ -	$ -	$ 139,000	$ 139,000
Facilities Fleet Expansion	$ -	$ -		$ -	$ -	$ 568,000	$ -	$ -	$ -	$ -	$ 568,000	$ 568,000
Facilities Management Software Programs	$ 1,115,000	$ -		$ -	$ -	$ 1,136,000	$ -	$ -	$ -	$ -	$ 1,136,000	$ 2,251,000
Former MSW Remediation	$ -	$ -		$ -	$ -	$ 1,055,000	$ -	$ -	$ -	$ -	$ 1,055,000	$ 1,055,000
Freight Elevator, Additional	$ -	$ -		$ -	$ -	$ 638,000	$ -	$ -	$ -	$ -	$ 638,000	$ 638,000
Fuel Tank Replacement	$ -	$ -		$ -	$ -	$ 1,030,000	$ -	$ -	$ -	$ -	$ 1,030,000	$ 1,030,000
General Aviation FIS Facility, SAT	$ 990,000	$ -		$ -	$ -	$ 4,399,000	$ -	$ -	$ -	$ -	$ 4,399,000	$ 5,389,000
Identity Management Solution	$ -	$ -		$ -	$ -	$ 824,000	$ -	$ -	$ -	$ -	$ 824,000	$ 824,000
Improvements to Airport-Owned Property	$ 650,950	$ -		$ -	$ -	$ 2,300,000	$ -	$ -	$ -	$ -	$ 2,300,000	$ 2,950,950
Integrated Control Center	$ -	$ -		$ -	$ -	$ 764,000	$ -	$ -	$ -	$ 10,800,000	$ 11,564,000	$ 11,564,000
IT Master Plan	$ 249,959	$ -		$ -	$ -	$ 200,000	$ -	$ -	$ -	$ -	$ 200,000	$ 449,959
Maintenance Office Renovation	$ 350,000	$ -		$ -	$ -	$ 674,000	$ -	$ -	$ -	$ -	$ 674,000	$ 1,024,000
Master Plan Update, SAT	$ -	$ 3,225,000		$ -	$ -	$ 1,275,000	$ -	$ -	$ -	$ -	$ 4,500,000	$ 4,500,000
Outside Plant Campus IT Ring	$ -	$ -		$ -	$ -	$ 5,390,000	$ -	$ -	$ -	$ -	$ 5,390,000	$ 5,390,000
Parking Area Surveillance	$ 605,000	$ -		$ -	$ -	$ 110,310	$ -	$ -	$ -	$ -	$ 110,310	$ 715,310
Parking Development Property	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ 9,910,000	$ 9,910,000	$ 9,910,000
Parking, Bus Area & Transfer Cut Out	$ -	$ -		$ -	$ -	$ 81,370	$ -	$ -	$ -	$ -	$ 81,370	$ 81,370
Parking, Command Center Remodel	$ -	$ -		$ -	$ -	$ 231,750	$ -	$ -	$ -	$ -	$ 231,750	$ 231,750
Parking, Garage Elevators, Replacement	$ -	$ -		$ -	$ -	$ 1,000,000	$ -	$ -	$ -	$ -	$ 1,000,000	$ 1,000,000
Parking, Garage Signage & Space Improvements	$ -	$ -		$ -	$ -	$ 1,582,000	$ -	$ -	$ -	$ -	$ 1,582,000	$ 1,582,000
Parking, Green Lot Canopies	$ -	$ -		$ -	$ -	$ 1,353,000	$ -	$ -	$ -	$ -	$ 1,353,000	$ 1,353,000
Parking, Green Lot, 4, 8, Improvements	$ 100,000	$ -		$ -	$ -	$ 2,325,032	$ -	$ -	$ -	$ -	$ 2,325,032	$ 2,425,032
Parking, Upgrade Wiring And Space Indicatorsin Long Term Parking Garage	$ -	$ -		$ -	$ -	$ 1,421,000	$ -	$ -	$ -	$ -	$ 1,421,000	$ 1,421,000
Physical Security Information Management	$ -	$ -		$ -	$ -	$ 1,493,000	$ -	$ -	$ -	$ -	$ 1,493,000	$ 1,493,000
Rehabilitate West Cargo Facilities	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ 3,502,000	$ 3,502,000	$ 3,502,000
Relocation of Gate 20, Central Delivery	$ -	$ -		$ -	$ -	$ 564,000	$ -	$ -	$ -	$ -	$ 564,000	$ 564,000
Stormwater Outfall Repairs	$ 112,000	$ -		$ -	$ -	$ 650,000	$ -	$ -	$ -	$ -	$ 650,000	$ 762,000
Support Services Building	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ 21,647,000	$ 21,647,000	$ 21,647,000
Systems Integration Project (AODB)	$ -	$ -		$ -	$ -	$ 1,623,000	$ -	$ -	$ -	$ -	$ 1,623,000	$ 1,623,000
Taxi Hold Area Restrooms	$ -	$ -		$ -	$ -	$ 206,000	$ -	$ -	$ -	$ -	$ 206,000	$ 206,000
Triturator Facility Improvement	$ -	$ -		$ -	$ -	$ 858,000	$ -	$ -	$ -	$ -	$ 858,000	$ 858,000
Wireless Mesh	$ 342,669			$ -	$ -	$ 1,743,000	$ -	$ -	$ -	$ -	$ 1,743,000	$ 2,085,669
Total Other Projects	**$ 5,622,969**	**$ 3,225,000**	**$ -**	**$ -**	**$ 4,168,930**	**$ 43,892,462**	**$ -**	**$ -**	**$ -**	**$ 45,859,000**	**$ 97,145,392**	**$ 102,768,361**

Table 7-1 (3 of 3): Funding Sources for Capital Improvement Program

(For Fiscal Years Ending September 30)

		FUNDING SOURCES										
PROJECT CATEGORY	TOTAL COSTS FUNDED TO DATE 1/	AIP GRANT	CFC 2/	PRIOR GARB	OTHER GRANTS	AVIATION DEPARTMENT FUNDS	OTHER FUNDS	PRIOR PFC BOND	PFC PAYGO	FUTURE BONDS 3/	TOTAL COSTS TO BE FUNDED	TOTAL PROJECT COSTS
Stinson Projects												
Air Traffic Control Tower	$ 537,638			$ -	$ 2,000,000	$ 1,474,406	$ -	$ -	$ -	$ -	$ 3,474,405	$ 4,012,043
Building Modifications	$ 293,331			$ -	$ 300,000	$ 300,000	$ -	$ -	$ -	$ -	$ 600,000	$ 893,331
Commander's House Redevelopment	$ -			$ -	$ -	$ 145,000	$ -	$ -	$ -	$ -	$ 145,000	$ 145,000
Field Security And It Upgrades	$ -			$ -	$ -	$ 2,815,000	$ -	$ -	$ -	$ -	$ 2,815,000	$ 2,815,000
Land Prep	$ -			$ -	$ -	$ 1,273,000	$ -	$ -	$ -	$ -	$ 1,273,000	$ 1,273,000
Master Plan Update	$ -			$ -	$ -	$ 580,000	$ -	$ -	$ -	$ -	$ 580,000	$ 580,000
Monument & Directional Signage	$ -			$ -	$ -	$ 545,000	$ -	$ -	$ -	$ -	$ 545,000	$ 545,000
Parking Lot	$ -			$ -	$ -	$ 145,000	$ -	$ -	$ -	$ -	$ 145,000	$ 145,000
Roosevelt Access Parkway	$ -			$ -	$ -	$ 2,779,000	$ 200,000	$ -	$ -	$ -	$ 2,979,000	$ 2,979,000
Taxiway D Upgrade	$ -			$ -	$ 4,545,000	$ 505,000	$ -	$ -	$ -	$ -	$ 5,050,000	$ 5,050,000
Terminal Office Space Build-Outs	$ 28,530			$ -	$ -	$ 289,000	$ -	$ -	$ -	$ -	$ 289,000	$ 317,530
Terminal Roof Replacement	$ -			$ -	$ -	$ 300,000	$ -	$ -	$ -	$ -	$ 300,000	$ 300,000
Total Stinson Projects	**$ 859,499**	**$ -**	**$ -**	**$ -**	**$ 6,845,000**	**$ 11,150,406**	**$ 200,000**	**$ -**	**$ -**	**$ -**	**$ 18,195,405**	**$ 19,054,904**
TOTAL OTHER CAPITAL PROJECTS	**$ 132,107,862**	**$ 108,619,978**	**$ -**	**$ 6,372,134**	**$ 11,013,930**	**$ 68,396,446**	**$ 2,935,000**	**$ 2,650,000**	**$ 700,083**	**$ 146,513,964**	**$ 347,201,534**	**$ 479,309,396**
TOTAL CAPITAL IMPROVEMENT PROGRAM	**$ 145,340,053**	**$ 108,619,978**	**$ 158,367,809**	**$ 6,372,134**	**$ 11,013,930**	**$ 68,396,446**	**$ 2,935,000**	**$ 2,650,000**	**$ 700,083**	**$ 146,513,964**	**$ 505,569,343**	**$ 650,909,396**

NOTE:

1/ As of September 30, 2014

2/ Funded with Series 2015 Bonds and CFC PAYGO

3/ Impact of future debt isn't incorporated into the financial projections. Source of revenues for the bonds to be determined upon implementation of the projects.

SOURCE: City of San Antonio, Department of Aviation, June 2015.

PREPARED BY: Ricondo & Associates, Inc. June 2015.

Debt service estimates for the proposed Series 2015 CFC Bonds and the Series 2015 GARB Bonds are based on the following assumptions:

- Series 2015 CFC Bonds: Approximately $124.2 million of the Series 2015 CFC Bonds will be issued to fund a portion of the costs of the Series 2015 Project and to make required fund deposits and pay costs of issuance.
  - For the purposes of estimating debt service requirements, a true interest cost of approximately 5.72 percent is assumed
- Series 2015 GARB Bonds: Approximately $39.3 million of the Series 2015 GARB Bonds will be issued to fund a portion of the costs of the Series 2015 Project and to make required fund deposits and pay costs of issuance.
  - For the purposes of estimating debt service requirements, a true interest cost of approximately 4.47 percent is assumed

7.2.3 PRIOR GARB PROCEEDS

Prior GARB bond proceeds (from the Series 2010A Bonds) are currently anticipated to fund approximately $6.4 million of Other Capital Projects costs over the Projection Period.

7.2.4 OTHER GRANTS

Other grants are currently anticipated to fund approximately $11.0 million of Other Capital Projects costs over the Projection Period. These grants include a Transportation Security Administration (TSA) Surveillance Program grant of approximately $4.2 million, FAA Texas Department of Transportation grants that total approximately $6.5 million, and FAA Texas Department of Transportation RAMP grant of approximately $300,000.

7.2.5 AVIATION DEPARTMENT FUNDS

As reflected on Table 7-1, the Aviation Department expects to use approximately $68.4 million of Airport funds for the costs of Other Capital Projects over the Projection Period.

7.2.6 OTHER FUNDS

Other funding sources are currently anticipated to fund approximately $2.9 million of Other Capital Projects costs over the Projection Period. These funding sources include approximately $2.7 million from the San Antonio Water System for a rebate program for a green project and approximately $200,000 from the City of San Antonio, Public Works for streets.

7.2.7 PRIOR PFC BOND PROCEEDS

Prior PFC bond proceeds (from the Series 2007 PFC Bonds and the Series 2010 PFC Bonds) are currently anticipated to fund approximately $2.7 million of Other Capital Projects costs over the Projection Period.

7.2.8 PFC PAYGO

PFC revenues are used by the Aviation Department to help pay for certain FAA-approved, PFC-eligible projects, using certain PFC revenues to pay for approved project costs on a PAYGO basis or pledging and assigning certain PFC revenues to pay debt service associated with bonds used to fund approved projects costs.

The FAA issued a "Record of Decision" on August 29, 2001 approving the City's initial PFC application. The City, as the owner and operator of the Airport, received authority to impose a $3.00 PFC and to collect, in the aggregate, approximately $102,500,000, in PFC Revenues. On February 15, 2005, the FAA approved an application amendment increasing the PFC funding by a net amount of $13,893,537. On February 22, 2005, the FAA approved the City's application for an additional $50,682,244 in PFC collections to be used for 11 new projects. On June 26, 2007, the FAA approved two amendments to approved applications increasing the PFC funding by a net amount of $121,611,491 for two projects and $67,621,461 for four projects. Additionally, the FAA approved the increased collection rate from $3.00 to $4.50, effective October 1, 2007. In May 2010, the FAA approved amendments to the City's PFC Authorization to increase the scope of the PFC funding for certain PFC projects and permitted the addition of several elements. The May 28, 2010 approvals increased the PFC funding amount from $380,958,549 to $573,769,028. On March 18, 2015, the City submitted an amendment to reduce the PFC collection authority from the current amount of approximately $573.8 million to approximately $463.7 million (a reduction of approximately $110.1 million). This reduction is due to (1) estimated finance and interest costs were overstated in the submittals compared to actual finance and interest costs and (2) lower project costs in some cases. The FAA issued the Final Agency Decision on April 13, 2015, approving the PFC amendment.

On October 1, 2007, the City began collecting a $4.50 PFC (less an $0.11 air carrier collection charge) per qualifying ticketed passenger. The City has received PFC "impose and use" authority, meaning that it may impose the PFC and use the resultant PFC Revenues for all projects contemplated to be completed using proceeds of PFC Bonds. As of December 31, 2014, the City has collected approximately $177.5 million in PFC Revenues (including interest earned). The current estimated PFC collection expiration date is June 1, 2028.

As shown on Table 7-1, approximately $700,000 of costs for the Other Capital Projects are anticipated to be funded with PFC revenues on a PAYGO basis over the Projection Period. The financial projections and the financing plan reflected in this report and in the accompanying tables assume the Aviation Department's current $4.50 PFC level is in place for the entire Projection Period.

7.2.9 FUTURE BOND PROCEEDS

As shown on Table 7-1, future bond proceeds are currently anticipated to fund approximately $146.5 million of Other Capital Projects costs over the Projection Period. No debt service on future bonds is incorporated into the financial projections included in this chapter. The sources of revenues for the bonds will be determined prior to implementation of the projects.

7.2.10 CURRENT OUTSTANDING BOND ISSUES

Table 7-2 presents the City's currently outstanding airport revenue bonds and PFC bonds. As shown, the total outstanding principal balance, as of September 30, 2014, for the airport revenues bonds and PFC bonds is approximately $194.2 million and approximately $148.7 million, respectively. In total, the City's total outstanding bond issues are approximately $342.9 million.

7.2.11 ANNUAL DEBT SERVICE

Table 7-3 presents annual debt service for FY 2015 through FY 2023 for outstanding bonds and Series 2015 Bonds. As shown in Table 7-3, total debt service is projected to increase from approximately $33.4 million in FY 2015 to approximately $40.0 million FY 2023.

7.3 Operating and Maintenance Expenses

O&M Expenses are reported in the following categories: personal expenses, contractual services, and commodities/utilities/common services/other. O&M Expenses, as defined in the Airport Revenue Bond Ordinances, do not include depreciation expense, interest expense on bonds, amortization of bond costs, or gain/loss on disposal of fixed assets. For the purposes of calculating airline fees and rents at the Airport, the Aviation Department also classifies O&M Expenses into cost centers.

As described in Section 7.1.2, direct cost centers include:

- Airfield
- Apron
- Landside Terminal Building
- Concourse A
- Concourse B
- BHS and Security Checkpoint
- Loading Bridges
- Other Cost Centers (comprised of Aviation Service Area, Commercial and Industrial, and Other Buildings and Areas)
- Parking
- Stinson

Indirect costs centers include:

- Administration
- Fire and Rescue
- Access
- Central Plant
- Maintenance, Direct, and Control
- Security
- Operations

Table 7-2: Current Outstanding Bond Issues

BOND SERIES		PRINCIPAL AS OF MAY 1, 2015
Current Outstanding Airport Revenue Bonds		
Series 2007 Revenue Bonds	$	71,540,000
Series 2010 Revenue Bonds	$	41,415,000
Series 2010 Revenue Refunding Bonds	$	17,885,000
Series 2012 Revenue Refunding Bonds	$	63,375,000
Total Outstanding Airport Revenue Bonds	**$**	**194,215,000**
Current Outstanding PFC Bonds		
Series 2005 PFC Bonds	$	29,330,000
Series 2007 PFC Bonds	$	61,760,000
Series 2010 PFC Bonds	$	34,185,000
Series 2012 PFC Refunding Bonds	$	23,395,000
Total Outstanding PFC Bonds	**$**	**148,670,000**
Total Outstanding Bond Issues	**$**	**342,885,000**

SOURCE: City of San Antonio, Department of Aviation, May 2015

PREPARED BY: Ricondo & Associates, Inc., May 2015

Table 7-3: Debt Service

(for the Fiscal Years ending September 30)

		ESTIMATED	PROJECTED							
		2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Debt Service:										
Series 2001 Revenue Bonds [1/]		$ 4,977,608	$ 4,980,761	$ 4,976,241	$ 4,980,898	$ -	$ -	$ -	$ -	$ -
Series 2005 PFC Bonds		$ 2,686,813	$ 2,687,275	$ 2,684,813	$ 2,688,938	$ 2,689,125	$ 2,685,375	$ 2,687,688	$ 2,685,538	$ 2,688,925
Series 2007 Bonds		$ 6,224,015	$ 6,223,390	$ 6,221,640	$ 6,223,390	$ 6,220,878	$ 6,220,490	$ 6,221,703	$ 6,223,990	$ 6,221,828
Series 2007 PFC Bonds		$ 5,332,100	$ 5,329,413	$ 5,330,913	$ 5,331,663	$ 5,330,150	$ 5,331,813	$ 5,331,125	$ 5,327,825	$ 5,331,650
Series 2010A GARBs [2/] and 2010 PFC Bonds		$ 5,203,231	$ 5,200,106	$ 5,204,856	$ 5,202,356	$ 5,202,106	$ 5,200,681	$ 5,200,431	$ 5,202,756	$ 5,205,431
Series 2012 Revenue Bonds [3/]		$ 6,560,150	$ 6,565,150	$ 6,567,400	$ 6,574,900	$ 6,585,800	$ 6,596,100	$ 6,602,700	$ 6,616,700	$ 6,622,500
Series 2012 PFC Bonds [3/]		$ 2,427,150	$ 2,432,450	$ 2,433,700	$ 2,431,450	$ 2,440,700	$ 2,440,700	$ 2,446,700	$ 2,443,200	$ 2,455,450
Series 2015 CFC Bonds		$ -	$ 6,380,932	$ 6,939,987	$ 6,939,987	$ 6,939,987	$ 7,939,987	$ 8,157,917	$ 8,412,692	$ 8,687,738
Series 2015 GARB Bonds		$ -	$ 1,807,858	$ 1,966,250	$ 1,966,250	$ 1,966,250	$ 2,736,250	$ 2,737,750	$ 2,737,250	$ 2,734,750
Total Debt Service		**$ 33,411,067**	**$ 41,607,334**	**$ 42,325,799**	**$ 42,339,830**	**$ 37,374,995**	**$ 39,151,395**	**$ 39,386,013**	**$ 39,649,950**	**$ 39,948,271**
Total Debt Service by Type										
PFC Supported Debt Service										
Series 2005 PFC Bonds		$ 2,686,813	$ 2,687,275	$ 2,684,813	$ 2,688,938	$ 2,689,125	$ 2,685,375	$ 2,687,688	$ 2,685,538	$ 2,688,925
Series 2007 PFC Bonds		$ 5,332,100	$ 5,329,413	$ 5,330,913	$ 5,331,663	$ 5,330,150	$ 5,331,813	$ 5,331,125	$ 5,327,825	$ 5,331,650
Series 2010 PFC Bonds		$ 2,395,700	$ 2,393,875	$ 2,394,500	$ 2,395,650	$ 2,394,000	$ 2,394,425	$ 2,394,425	$ 2,395,750	$ 2,396,563
Series 2012 PFC Bonds [3/]		$ 2,427,150	$ 2,432,450	$ 2,433,700	$ 2,431,450	$ 2,440,700	$ 2,440,700	$ 2,446,700	$ 2,443,200	$ 2,455,450
Total PFC Supported Debt Service	[A]	$ 12,841,763	$ 12,843,013	$ 12,843,925	$ 12,847,700	$ 12,853,975	$ 12,852,313	$ 12,859,938	$ 12,852,313	$ 12,872,588
CFC Supported Debt Service:										
Series 2015 CFC Bonds		$ -	$ 6,380,932	$ 6,939,987	$ 6,939,987	$ 6,939,987	$ 7,939,987	$ 8,157,917	$ 8,412,692	$ 8,687,738
Total CFC Supported Debt Service	[B]	$ -	$ 6,380,932	$ 6,939,987	$ 6,939,987	$ 6,939,987	$ 7,939,987	$ 8,157,917	$ 8,412,692	$ 8,687,738
GARB Debt Service:										
Series 2001 Revenue Bonds [1/]		$ 4,977,608	$ 4,980,761	$ 4,976,241	$ 4,980,898	$ -	$ -	$ -	$ -	$ -
Series 2007 Bonds		$ 6,224,015	$ 6,223,390	$ 6,221,640	$ 6,223,390	$ 6,220,878	$ 6,220,490	$ 6,221,703	$ 6,223,990	$ 6,221,828
Series 2010A GARBs [2/ 4/]		$ 2,807,531	$ 2,806,231	$ 2,810,356	$ 2,806,706	$ 2,808,106	$ 2,806,256	$ 2,806,006	$ 2,807,006	$ 2,808,869
Series 2012 Revenue Bonds [3/]		$ 6,560,150	$ 6,565,150	$ 6,567,400	$ 6,574,900	$ 6,585,800	$ 6,596,100	$ 6,602,700	$ 6,616,700	$ 6,622,500
Series 2015 GARB Bonds [5/]		$ -	$ 1,807,858	$ 1,966,250	$ 1,966,250	$ 1,966,250	$ 2,736,250	$ 2,737,750	$ 2,737,250	$ 2,734,750
Total Non PFC Supported Debt Service	[C]	$ 20,569,304	$ 22,383,390	$ 22,541,887	$ 22,552,144	$ 17,581,034	$ 18,359,096	$ 18,368,159	$ 18,384,946	$ 18,387,946
Total Debt Service	**[D = A + B + C]**	**$ 33,411,067**	**$ 41,607,334**	**$ 42,325,799**	**$ 42,339,830**	**$ 37,374,995**	**$ 39,151,395**	**$ 39,386,013**	**$ 39,649,950**	**$ 39,948,271**

NOTES

1/ After incorporating 2010B Taxable GARBs.

2/ Net of capitalized interest.

3/ 2012 refunding 2002 Bonds

4/ A portion of the Series 2007 Bonds and Series 2010 A Bonds are eligible to be paid from PFCs, if available

5/ The Series 2015 GARB Bonds are eligible to be paid from CFCs, if available

SOURCE: City of San Antonio, Department of Aviation, May 2015

PREPARED BY: Ricondo & Associates, Inc., May 2015

O&M Expenses for the indirect cost centers are allocated to the direct costs.

Table 7-4 presents total O&M Expenses by category and cost center, after allocation of indirect expenses, for estimated FY 2015 and projected FY 2016 through FY 2023. As shown, total O&M Expenses are estimated to increase from approximately $52.7 million for FY 2015 to approximately $69.1 million in FY 2023, representing a compound annual growth rate of approximately 3.4 percent. In general, the projections of O&M Expenses are based on the following data and factors: (1) historical trends; (2) the Aviation Department's estimated FY 2015; (3) anticipated inflationary impacts; and (4) projected cost impacts of capital projects scheduled to be completed during the Projection Period to be provided.

7.3.1 PERSONAL SERVICES

Personal services are the largest category of O&M Expenses, representing approximately 55.9 percent of total O&M Expenses estimated for FY 2015. Personal services costs are projected to increase from approximately $29.5 million in FY 2015 to approximately $37.3 million in FY 2023 representing a compound annual growth rate of approximately 3.0 percent. In general, projected increases in this category are attributable to: (1) cost of living increases, merit increases, and other salary adjustments; and (2) increases in costs related to health insurance and other benefits.

7.3.2 CONTRACTUAL SERVICES

Contractual services expenses represented approximately 21.0 percent of total O&M Expenses estimated for FY 2015. This category of expenses consists primarily of fees incurred for consulting services and other contracts for services supplied by vendors, such as parking operating services, pest control, and heavy equipment maintenance. Contractual services expenses are projected to increase from approximately $11.1 million in FY 2015 to approximately $16.3 million in FY 2023, representing a compound annual growth rate of approximately 4.9 percent.

7.3.3 COMMODITIES, UTILITIES, SERVICES, AND OTHER

The remaining categories of expenses represent approximately 23.1 percent of total O&M Expenses estimated for FY 2015. These categories consist of the following:

- Commodities – include office supplies, janitorial supplies, facility repair parts, other supplies, and expenses recognized for the loss of equipment sales.
- Utilities – costs associated with gas, electric, water and sewage services provided to Airport areas.
- Common services – consist primarily of charges from the City for services rendered to the Aviation Department, including the following: (1) administrative services such as accounting, payroll, and internal audit services; (2) the Aviation Department's share of the cost of the City's Disadvantaged Business Enterprise ("DBE") outreach program; and (3) health insurance premiums for Aviation Department retirees.
- Other expenses – consist primarily of insurance premium costs, including contributions to insurance claim reserve funds and certain other expenses.

Table 7-4: O&M Expenses

(for the Fiscal Years ending September 30)

	ESTIMATED	PROJECTED							
	2015	2016	2017	2018	2019	2020	2021	2022	2023
O&M Expenses by Major Object Category									
Personal Services	$ 29,470,546	$ 30,315,637	$ 31,225,106	$ 32,161,859	$ 33,126,715	$ 34,120,517	$ 35,144,132	$ 36,198,456	$ 37,284,410
Contractual Services	$ 11,071,833	$ 11,559,157	$ 12,137,115	$ 12,743,970	$ 13,381,169	$ 14,050,227	$ 14,752,739	$ 15,490,375	$ 16,264,894
Commodities/Utilities/Common Services/Other	$ 12,148,140	$ 11,948,770	$ 12,400,491	$ 12,869,622	$ 13,356,848	$ 13,862,883	$ 14,388,469	$ 14,934,380	$ 15,501,418
Total O&M Expenses	$ 52,690,519	$ 53,823,564	$ 55,762,712	$ 57,775,451	$ 59,864,732	$ 62,033,627	$ 64,285,340	$ 66,623,211	$ 69,050,722
Total O&M Expenses By Cost Center After Allocation of Indirect Expenses									
Airfield	$ 12,416,409	$ 12,644,189	$ 13,060,367	$ 13,490,649	$ 13,935,528	$ 14,395,517	$ 14,871,147	$ 15,362,969	$ 15,871,553
Apron	$ 3,104,102	$ 3,161,047	$ 3,265,092	$ 3,372,662	$ 3,483,882	$ 3,598,879	$ 3,717,787	$ 3,840,742	$ 3,967,888
Terminal Building	$ 17,955,546	$ 18,321,449	$ 18,962,767	$ 19,627,637	$ 20,316,969	$ 21,031,713	$ 21,772,855	$ 22,541,425	$ 23,338,491
Baggage Handling System and Security Checkpoint	$ 1,800,588	$ 1,838,477	$ 1,903,984	$ 1,971,849	$ 2,042,157	$ 2,114,996	$ 2,190,459	$ 2,268,641	$ 2,349,640
Loading Bridges	$ 449,200	$ 464,932	$ 481,216	$ 498,071	$ 515,518	$ 533,577	$ 552,269	$ 571,617	$ 591,645
Other Cost Centers	$ 2,272,290	$ 2,329,868	$ 2,423,241	$ 2,520,595	$ 2,622,107	$ 2,727,967	$ 2,838,369	$ 2,953,519	$ 3,073,632
Parking	$ 12,396,040	$ 12,716,009	$ 13,231,618	$ 13,769,329	$ 14,330,139	$ 14,915,088	$ 15,525,265	$ 16,161,810	$ 16,825,919
Stinson	$ 2,296,344	$ 2,347,591	$ 2,434,426	$ 2,524,659	$ 2,618,432	$ 2,715,891	$ 2,817,190	$ 2,922,489	$ 3,031,954
Total O&M Expenses	**$ 52,690,519**	**$ 53,823,564**	**$ 55,762,712**	**$ 57,775,451**	**$ 59,864,732**	**$ 62,033,627**	**$ 64,285,340**	**$ 66,623,211**	**$ 69,050,722**

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

Expenses in this category are projected to increase from approximately $12.1 million in FY 2015 to approximately $15.5 million in FY 2023, representing a compound annual growth rate of approximately 3.1 percent. Table 7-4 also presents a summary of projected O&M Expenses after allocation to direct cost centers.

7.4 Non-Airline Revenues

Pursuant to the GARB Ordinances, the City has covenanted that all Airport System Gross Revenues will be deposited into the Revenue Fund to be pledged as security for the Parity Obligations. For the purposes of this Report, components of Gross Revenues are categorized as Airline Revenues, presented in a following section and projected based on the provisions of the proposed Airline Agreement, Non-airline revenues, described in this section, and other deposits or credits described in more detail in the following sections.

Table 7-5 presents non-airline revenues at the Airport System estimated for FY 2015 and projected for FY 2016 through FY 2023. As shown, non-airline revenues are estimated at approximately $51.1 million in FY 2015 and are projected to increase to approximately $62.8 million in FY 2023. This projected increase in non-airline revenues between FY 2015 and FY 2023 represents a compound annual growth rate of approximately 2.6 percent. In general, projections of future non-airline revenues were based on a review of historical trends, the anticipated impacts of inflation, and projected growth in activity over the projection period. Non-airline revenue projections presented in Table 7-5 are described in the following sections.

7.4.1 AIRFIELD

Airfield non-airline revenues are comprised of fuel flowage revenues provided by FBOs. Fuel flowage revenues are projected to increase from approximately $602,000 in FY 2015 to approximately $706,000 in FY 2023, representing a compound annual growth rate of approximately 2.0 percent.

7.4.2 TERMINAL

Non-airline terminal revenues include the following: (1) food and beverage concessions; (2) news, gift, and other concessions; and (3) other terminal revenues. Non-airline terminal revenues are projected to increase from approximately $8.7 million in FY 2015 to approximately $11.5 million in FY 2023, representing a compound annual growth rate of approximately 3.6 percent. These components of non-airline terminal revenues are described in more detail below.

Table 7-5: Non-Airline Revenue

(for the Fiscal Years ending September 30)

	ESTIMATED	PROJECTED							
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Nonairline Revenues									
Airfield									
Fuel Flowage	$ 601,734	$ 614,000	$ 626,000	$ 639,000	$ 652,000	$ 665,000	$ 678,000	$ 692,000	$ 706,000
Total Airfield	$ 601,734	$ 614,000	$ 626,000	$ 639,000	$ 652,000	$ 665,000	$ 678,000	$ 692,000	$ 706,000
Terminal									
Food and Beverage Concessions	$ 3,056,089	$ 3,168,000	$ 3,294,000	$ 3,423,000	$ 3,555,000	$ 3,690,000	$ 3,829,000	$ 3,971,000	$ 4,116,000
News and Gifts and Other Concessions	$ 4,431,771	$ 4,595,000	$ 4,778,000	$ 4,965,000	$ 5,157,000	$ 5,353,000	$ 5,554,000	$ 5,760,000	$ 5,971,000
Other Terminal Revenues	$ 1,220,468	$ 1,245,000	$ 1,270,000	$ 1,295,000	$ 1,321,000	$ 1,347,000	$ 1,374,000	$ 1,401,000	$ 1,429,000
Total Terminal	$ 8,708,328	$ 9,008,000	$ 9,342,000	$ 9,683,000	$ 10,033,000	$ 10,390,000	$ 10,757,000	$ 11,132,000	$ 11,516,000
Terminal Area									
Car Rental Revenues	$ 10,100,000	$ 10,471,000	$ 10,888,000	$ 11,315,000	$ 11,752,000	$ 12,200,000	$ 12,658,000	$ 13,127,000	$ 13,608,000
Parking Revenues	$ 22,000,000	$ 22,472,000	$ 23,021,000	$ 23,570,000	$ 24,119,000	$ 24,668,000	$ 25,217,000	$ 25,766,000	$ 26,315,000
Other Terminal Area	$ 807,431	$ 825,000	$ 845,000	$ 865,000	$ 885,000	$ 905,000	$ 925,000	$ 945,000	$ 965,000
Total Terminal Area	$ 32,907,431	$ 33,768,000	$ 34,754,000	$ 35,750,000	$ 36,756,000	$ 37,773,000	$ 38,800,000	$ 39,838,000	$ 40,888,000
Total General Aviation and Commercial Activity	$ 7,745,070	$ 7,822,521	$ 7,900,746	$ 7,979,753	$ 8,059,551	$ 8,140,146	$ 8,221,548	$ 8,303,763	$ 8,386,801
Total Miscellaneous/Other	$ 772,286	$ 780,009	$ 787,809	$ 795,687	$ 803,644	$ 811,680	$ 819,797	$ 827,995	$ 836,275
Total San Antonio International Airport	$ 50,734,849	$ 51,992,530	$ 53,410,555	$ 54,847,440	$ 56,304,195	$ 57,779,827	$ 59,276,345	$ 60,793,758	$ 62,333,076
Stinson	$ 305,194	$ 311,298	$ 317,524	$ 323,874	$ 330,352	$ 336,959	$ 343,698	$ 350,572	$ 357,583
Investment Earnings	$ 67,473	$ 67,473	$ 67,473	$ 67,473	$ 67,473	$ 67,473	$ 67,473	$ 67,473	$ 67,473
Total Nonairline Revenue	**$ 51,107,516**	**$ 52,371,300**	**$ 53,795,552**	**$ 55,238,788**	**$ 56,702,020**	**$ 58,184,259**	**$ 59,687,516**	**$ 61,211,803**	**$ 62,758,132**

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

- Food and beverage concession revenues – the food and beverage concessionaires pay the greater of a minimum annual guarantee (MAG) or concession fees ranging from approximately 10.0 percent to approximately 18.0 percent of their gross sales, depending on the category of food and beverage, their level of sales, and negotiated rental rates based on a competitive request for proposal (RFP) process. Food and beverage concessions revenues are projected to increase from approximately $3.1 million in FY 2015 to approximately $4.1 million in FY 2023, representing a compound annual growth rate of approximately 3.8 percent. Over the Projection Period, food and beverage concession revenues are projected to increase based on projected passenger enplanement growth plus approximately 1.5 percent per year, a factor representing one-half the assumed rate of inflation.
- News, gift, and other concession revenues – The concessionaires that operate news and gift stores pay the greater of a MAG or percentage of concession fees ranging from approximately 14.0 percent to approximately 25.0 percent of their gross sales, depending on the type of store and negotiated rental rates based on a competitive RFP process. News, gift, and other concession revenues are projected to increase from approximately $4.4 million in FY 2015 to approximately $6.0 million in FY 2023, representing a compound annual growth rate of approximately 3.8 percent. Over the Projection Period, news, gift, and other concession revenues are projected to increase based on projected passenger enplanement growth plus approximately 1.5 percent per year, a factor representing one-half the assumed rate of inflation.
- Other terminal revenues – includes rents and fees collected from the operators of flight kitchen catering, advertising displays in the terminal buildings, ground transportation, and other terminal building rentals. Clear Channel / Interspace provides advertising display services at the Airport under the terms of a ten-year agreement that extends to October 2017. Clear Channel / Interspace pays a percentage of revenues received from advertising displays ranging from approximately 60.0 percent on indoor static displays to approximately 30.0 percent on outdoor advertising, with a minimum annual guarantee of approximately $700,000. Other terminal revenues are projected to increase from approximately $1.2 million in FY 2015 to approximately $1.4 million in FY 2023, representing a compound annual growth rate of approximately 2.0 percent.

7.4.3 TERMINAL AREA

Terminal Area non-airline revenues are comprised of car rental revenues and parking revenues. Combined, these sources of terminal Area non-airline revenues are projected to increase from approximately $32.9 million in FY 2015 to approximately $40.9 million in FY 2023, representing a compound annual growth rate of approximately 2.8 percent. Projections of non-airline Terminal Area revenues are described below.

- Car rental revenues – the rental car companies that operate at the Airport pay the greater of a MAG or a concession fee of approximately 10.0 percent of their gross revenues. Current concession agreements with the nine rental car companies operating at the Airport have terms that expire June 30, 2017.[2] Car rental revenues are projected to increase from approximately $10.1 million in FY 2015

[2] The expiration date is subject to change to the first day of the month following the opening of the CONRAC Facility, which will coincide with the new Concession Agreement.

to approximately $13.6 million in FY 2023. Over this period, car rental revenues are projected to increase based on projected passenger enplanement growth plus a factor representing one-half the assumed rate of inflation per year, resulting in a compound annual growth rate of approximately 3.8 percent over the Projection Period.

- Parking revenues – the Aviation Department receives revenues from public parking lots at the Airport, as well as parking revenues from employees of the airlines and other tenants of the Airport. Parking revenues are projected to increase from approximately $22.0 million in FY 2015 to approximately $26.3 million in FY 2023, representing a compound annual growth rate of approximately 2.3 percent. Over the Projection Period, parking revenues are projected based on projected passenger enplanement levels.
- Other terminal revenues – Other terminal revenues are projected to increase from approximately $807,000 in FY 2015 to approximately $965,000 in FY 2023, representing a compound annual growth rate of approximately 2.3 percent.

7.4.4 GENERAL AVIATION AND COMMERCIAL ACTIVITY

General aviation and commercial activity non-airline revenues are comprised of revenues collected from the aviation service area and commercial and industrial areas at the Airport. As shown in Table 7-5, total general aviation and commercial activity revenues are projected to increase from approximately $7.7 million in FY 2015 to approximately $8.4 million in FY 2023, representing a compound annual growth rate of approximately 1.0 percent per year.

The aviation services area includes revenues from building rentals and ground rents from the FBOs and cargo operators, and rentals received for the cargo apron area. The Airport currently has four FBOs including Landmark Aviation, Signature Flight Support Services, Smart Traveling, and Hallmark/Millionaire. The commercial and industrial areas non-airline revenues include building and ground rentals received from tenants that operate aircraft assembly, aircraft maintenance, and related commercial/industrial activities at the Airport. Tenants providing commercial activity services at the Airport include ST Aerospace San Antonio, LP (lease term through December 31, 2028), M7 Aerospace, LP (lease term through November 30, 2020), and Cessna Citation Service Center (lease term through October 2026).

7.4.5 STINSON

Revenues from Stinson consist primarily of rentals, fees, and charges assessed to the FBOs operating at Stinson. Total Stinson revenues are projected to increase from approximately $305,000 in FY 2015 to approximately $358,000 in FY 2023, representing a compound annual growth rate of approximately 2.0 percent.

7.4.6 INVESTMENT EARNINGS

The Aviation Department earns interest on its cash balances, including balances in the various accounts established pursuant to the Bond Ordinances. Based on FY 2015 estimated amounts and projected cash balances, investment earnings are projected to remain stable at approximately $67,000 throughout the Projection Period.

7.5 Airline Revenues

Airline revenues are estimated at approximately $30.8 million in FY 2015 and are projected to increase to approximately $36.7 million in FY 2023. This projected increase in airline revenues between FY 2015 and FY 2023 represents a compound annual growth rate of approximately 2.2 percent.

7.5.1 TERMINAL RENTAL REVENUES

The terminal rental rate calculation combines the cost center-specific direct and indirect O&M Expenses, O&M Reserve Requirement, debt service (less excess PFC revenues), and debt service coverage requirement. It allocates the airline share of the terminal requirement proportionate to airline rentable space in the terminal building. This net requirement is reduced by prior year debt service coverage, competitive credit allocated to the terminal, and terminal project start up adjustments. The total terminal building airline rental revenue requirement is divided by airline rentable square feet to determine the average airline rental rate. Additionally, the Airport calculates terminal rental rates for airline preferential/common use space and airline unenclosed space. The terminal rental rate for airline preferential/common use space is calculated by dividing the total terminal building airline rental revenue requirement of preferential and common use space by the total airline preferential and common use rented space. The airline unenclosed terminal rental rate is approximately 60.0 percent of the preferential and common use terminal rental rate. The Airline Agreement includes a provision for a competitive credit, which reduces the airline rates. A portion of the competitive credit is required and a portion of the competitive credit is subject to the Director of Aviation's discretion.

Table 7-6 presents the terminal building rental rate calculation and revenues for FY 2015 through FY 2023. As shown, the airline share of the respective terminal building requirement is reduced by credits, to the extent that they are available, for prior period debt service coverage and a competitive credit. The amount available to be applied as a competitive credit is determined based on projected cash flow requirements in the capital improvement fund, after accounting for the required debt service coverage deposit and amounts to be reserved for the capital improvement fund (assumed to be 20.0 percent of Airport non-airline revenues). The competitive credit is applied at the Aviation Department's discretion in manner that seeks to mitigate rate disparities between the terminal building and airfield and provide for a competitive rate for both cost centers.

7.5.2 BAGGAGE HANDLING SYSTEM AND SECURITY CHECKPOINT REVENUES

The BHS and security checkpoint revenue requirement combines the cost center-specific direct and indirect O&M Expenses, O&M reserve requirement, total debt service (net of PFC revenues), net debt service coverage (rolling basis) and is reduced by the competitive credit allocated to the BHS and security checkpoint at the Director of Aviation's discretion. The BHS and security checkpoint revenue requirement will be allocated to airlines based on the common use (20%-80% formula) calculation. **Table 7-7** presents the BHS and security checkpoint requirement and revenues for FY 2015 through FY 2023.

Table 7-6: Terminal Building Rental Rate Requirement

(for the Fiscal Years ending September 30)

	ESTIMATED	PROJECTED							
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Terminal Building Revenue Requirement									
O&M Expenses	$ 17,955,546	$ 18,321,449	$ 18,962,767	$ 19,627,637	$ 20,316,969	$ 21,031,713	$ 21,772,855	$ 22,541,425	$ 23,338,491
O&M Expense Reserve Requirement	$ 132,221	$ 160,330	$ 166,217	$ 172,333	$ 178,686	$ 185,286	$ 192,142	$ 199,267	$ 206,669
Debt Service	$ 9,312,644	$ 9,326,807	$ 9,328,513	$ 9,329,920	$ 7,916,700	$ 7,917,748	$ 7,920,085	$ 7,926,140	$ 7,927,962
Debt Service Coverage Requirement (.25x)	$ 2,328,161	$ 2,331,702	$ 2,332,128	$ 2,332,480	$ 1,979,175	$ 1,979,437	$ 1,980,021	$ 1,981,535	$ 1,981,990
Less: Excess PFC Revenues	$ (2,129,450)	$ (2,116,611)	$ (2,116,611)	$ (2,116,611)	$ (2,116,611)	$ (2,116,611)	$ (2,116,611)	$ (2,116,611)	$ (2,116,611)
Total Terminal Building Revenue Requirement	$ 27,599,123	$ 28,023,677	$ 28,673,016	$ 29,345,760	$ 28,274,920	$ 28,997,573	$ 29,748,493	$ 30,531,755	$ 31,338,502
Terminal Building Square Feet									
Airline Rentable Space (Preferential and Common Use)	149,047	149,047	149,047	149,047	149,047	149,047	149,047	149,047	149,047
Airline Fenced Area	2,551	2,551	2,551	2,551	2,551	2,551	2,551	2,551	2,551
Airline Baggage Makeup Space	38,992	38,992	38,992	38,992	38,992	38,992	38,992	38,992	38,992
Airline Tug Lane Square Feet	34,051	34,051	34,051	34,051	34,051	34,051	34,051	34,051	34,051
Other Rentable Space	111,438	111,438	111,438	111,438	111,438	111,438	111,438	111,438	111,438
Total Terminal Building Rentable Space	336,079	336,079	336,079	336,079	336,079	336,079	336,079	336,079	336,079
Airline Percentage - Rentable Space	66.8%	66.8%	66.8%	66.8%	66.8%	66.8%	66.8%	66.8%	66.8%
Non-Airline Percentage - Rentable Space	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%
Airline Share Terminal Building Requirement	$ 18,447,762	$ 18,731,541	$ 19,165,572	$ 19,615,246	$ 18,899,477	$ 19,382,512	$ 19,884,440	$ 20,407,987	$ 20,947,232
Less: Prior Year Debt Service Coverage	$ (1,693,680)	$ (1,556,186)	$ (1,558,552)	$ (1,558,838)	$ (1,559,073)	$ (1,322,917)	$ (1,323,092)	$ (1,323,483)	$ (1,324,494)
Less: Competitive Credit	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less: Terminal Project Start Up Adjustment	$ 194,584	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Terminal Building Airline Rental Revenue Requirement	$ 16,948,665	$ 17,175,356	$ 17,607,019	$ 18,056,409	$ 17,340,404	$ 18,059,595	$ 18,561,348	$ 19,084,505	$ 19,622,737
Average Airline Rental Rate (per square foot)	$ 75.45	$ 76.46	$ 78.38	$ 80.38	$ 77.19	$ 80.39	$ 82.63	$ 84.96	$ 87.35
Airline Rentable Space	224,641	224,641	224,641	224,641	224,641	224,641	224,641	224,641	224,641
Total Terminal Building Airline Rental Revenue Requirement	$ 16,948,665	$ 17,175,356	$ 17,607,019	$ 18,056,409	$ 17,340,404	$ 18,059,595	$ 18,561,348	$ 19,084,505	$ 19,622,737
Airline Rented Space as a Percentage of Airline Rentable Space	89.6%	89.6%	89.6%	89.6%	89.6%	89.6%	89.6%	89.6%	89.6%
Total Terminal Building Airline Rental Revenues	$ 15,192,469	$ 15,395,670	$ 15,782,605	$ 16,185,429	$ 15,543,616	$ 16,188,285	$ 16,638,048	$ 17,106,996	$ 17,589,457
Differentiated Terminal Building Rental Rates									
Airline Preferential and Common Use Terminal Rental Rate	$ 88.78	$ 89.97	$ 92.23	$ 94.58	$ 90.83	$ 94.60	$ 97.23	$ 99.97	$ 102.79
Airline Unenclosed (Baggage Makeup, Tug Lane and Fenced Area)Terminal Rental Rate	$ 53.27	$ 53.98	$ 55.34	$ 56.75	$ 54.50	$ 56.76	$ 58.34	$ 59.98	$ 61.67
Airline Preferential and Common Use Space									
Airline Preferential and Common Use Terminal Rental Rate (per sq/ft)	$ 88.78	$ 89.97	$ 92.23	$ 94.58	$ 90.83	$ 94.60	$ 97.23	$ 99.97	$ 102.79
Airline Rented Space (Preferential and Common Use) (square feet)	125,770	125,770	125,770	125,770	125,770	125,770	125,770	125,770	125,770
Airline Preferential and Common Use Space Rental Revenues	$ 11,165,778	$ 11,315,122	$ 11,599,502	$ 11,895,559	$ 11,423,856	$ 11,897,658	$ 12,228,213	$ 12,572,869	$ 12,927,456
Airline Baggage Makeup and Tug Lane Space									
Airline Unenclosed (Baggage Makeup, Tug Lane and Fenced Area)Terminal Rental Rate (per sq ft) 1/	$ 53.27	$ 53.98	$ 55.34	$ 56.75	$ 54.50	$ 56.76	$ 58.34	$ 59.98	$ 61.67
Airline Unenclosed (Baggage Makeup, Tug Lane and Fenced Area) (square feet)	75,594	75,594	75,594	75,594	75,594	75,594	75,594	75,594	75,594
Airline Unenclosed (Baggage Makeup, Tug Lane and Fenced Area) Rental Revenues	$ 4,026,691	$ 4,080,548	$ 4,183,103	$ 4,289,870	$ 4,119,761	$ 4,290,627	$ 4,409,834	$ 4,534,127	$ 4,662,001
Total Terminal Building Airline Rental Revenues	**$ 15,192,469**	**$ 15,395,670**	**$ 15,782,605**	**$ 16,185,429**	**$ 15,543,616**	**$ 16,188,285**	**$ 16,638,048**	**$ 17,106,996**	**$ 17,589,457**
Non-Signatory Airline Average Terminal Building Rental Rate 2/	$ 86.76	$ 87.93	$ 90.14	$ 92.44	$ 88.77	$ 92.45	$ 95.02	$ 97.70	$ 100.45
Non-Signatory Airline Preferential and Common Use Terminal Rental Rate 2/	$ 102.10	$ 103.46	$ 106.06	$ 108.77	$ 104.46	$ 108.79	$ 111.81	$ 114.96	$ 118.20
Non-Signatory Airline Unenclosed (Baggage Makeup, Tug Lane and Fenced Area) Terminal Rental Rate 2/	$ 61.26	$ 62.08	$ 63.64	$ 65.26	$ 62.67	$ 65.27	$ 67.09	$ 68.98	$ 70.92
Total Terminal Building Non-Airline Rental Revenues	**$ 9,151,361**	**$ 9,292,135**	**$ 9,507,444**	**$ 9,730,514**	**$ 9,375,443**	**$ 9,615,061**	**$ 9,864,053**	**$ 10,123,768**	**$ 10,391,270**
Average Non-Airline Rental Rate (per square foot)	$ 82.12	$ 83.38	$ 85.32	$ 87.32	$ 84.13	$ 86.28	$ 88.52	$ 90.85	$ 93.25

NOTES:
1/ 60 percent of Airline Preferential and Common Use Terminal Rental Rate.
2/ 115 percent of the calculated rate charged to the airlines that have signed the Airline Operating Agreement and Terminal Building Lease.

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

Table 7-7: Baggage Handling System and Security Checkpoint Requirement

(for the Fiscal Years ending September 30)

	ESTIMATED	PROJECTED							
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Baggage Handling System and Security Checkpoint Revenue Requirement									
O&M Expenses Baggage Handling System	$ 1,526,588	$ 1,554,887	$ 1,610,469	$ 1,668,060	$ 1,727,736	$ 1,789,570	$ 1,853,643	$ 1,920,036	$ 1,988,835
O&M Expenses Security Checkpoint	$ 274,000	$ 283,590	$ 293,516	$ 303,789	$ 314,421	$ 325,426	$ 336,816	$ 348,605	$ 360,806
O&M Expense Reserve Requirement	$ 9,957	$ 16,377	$ 16,966	$ 17,577	$ 18,210	$ 18,866	$ 19,545	$ 20,250	$ 20,980
Debt Service	$ 1,300,661	$ 1,305,996	$ 1,305,608	$ 1,305,987	$ 1,295,420	$ 1,295,332	$ 1,295,581	$ 1,296,044	$ 1,295,577
Debt Service Coverage Requirement (.25x)	$ 325,165	$ 326,499	$ 326,402	$ 326,497	$ 323,855	$ 323,833	$ 323,895	$ 324,011	$ 323,894
Less: Competitive Credit	$ (350,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less: Prior Year Debt Service Coverage	$ (324,388)	$ (325,165)	$ (326,499)	$ (326,402)	$ (326,497)	$ (323,855)	$ (323,833)	$ (323,895)	$ (324,011)
Less: Excess PFC Revenues	$ (1,000,701)	$ (1,000,936)	$ (1,000,936)	$ (1,000,936)	$ (1,000,936)	$ (1,000,936)	$ (1,000,936)	$ (1,000,936)	$ (1,000,936)
Total Baggage Handling System and Security Checkpoint Revenue Requirement 1/	**$ 1,761,282**	**$ 2,161,247**	**$ 2,225,525**	**$ 2,294,572**	**$ 2,352,209**	**$ 2,428,236**	**$ 2,504,711**	**$ 2,584,115**	**$ 2,665,144**

NOTE:
1/ Prorated based on the 20/80 common use formula.

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

7.5.3 LOADING BRIDGE REVENUES

The City currently owns 24 loading bridges; airlines lease 19 gates and the remaining 5 are City gates. The loading bridge revenue requirement for City-owned loading bridges combines the cost center-specific direct O&M Expenses, O&M reserve requirement, total debt service (net of PFC revenues) and net debt service coverage (rolling basis). Expenses consist of maintenance and utility for the loading bridges and no indirect expenses are included in this calculation. **Table 7-8** presents the loading bridge requirement and revenues for FY 2015 through FY 2023.

7.5.4 APRON AREA REVENUES

The apron area revenue requirement combines the cost center-specific direct O&M Expenses, O&M reserve requirement, total debt service and net debt service coverage (rolling basis). The apron area requirement is divided by linear foot to calculate the rate charged to airlines. Currently, 2,590 linear feet of the apron area is assumed to be leased. **Table 7-9** presents the apron requirement and revenues for FY 2015 through FY 2023.

7.5.5 AIRLINE LANDING FEE REVENUES

The landing fee calculation combines airfield cost center-specific direct and indirect O&M Expenses, O&M reserve requirement, total debt service and net debt service coverage less airfield non-airline revenues. This net requirement is divided by total airline landed weight to determine the landing fee rate. **Table 7-10** presents the landing fee rate calculation and revenues for FY 2015 through FY 2023.

7.6 Passenger Airline Cost Per Enplanement

Table 7-11 presents projected airline payments for landing fees, terminal rents, and other airline fees associated with equipment used by the airlines such as loading bridges (including pre-conditioned air and 400Hz ground power) and BHS. As shown, total domestic passenger airline payments are estimated at approximately $30.8 million in FY 2015. As shown, based on projected domestic enplaned passengers, the average domestic passenger airline cost per enplaned passenger (CPE) over the Projection Period is projected to range from a low of $7.01 in FY 2020 to a high of $7.70 in FY 2018.

Table 7-11 also presents projections of the Airport's average airline cost per enplaned passenger, after inclusion of Federal Inspection Services (FIS) use fees and foreign flag landing fees. As shown, the average airline cost per enplanement at the Airport over the period FY 2015 through FY 2023 is projected to range from a low of $6.59 in FY 2020 to a high of $7.27 in FY 2018.

Table 7-8: Loading Bridge Requirement

(for the Fiscal Years ending September 30)

	ESTIMATED	PROJECTED							
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Loading Bridge Revenue Requirement - Total									
O&M Expenses - Maintenance	$ 74,033	$ 76,624	$ 79,306	$ 82,082	$ 84,955	$ 87,928	$ 91,006	$ 94,191	$ 97,488
O&M Expenses - Other	$ 375,167	$ 388,308	$ 401,910	$ 415,989	$ 430,563	$ 445,648	$ 461,263	$ 477,427	$ 494,157
Debt Service	$ 224,621	$ 224,599	$ 224,536	$ 224,599	$ 224,508	$ 224,494	$ 224,538	$ 224,620	$ 224,542
Debt Service Coverage Requirement (.25x)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less: Excess PFC Revenues	$ (224,621)	$ (225,909)	$ (225,909)	$ (225,909)	$ (225,909)	$ (225,909)	$ (225,909)	$ (225,909)	$ (225,909)
Less: Prior Year Debt Service Coverage Credit	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating Expense Reserve Requirement	$ 4,074	$ 4,071	$ 4,214	$ 4,362	$ 4,515	$ 4,673	$ 4,837	$ 5,007	$ 5,183
Total Loading Bridge Revenue Requirement	$ 453,274	$ 467,693	$ 484,056	$ 501,123	$ 518,632	$ 536,835	$ 555,735	$ 575,336	$ 595,461
Total Loading Bridges	24	24	24	24	24	24	24	24	24
Average Loading Bridge Requirement Per Bridge	$ 18,886	$ 19,487	$ 20,169	$ 20,880	$ 21,610	$ 22,368	$ 23,156	$ 23,972	$ 24,811
Loading Bridges Rented	24	24	24	24	24	24	24	24	24
Total Loading Bridge Requirement	$ 453,274	$ 467,693	$ 484,056	$ 501,123	$ 518,632	$ 536,835	$ 555,735	$ 575,336	$ 595,461
Loading Bridge Revenue Requirement - Airline Leased									
Operating Expenses - Maintenance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
O&M Expenses - Other	$ 297,007	$ 307,410	$ 318,179	$ 329,325	$ 340,862	$ 352,805	$ 365,167	$ 377,963	$ 391,208
Debt Service	$ 177,825	$ 177,807	$ 177,757	$ 177,807	$ 177,736	$ 177,724	$ 177,759	$ 177,824	$ 177,763
Debt Service Coverage Requirement (.25x)	$ -	$ 44,452	$ 44,439	$ 44,452	$ 44,434	$ 44,431	$ 44,440	$ 44,456	$ 44,441
Less: Excess PFC Revenues	$ (177,825)	$ (178,845)	$ (178,845)	$ (178,845)	$ (178,845)	$ (178,845)	$ (178,845)	$ (178,845)	$ (178,845)
Less: Prior Year Debt Service Coverage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating Expense Reserve Requirement	$ 3,225	$ 3,223	$ 3,336	$ 3,453	$ 3,574	$ 3,700	$ 3,829	$ 3,964	$ 4,103
Total Loading Bridge Revenue Requirement - Airline Leased	$ 300,232	$ 354,048	$ 364,867	$ 376,192	$ 387,761	$ 399,815	$ 412,350	$ 425,362	$ 438,670
Airline Leased Loading Bridges	19	19	19	19	19	19	19	19	19
Average Loading Bridge Requirement Per Bridge	$ 15,802	$ 18,634	$ 19,204	$ 19,800	$ 20,408	$ 21,043	$ 21,703	$ 22,387	$ 23,088
Loading Bridges Rented	19	19	19	19	19	19	19	19	19
Total Airline Leased Loading Bridge Revenues	$ 300,232	$ 354,048	$ 364,867	$ 376,192	$ 387,761	$ 399,815	$ 412,350	$ 425,362	$ 438,670
Loading Bridge Revenue Requirement - City Gates									
Operating Expenses - Maintenance	$ 74,033	$ 76,624	$ 79,306	$ 82,082	$ 84,955	$ 87,928	$ 91,006	$ 94,191	$ 97,488
O&M Expenses - Other	$ 78,160	$ 80,897	$ 83,731	$ 86,664	$ 89,701	$ 92,843	$ 96,097	$ 99,464	$ 102,949
Debt Service	$ 46,796	$ 46,791	$ 46,778	$ 46,791	$ 46,773	$ 46,770	$ 46,779	$ 46,796	$ 46,780
Debt Service Coverage Requirement (.25x)	$ -	$ (44,452)	$ (44,439)	$ (44,452)	$ (44,434)	$ (44,431)	$ (44,440)	$ (44,456)	$ (44,441)
Less: Excess PFC Revenues	$ (46,796)	$ (47,064)	$ (47,064)	$ (47,064)	$ (47,064)	$ (47,064)	$ (47,064)	$ (47,064)	$ (47,064)
Less: Prior Year Debt Service Coverage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating Expense Reserve Requirement	$ 849	$ 848	$ 878	$ 909	$ 941	$ 974	$ 1,008	$ 1,043	$ 1,080
Total Loading Bridge Revenue Requirement - City Gates	$ 153,042	$ 113,645	$ 119,190	$ 124,930	$ 130,870	$ 137,019	$ 143,384	$ 149,973	$ 156,791
City Gate Loading Bridges	5	5	5	5	5	5	5	5	5
Average Loading Bridge Requirement Per Bridge	$ 30,608	$ 22,729	$ 23,838	$ 24,986	$ 26,174	$ 27,404	$ 28,677	$ 29,995	$ 31,358
Loading Bridges Rented	-	-	-	-	-	-	-	-	-
Total City Gate Loading Bridge Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

Table 7-9: Apron Requirement

(for the Fiscal Years ending September 30)

	ESTIMATED	PROJECTED							
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Apron Area Revenue Requirement									
O&M Expenses	$ 3,104,102	$ 3,161,047	$ 3,265,092	$ 3,372,662	$ 3,483,882	$ 3,598,879	$ 3,717,787	$ 3,840,742	$ 3,967,888
O&M Expense Reserve Requirement	$ 24,148	$ 26,011	$ 26,893	$ 27,805	$ 28,749	$ 29,727	$ 30,739	$ 31,787	$ 32,871
Debt Service	$ 11,589	$ 11,624	$ 11,614	$ 11,624	$ 1,278	$ 1,278	$ 1,278	$ 1,278	$ 1,278
Debt Service Coverage Requirement (.25x)	$ 2,897	$ 2,906	$ 2,903	$ 2,906	$ 319	$ 319	$ 319	$ 320	$ 319
Less: Prior Year Debt Service Coverage	$ (2,337)	$ (2,897)	$ (2,906)	$ (2,903)	$ (2,906)	$ (319)	$ (319)	$ (319)	$ (320)
Total Apron Revenue Requirement	$ 3,140,399	$ 3,198,691	$ 3,303,596	$ 3,412,094	$ 3,511,322	$ 3,629,884	$ 3,749,803	$ 3,873,807	$ 4,002,037
Apron Area Linear Feet	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240
Apron Area Revenue Requirement (per linear foot)	$ 969	$ 987	$ 1,020	$ 1,053	$ 1,084	$ 1,120	$ 1,157	$ 1,196	$ 1,235
Apron Area Linear Feet Leased	2,590	2,590	2,590	2,590	2,590	2,590	2,590	2,590	2,590
Total Apron Area Revenues	$ 2,510,381	$ 2,556,978	$ 2,640,838	$ 2,727,569	$ 2,806,890	$ 2,901,666	$ 2,997,528	$ 3,096,654	$ 3,199,159

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

Table 7-10: Landing Fee Requirement

(for the Fiscal Years ending September 30)

	ESTIMATED	PROJECTED							
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Airfield Revenue Requirement									
O&M Expenses	$ 12,416,409	$ 12,644,189	$ 13,060,367	$ 13,490,649	$ 13,935,528	$ 14,395,517	$ 14,871,147	$ 15,362,969	$ 15,871,553
O&M Expense Reserve Requirement	$ 96,591	$ 104,045	$ 107,570	$ 111,220	$ 114,997	$ 118,908	$ 122,955	$ 127,146	$ 131,484
Debt Service	$ 1,915,988	$ 1,927,638	$ 1,927,251	$ 1,927,716	$ 1,088,125	$ 1,087,812	$ 1,087,907	$ 1,088,291	$ 1,088,304
Debt Service Coverage Requirement (.25x)	$ 478,997	$ 481,909	$ 481,813	$ 481,929	$ 272,031	$ 271,953	$ 271,977	$ 272,073	$ 272,076
Less: Competitive Credit	$ (4,316,951)	$ (3,364,862)	$ (3,025,756)	$ (3,069,902)	$ (3,084,823)	$ (5,551,544)	$ (5,500,658)	$ (5,444,883)	$ (5,356,290)
Less: Prior Year Debt Service Coverage	$ (445,173)	$ (478,997)	$ (481,909)	$ (481,813)	$ (481,929)	$ (272,031)	$ (271,953)	$ (271,977)	$ (272,073)
Less: Excess PFC Revenues	$ (454,933)	$ (464,573)	$ (464,573)	$ (464,573)	$ (464,573)	$ (464,573)	$ (464,573)	$ (464,573)	$ (464,573)
Total Landing Fee Requirement	$ 9,690,928	$ 10,849,349	$ 11,604,763	$ 11,995,225	$ 11,379,356	$ 9,586,040	$ 10,116,802	$ 10,669,046	$ 11,270,481
Airfield Revenue Credits									
Fuel Flowage Revenue	$ 601,734	$ 614,000	$ 626,000	$ 639,000	$ 652,000	$ 665,000	$ 678,000	$ 692,000	$ 706,000
Non-Terminal RON Parking	$ 949,131	$ 968,114	$ 987,476	$ 1,007,225	$ 1,027,370	$ 1,047,917	$ 1,068,876	$ 1,090,253	$ 1,112,058
Total Airfield Revenue Credits	$ 1,550,865	$ 1,582,114	$ 1,613,476	$ 1,646,225	$ 1,679,370	$ 1,712,917	$ 1,746,876	$ 1,782,253	$ 1,818,058
Net Airfield Requirement	$ 8,140,063	$ 9,267,235	$ 9,991,287	$ 10,349,000	$ 9,699,986	$ 7,873,123	$ 8,369,926	$ 8,886,793	$ 9,452,423
Total Landed Weight	5,652,896	5,765,000	5,875,000	5,985,000	6,095,000	6,205,000	6,315,000	6,425,000	6,535,000
Landing Fee Rate	$ 1.44	$ 1.61	$ 1.70	$ 1.73	$ 1.59	$ 1.27	$ 1.33	$ 1.38	$ 1.45
Landed Weight									
Passenger Airline Landing Weight	4,913,292	5,010,729	5,106,337	5,201,945	5,297,553	5,393,161	5,488,769	5,584,377	5,679,985
Cargo Landing Weight	739,604	754,271	768,663	783,055	797,447	811,839	826,231	840,623	855,015
Total Airline Landed Weight	5,652,896	5,765,000	5,875,000	5,985,000	6,095,000	6,205,000	6,315,000	6,425,000	6,535,000
Airline Landing Fee Revenues									
Domestic Passenger Airline Landing Fees	$ 7,075,047	$ 8,054,745	$ 8,684,065	$ 8,994,975	$ 8,430,876	$ 6,843,033	$ 7,274,836	$ 7,724,078	$ 8,215,703
Cargo Landing Fees	$ 1,065,015	$ 1,212,490	$ 1,307,223	$ 1,354,025	$ 1,269,110	$ 1,030,090	$ 1,095,090	$ 1,162,715	$ 1,236,720
Total Airline Landing Fee Revenues	$ 8,140,063	$ 9,267,235	$ 9,991,287	$ 10,349,000	$ 9,699,986	$ 7,873,123	$ 8,369,926	$ 8,886,793	$ 9,452,423

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

Table 7-11: Airline Cost Per Enplanement

(for the Fiscal Years ending September 30)

	ESTIMATED	PROJECTED							
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Passenger Airline Revenues									
Passenger Airline Landing Fees	$ 7,075,047	$ 8,054,745	$ 8,684,065	$ 8,994,975	$ 8,430,876	$ 6,843,033	$ 7,274,836	$ 7,724,078	$ 8,215,703
Apron Fees	$ 2,510,381	$ 2,556,978	$ 2,640,838	$ 2,727,569	$ 2,806,890	$ 2,901,666	$ 2,997,528	$ 3,096,654	$ 3,199,159
Terminal Building Rentals	$ 15,192,469	$ 15,395,670	$ 15,782,605	$ 16,185,429	$ 15,543,616	$ 16,188,285	$ 16,638,048	$ 17,106,996	$ 17,589,457
Baggage Handling System	$ 1,761,282	$ 2,161,247	$ 2,225,525	$ 2,294,572	$ 2,352,209	$ 2,428,236	$ 2,504,711	$ 2,584,115	$ 2,665,144
Security Checkpoint Exit Lane	$ 76,000	$ 78,660	$ 81,413	$ 84,263	$ 87,212	$ 90,264	$ 93,423	$ 96,693	$ 100,077
Loading Bridges - Airline Leased	$ 300,232	$ 354,048	$ 364,867	$ 376,192	$ 387,761	$ 399,815	$ 412,350	$ 425,362	$ 438,670
Non-Terminal RON Parking	$ 949,131	$ 968,114	$ 987,476	$ 1,007,225	$ 1,027,370	$ 1,047,917	$ 1,068,876	$ 1,090,253	$ 1,112,058
Gate Use Fees	$ 1,072,440	$ 1,093,889	$ 1,115,767	$ 1,138,082	$ 1,160,844	$ 1,184,060	$ 1,207,742	$ 1,231,896	$ 1,256,534
FIS Use Fees	$ 1,827,985	$ 1,864,545	$ 1,901,836	$ 1,939,872	$ 1,978,670	$ 2,018,243	$ 2,058,608	$ 2,099,780	$ 2,141,776
Total Passenger Airline Revenues	$ 30,764,967	$ 32,527,895	$ 33,784,390	$ 34,748,180	$ 33,775,447	$ 33,101,521	$ 34,256,123	$ 35,455,828	$ 36,718,579
Total Enplaned Passengers	4,209,716	4,300,000	4,405,000	4,510,000	4,615,000	4,720,000	4,825,000	4,930,000	5,035,000
Average Passenger Airline Cost Per Enplaned Passenger	$ 7.31	$ 7.56	$ 7.67	$ 7.70	$ 7.32	$ 7.01	$ 7.10	$ 7.19	$ 7.29
Average Passenger Airline Cost Per Enplaned Passenger without FIS Use Fees	$ 6.87	$ 7.13	$ 7.24	$ 7.27	$ 6.89	$ 6.59	$ 6.67	$ 6.77	$ 6.87

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

Airline payments (i.e., costs) per enplaned passenger, is a standard, although imperfect, benchmark measure of the airline revenues such as landing fees and terminal rentals paid by airlines throughout the airport industry. CPE ranges widely among individual airports, primarily reflecting the development cycle at each airport, the rate-making methodology in effect, who financed the facilities (i.e., the airport operator or the airline), and traffic trends.

The projected passenger airline payments per enplaned passenger are comparable to other medium-hub airports where major expansion and improvement projects have recently been completed or are planned, however, the reasonableness of airline rentals, fees, and charges will ultimately be reflected by the individual airlines via the level of service provided at the Airport to meet demand in the San Antonio market.

7.7 Application of Revenues and Flow of Funds

Table 7-12 presents projected Gross Revenues and the application of Gross Revenues over the period FY 2015 through FY 2023. Gross Revenues, including airline revenues, cargo landing fees, non-airline revenues, and other deposits and credits allowable per the terms of the Bond Ordinances, are projected to increase from approximately $90.1 million in FY 2015 to approximately $108.0 million in FY 2023, which represents a compound annual growth rate of approximately 2.3 percent.

Table 7-13 illustrates the flow of funds (per the GARB Ordinances) and presents projection of estimated fund balances.

7.8 Debt Service Coverage

7.8.1 GARB ORDINANCES RATE COVENANT

The City's ability to satisfy the Rate Covenant contained in the GARB Ordinances is presented in **Table 7-14**. The Rate Covenant is based on Gross Revenues. As previously presented, the GARB Ordinances requires the City to generate Gross Revenues in each Fiscal Year at least sufficient: (1) to pay all Operation and Maintenance Expenses during each Fiscal Year, and also (2) to provide an amount equal to 1.25 times the Annual Debt Service Requirements during each Fiscal Year on all then Outstanding Parity Bonds.

Based on the financial projections presented previously in this section, debt service coverage (per Master GARB Ordinance) over the period FY 2015 through FY 2023 is projected to range from a low of approximately 2.05x in FY 2015 to a high of approximately 2.92x in FY 2023. In addition, Table 7-14 presents alternative coverage calculations.

Table 7-12: Application of Revenues

(for the Fiscal Years ending September 30)

	ESTIMATED	PROJECTED							
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues									
Total Airline Revenues	$ 30,764,967	$ 32,527,895	$ 33,784,390	$ 34,748,180	$ 33,775,447	$ 33,101,521	$ 34,256,123	$ 35,455,828	$ 36,718,579
Cargo Landing Fees	$ 1,065,015	$ 1,212,490	$ 1,307,223	$ 1,354,025	$ 1,269,110	$ 1,030,090	$ 1,095,090	$ 1,162,715	$ 1,236,720
Non Airline Revenue - SAT	$ 50,734,849	$ 51,992,530	$ 53,410,555	$ 54,847,440	$ 56,304,195	$ 57,779,827	$ 59,276,345	$ 60,793,758	$ 62,333,076
Stinson Revenues	$ 305,194	$ 311,298	$ 317,524	$ 323,874	$ 330,352	$ 336,959	$ 343,698	$ 350,572	$ 357,583
Interest and Other Income	$ 67,473	$ 67,473	$ 67,473	$ 67,473	$ 67,473	$ 67,473	$ 67,473	$ 67,473	$ 67,473
Prior Period Debt Service Coverage Deposit	$ 2,489,318	$ 2,363,245	$ 2,369,867	$ 2,369,956	$ 2,370,404	$ 1,919,123	$ 1,919,198	$ 1,919,674	$ 1,920,898
Prior Period Competitive Credit	$ 4,666,951	$ 3,364,862	$ 3,025,756	$ 3,069,902	$ 3,084,823	$ 5,551,544	$ 5,500,658	$ 5,444,883	$ 5,356,290
Gross Revenues	$ 90,093,767	$ 91,839,792	$ 94,282,787	$ 96,780,850	$ 97,201,804	$ 99,786,536	$ 102,458,584	$ 105,194,904	$ 107,990,619
Application of Gross Revenues									
Bond Fund									
Non-PFC Supported Debt Service	$ 16,759,599	$ 16,767,503	$ 16,767,608	$ 16,777,865	$ 11,806,756	$ 11,814,820	$ 11,822,383	$ 11,839,672	$ 11,845,173
Bond Reserve Fund									
Bond Reserve Deposit	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
O&M Account									
O&M Expenses	$ 56,538,373	$ 57,754,161	$ 59,834,920	$ 61,994,644	$ 64,236,499	$ 66,563,783	$ 68,979,933	$ 71,488,534	$ 74,093,319
O&M Expense Reserve Requirement	$ 920,719	$ 515,416	$ 534,990	$ 555,350	$ 576,528	$ 598,560	$ 621,480	$ 645,328	$ 670,143
Subordinate Securities Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capital Improvement Fund									
Airline Debt Service Coverage Deposit	$ 2,363,245	$ 2,369,867	$ 2,369,956	$ 2,370,404	$ 1,919,123	$ 1,919,198	$ 1,919,674	$ 1,920,898	$ 1,921,089
Capital Improvement Factor	$ 10,146,970	$ 11,407,091	$ 11,705,412	$ 11,997,762	$ 13,111,354	$ 13,389,518	$ 13,670,230	$ 13,944,182	$ 14,215,186
Competitive Credit	$ 3,364,862	$ 3,025,756	$ 3,069,902	$ 3,084,823	$ 5,551,544	$ 5,500,658	$ 5,444,883	$ 5,356,290	$ 5,245,711
Total Application of Gross Revenues	**$ 90,093,767**	**$ 91,839,792**	**$ 94,282,787**	**$ 96,780,850**	**$ 97,201,804**	**$ 99,786,536**	**$ 102,458,584**	**$ 105,194,904**	**$ 107,990,619**

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

Table 7-13: Flow of Funds and Projected Fund Balances

(for the Fiscal Years ending September 30)

	ESTIMATED	PROJECTED							
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue Fund									
Beginning Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Add: Gross Revenues	$ 90,093,767	$ 91,839,792	$ 94,282,787	$ 96,780,850	$ 97,201,804	$ 99,786,536	$ 102,458,584	$ 105,194,904	$ 107,990,619
Less: Deposit to Bond Fund	$ (16,759,599)	$ (16,767,503)	$ (16,767,608)	$ (16,777,865)	$ (11,806,756)	$ (11,814,820)	$ (11,822,383)	$ (11,839,672)	$ (11,845,173)
Less: Deposit to Bond Reserve Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less: Deposit to O&M Account - O&M Expenses	$ (56,538,373)	$ (57,754,161)	$ (59,834,920)	$ (61,994,644)	$ (64,236,499)	$ (66,563,783)	$ (68,979,933)	$ (71,488,534)	$ (74,093,319)
Less: Deposit to O&M Account - O&M Reserve	$ (920,719)	$ (515,416)	$ (534,990)	$ (555,350)	$ (576,528)	$ (598,560)	$ (621,480)	$ (645,328)	$ (670,143)
Less: Deposit to Subordinate Securities Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less: Deposit to Capital Improvement Fund	$ (15,875,076)	$ (16,802,713)	$ (17,145,269)	$ (17,452,990)	$ (20,582,020)	$ (20,809,373)	$ (21,034,787)	$ (21,221,370)	$ (21,381,985)
Ending Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Bond Fund									
Beginning Balance	$ (0)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Add: Deposit from Revenue Fund	$ 16,759,599	$ 16,767,503	$ 16,767,608	$ 16,777,865	$ 11,806,756	$ 11,814,820	$ 11,822,383	$ 11,839,672	$ 11,845,173
Add: Excess PFC Revenues to Pay GARB Debt Service	$ 3,809,705	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029
Add: CFC Revenues to Pay GARB Debt Service	$ -	$ 1,807,858	$ 1,966,250	$ 1,966,250	$ 1,966,250	$ 2,736,250	$ 2,737,750	$ 2,737,250	$ 2,734,750
Less: Non PFC Supported Debt Service	$ (20,569,304)	$ (22,383,390)	$ (22,541,887)	$ (22,552,144)	$ (17,581,034)	$ (18,359,096)	$ (18,368,159)	$ (18,384,946)	$ (18,387,946)
Ending Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Bond Reserve Fund									
Beginning Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Add: Deposit from Revenue Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
O&M Account									
Beginning Balance	$ 14,062,594	$ 14,983,313	$ 15,498,729	$ 16,033,719	$ 16,589,069	$ 17,165,597	$ 17,764,157	$ 18,385,637	$ 19,030,965
Add: Deposit to O&M Account - O&M Expenses	$ 56,538,373	$ 57,754,161	$ 59,834,920	$ 61,994,644	$ 64,236,499	$ 66,563,783	$ 68,979,933	$ 71,488,534	$ 74,093,319
Add: Deposit to O&M Account - O&M Reserve	$ 920,719	$ 515,416	$ 534,990	$ 555,350	$ 576,528	$ 598,560	$ 621,480	$ 645,328	$ 670,143
Less: O&M Expenses	$ (56,538,373)	$ (57,754,161)	$ (59,834,920)	$ (61,994,644)	$ (64,236,499)	$ (66,563,783)	$ (68,979,933)	$ (71,488,534)	$ (74,093,319)
Ending Balance	$ 14,983,313	$ 15,498,729	$ 16,033,719	$ 16,589,069	$ 17,165,597	$ 17,764,157	$ 18,385,637	$ 19,030,965	$ 19,701,108
Subordinate Securities Fund									
Beginning Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Add: Deposit from Revenue Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capital Improvement Fund									
Beginning Balance	$ 56,623,000	$ 49,634,000	$ 63,130,000	$ 63,712,000	$ 56,644,000	$ 61,073,000	$ 69,507,000	$ 73,177,000	$ 77,121,000
Add: Deposit from Revenue Fund	$ 15,875,076	$ 16,802,713	$ 17,145,269	$ 17,452,990	$ 20,582,020	$ 20,809,373	$ 21,034,787	$ 21,221,370	$ 21,381,985
Less: Debt Service Coverage Deposit	$ (2,363,245)	$ (2,369,867)	$ (2,369,956)	$ (2,370,404)	$ (1,919,123)	$ (1,919,198)	$ (1,919,674)	$ (1,920,898)	$ (1,921,089)
Less: Capital Improvement Appropriation 1/	$ (17,136,000)	$ 2,088,797	$ (11,123,327)	$ (19,065,837)	$ (8,682,000)	$ (4,956,000)	$ (10,000,000)	$ (10,000,000)	$ (10,000,000)
Less: Competitive Credit	$ (3,364,862)	$ (3,025,756)	$ (3,069,902)	$ (3,084,823)	$ (5,551,544)	$ (5,500,658)	$ (5,444,883)	$ (5,356,290)	$ (5,245,711)
Ending Balance	$ 49,634,000	$ 63,130,000	$ 63,712,000	$ 56,644,000	$ 61,073,000	$ 69,507,000	$ 73,177,000	$ 77,121,000	$ 81,336,000

1/ Capital Improvement Appropriation forecast based off average annual capital project in six year CIP to be funded internally

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

Table 7-14: GARB Debt Service Coverage

(for the Fiscal Years ending September 30)

		ESTIMATED	PROJECTED							
		2015	2016	2017	2018	2019	2020	2021	2022	2023
GARB Debt Service Coverage:										
Gross Revenues	[A]	$ 90,093,767	$ 91,839,792	$ 94,282,787	$ 96,780,850	$ 97,201,804	$ 99,786,536	$ 102,458,584	$ 105,194,904	$ 107,990,619
Total O&M Expenses		$ (56,538,373)	$ (57,754,161)	$ (59,834,920)	$ (61,994,644)	$ (64,236,499)	$ (66,563,783)	$ (68,979,933)	$ (71,488,534)	$ (74,093,319)
Adjustment: Capital Outlay (57GL)		$ 756,929	$ 545,580	$ 564,675	$ 584,439	$ 604,894	$ 626,066	$ 647,978	$ 670,657	$ 694,130
Net O&M Expense	[B]	$ (55,781,443)	$ (57,208,581)	$ (59,270,244)	$ (61,410,205)	$ (63,631,605)	$ (65,937,717)	$ (68,331,955)	$ (70,817,876)	$ (73,399,189)
Net Revenues	[C=A+B]	$ 34,312,324	$ 34,631,212	$ 35,012,543	$ 35,370,644	$ 33,570,199	$ 33,848,819	$ 34,126,629	$ 34,377,027	$ 34,591,431
Less: Prior Period Debt Service Coverage Deposit	[D]	$ (2,489,318)	$ (2,363,245)	$ (2,369,867)	$ (2,369,956)	$ (2,370,404)	$ (1,919,123)	$ (1,919,198)	$ (1,919,674)	$ (1,920,898)
Less: Prior Period Competitive Credit	[E]	$ (4,666,951)	$ (3,364,862)	$ (3,025,756)	$ (3,069,902)	$ (3,084,823)	$ (5,551,544)	$ (5,500,658)	$ (5,444,883)	$ (5,356,290)
Net Revenues Excluding Debt Service Coverage Deposit and Competitive Credit	[F=C+D+E]	$ 27,156,055	$ 28,903,105	$ 29,616,921	$ 29,930,787	$ 28,114,972	$ 26,378,152	$ 26,706,773	$ 27,012,470	$ 27,314,242
GARB Debt Service	[G]	$ 20,569,304	$ 22,383,390	$ 22,541,887	$ 22,552,144	$ 17,581,034	$ 18,359,096	$ 18,368,159	$ 18,384,946	$ 18,387,946
Less: GARB Paid with PFCs	[H1]	$ (3,809,705)	$ (3,808,029)	$ (3,808,029)	$ (3,808,029)	$ (3,808,029)	$ (3,808,029)	$ (3,808,029)	$ (3,808,029)	$ (3,808,029)
Less: GARB Paid with CFCs	[H2]	$ -	$ (1,807,858)	$ (1,966,250)	$ (1,966,250)	$ (1,966,250)	$ (2,736,250)	$ (2,737,750)	$ (2,737,250)	$ (2,734,750)
Net GARB Debt Service	[I=G+H1+H2]	$ 16,759,599	$ 16,767,503	$ 16,767,608	$ 16,777,865	$ 11,806,755	$ 11,814,817	$ 11,822,380	$ 11,839,667	$ 11,845,167
GARB Debt Service Coverage Ratios:										
Gross Revenue Test	[A/I]	5.38	5.48	5.62	5.77	8.23	8.45	8.67	8.88	9.12
Debt Service Coverage Test (per Master GARB Ordinance)	**[C/I]**	**2.05**	**2.07**	**2.09**	**2.11**	**2.84**	**2.86**	**2.89**	**2.90**	**2.92**
Additional Bonds Test: Based on Net Revenues and Total GARB Debt Service	[C/G]	1.67	1.55	1.55	1.57	1.91	1.84	1.86	1.87	1.88

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

7.8.2 COVENANT TO BUDGET PFC DEBT SERVICE COVERAGE

The City's ability to satisfy the Covenant to Budget PFC Debt Service Coverage is also shown in **Table 7-15**. The Master PFC Bond Ordinance requires the City to prepare an annual budget which will indicate that the reasonably expected receipt of PFC Revenues during such Fiscal Year (together with any funds reasonably expected to be on deposit during such Fiscal Year in the PFC Revenue Fund or the PFC CIF from prior Fiscal Years and available for the purposes of acquiring and constructing PFC Eligible Airport-Related Projects), after payment of all costs to acquire and construct PFC Eligible Airport-Related Projects with PFC Revenues during such Fiscal Year, will provide an amount equal to 1.25 times the Annual Debt Service Requirements during such Fiscal Year on all then Outstanding Parity PFC Bonds.

As shown in Table 7-15, over the Projection Period the Covenant to Budget PFC Debt Service is projected to range from a low of approximately 2.84x in FY 2016 to a high of approximately 3.60x in FY 2023.

Table 7-15: PFC Bonds Debt Service Coverage

(for the Fiscal Years ending September 30)

		ESTIMATED	PROJECTED							
		2015	2016	2017	2018	2019	2020	2021	2022	2023
Total PFC Collections (net of admin. Fee)		$ 16,262,975	$ 16,611,760	$ 17,017,396	$ 17,423,032	$ 17,828,668	$ 18,234,304	$ 18,639,940	$ 19,045,576	$ 19,451,212
Unused PFCs from Prior Year (net of encumbered amounts)		$ 21,107,753	$ 20,259,917	$ 19,768,832	$ 19,970,067	$ 20,574,179	$ 21,578,666	$ 22,991,467	$ 24,803,294	$ 27,029,398
Investment Earnings (PFC Fund)		$ 40,657	$ 41,529	$ 42,543	$ 43,558	$ 44,572	$ 45,586	$ 46,600	$ 47,614	$ 48,628
Cumulative Available PFC Funds	[A]	$ 37,411,385	$ 36,913,206	$ 36,828,771	$ 37,436,657	$ 38,447,418	$ 39,858,556	$ 41,678,007	$ 43,896,484	$ 46,529,238
Less: PFC PAYGO - Appropriated	[B]	$ (500,000)	$ (493,333)	$ (206,750)	$ (206,749)	$ (206,748)	$ (206,747)	$ (206,746)	$ (206,745)	$ (206,744)
PFC Funds Net of PAYGO	[C=A-B]	$ 36,911,385	$ 36,419,873	$ 36,622,021	$ 37,229,908	$ 38,240,670	$ 39,651,809	$ 41,471,261	$ 43,689,739	$ 46,322,494
PFC Supported Debt Service										
Series 2002 PFC Bonds		$ 2,427,150	$ 2,432,450	$ 2,433,700	$ 2,431,450	$ 2,440,700	$ 2,440,700	$ 2,446,700	$ 2,443,200	$ 2,455,450
Series 2005 PFC Bonds		$ 2,686,813	$ 2,687,275	$ 2,684,813	$ 2,688,938	$ 2,689,125	$ 2,685,375	$ 2,687,688	$ 2,685,538	$ 2,688,925
Series 2007 PFC Bonds		$ 5,332,100	$ 5,329,413	$ 5,330,913	$ 5,331,663	$ 5,330,150	$ 5,331,813	$ 5,331,125	$ 5,327,825	$ 5,331,650
2010 PFC Bonds		$ 2,395,700	$ 2,393,875	$ 2,394,500	$ 2,395,650	$ 2,394,000	$ 2,394,425	$ 2,394,425	$ 2,395,750	$ 2,396,563
Total PFC Supported Debt Service	[D]	$ 12,841,763	$ 12,843,013	$ 12,843,925	$ 12,847,700	$ 12,853,975	$ 12,852,313	$ 12,859,938	$ 12,852,313	$ 12,872,588
Unused PFCs - Current Year	[E=C-D]	$ 24,069,622	$ 23,576,861	$ 23,778,096	$ 24,382,208	$ 25,386,695	$ 26,799,496	$ 28,611,324	$ 30,837,427	$ 33,449,906
Reserved for Coverage	[F=(D*0.3)]	$ 3,852,529	$ 3,852,904	$ 3,853,178	$ 3,854,310	$ 3,856,193	$ 3,855,694	$ 3,857,981	$ 3,855,694	$ 3,861,776
Remaining Unused PFCs	[G=E-F]	$ 20,217,093	$ 19,723,957	$ 19,924,919	$ 20,527,898	$ 21,530,503	$ 22,943,803	$ 24,753,342	$ 26,981,733	$ 29,588,130
PFC Eligible GARB Debt Service	[H]	$ 3,809,705	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029
Excess PFCs Used to Pay GARB Debt Service	[I=MIN(G,H)]	$ 3,809,705	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029	$ 3,808,029
Ending Balance	[J=E-I]	$ 20,259,917	$ 19,768,832	$ 19,970,067	$ 20,574,179	$ 21,578,666	$ 22,991,467	$ 24,803,294	$ 27,029,398	$ 29,641,877
PFC Budget Covenant	[K=C/D]	2.87	2.84	2.85	2.90	2.98	3.09	3.22	3.40	3.60
Actual PFC Debt Service Coverage										
Subordinated Net Revenues	[L]	$ 13,743,020	$ 12,247,822	$ 12,470,655	$ 12,818,501	$ 15,989,165	$ 15,489,722	$ 15,758,470	$ 15,992,081	$ 16,203,484
Actual PFC Debt Service Coverage	[M=(C+L)/D]	3.94	3.79	3.82	3.90	4.22	4.29	4.45	4.64	4.86

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

APPENDIX B

CERTAIN PROVISIONS OF THE INDENTURE

The following are selected provisions of the Indenture. These excerpts are qualified by reference to the other portions of the Indenture referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Indenture in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Indenture, a copy of which may be obtained from the City's Co-Financial Advisors. Section and Article references contained in the following excerpts are to the Sections and Articles contained in the Indenture. The provisions of the Indenture may be amended or supplemented in accordance with the terms thereof.

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APPENDIX B

CERTAIN PROVISIONS OF THE INDENTURE

This Appendix B contains only certain excerpts from the Indenture. Reference is made to the actual Indenture for complete details of all terms and conditions contained therein.

GRANTING CLAUSES

The City, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds and any Subordinated Debt by the Registered Owners and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of Debt Service on the Bonds and debt service on any Subordinated Debt, and the performance and observance by the City of all the covenants expressed or implied herein, does hereby grant, convey, create a security interest in, pledge and assign to the Trustee the following (the "***Trust Estate***") for the purpose of establishing a trust for the benefit of the parties named below:

FIRST GRANTING CLAUSE

All of the City's right, title and interest in all amounts that constitute Pledged Revenues;

SECOND GRANTING CLAUSE

All of the City's right, title and interest in all amounts on deposit in or required from time to time to be deposited in or credited to the Pledged Funds and Accounts; and

THIRD GRANTING CLAUSE

All of the City's right, title and interest in and to (i) the Lease Agreements to receive from the Operators the revenues derived by the Operators from the collection of the Customer Facility Charge and payment of Contingent Fees, and any right to bring actions and proceedings under the Lease Agreements for the enforcement thereof, (ii) the Off-Airport Rental Car Permits to receive from the Off-Airport Rental Car Permittees the revenues derived by the Off-Airport Rental Car Permittees from the collection of the Customer Facility Charge, and any right to bring actions and proceedings under the Off-Airport Rental Car Permits for the enforcement thereof, and (iii) the Performance Guarantees provided by the Operators to receive funds provided thereunder that represent Customer Facility Charges and Contingent Fees due under the Lease Agreements, and any right to bring actions and proceedings under the Performance Guarantees for the enforcement thereof;

TO HAVE AND TO HOLD the Trust Estate, whether now owned or held or hereafter acquired, unto the Trustee, its successors and assigns, forever;

IN TRUST NEVERTHELESS, for the equal and proportionate benefit and security of all present and future Registered Owners of the Bonds and, on a basis subordinate to the Bonds, any Subordinated Debt, without preference of any Bond over any other Bonds, or on a subordinate basis any Subordinated Debt over any other Subordinated Debt, but with such preferences, privileges, priorities and distinctions among the Bonds and the Subordinated Debt as are herein set forth, and for enforcement of the payment of the Bonds and the Subordinated Debt in accordance with their terms and this Indenture, all as herein set forth; provided, however, that if the City, its successors or assigns shall well and truly pay or cause to be paid fully and promptly when due all indebtedness, liabilities, obligations and sums at any time secured hereby, including interest and attorneys' fees, and shall promptly, faithfully and strictly keep, perform and observe or cause to be kept, performed and observed all of its covenants, warranties and agreements contained herein, then and in such event this Indenture shall be and become void and of no further force and effect, otherwise the same shall remain in full force and effect.

PROVIDED, HOWEVER, that the grant, conveyance, pledge and assignment made in the Granting Clauses of this Indenture are intended for the aforesaid security purposes only, and, except as otherwise provided in the remaining provisions of this Indenture, nothing in the Granting Clauses of this Indenture shall prohibit the Trustee from bringing any actions or proceedings for the enforcement of the obligations of the City hereunder except that nothing in this provision shall prejudice the rights of the Trustee under Articles IX and X hereof; provided further that the priority of payment and the source for the repayment of the Debt Service on the Bonds and the debt service on any Subordinated

Debt shall be subject to the terms as set forth herein, including without limitation, Article V herein; and provided further that the right to direct remedies following an Event of Default shall be limited to the Registered Owners of the Bonds to the extent provided and as set forth in Article IX.

IT IS HEREBY COVENANTED, DECLARED AND AGREED that this Indenture creates a continuing lien on the Trust Estate equally and ratably to secure the payment in full of the Debt Service on all Bonds, and on a subordinate basis the debt service on the Subordinated Debt, subject to the terms and priority set forth herein, which may, from time to time, be Outstanding hereunder, and that the Bonds and any Subordinated Debt are to be issued, authenticated and delivered, and that the Trust Estate is to be held, dealt with and disposed of by the Trustee, upon and subject to the express terms, covenants, conditions, uses, agreements and trusts set forth in this Indenture.

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ARTICLE I
DEFINITIONS AND INTERPRETATION

Section 1.01. Definitions. Unless the context shall indicate a contrary meaning or intent, the terms below defined, for all purposes of this Indenture and any Supplemental Indenture (to the extent not specifically amended in a Supplemental Indenture), shall be construed, are used, and are intended to have meanings as follows:

"***Account***" or "***Accounts***" means any one or more of the accounts from time to time created in any of the Funds established by this Indenture or by any Supplemental Indenture.

"***Additional Bonds***" means any bonds or other obligations, secured by and payable from a lien on and pledge of the Trust Estate on parity with the lien thereon and pledge thereof securing the Series 2015 Bonds, issued by the City as permitted by, and in accordance with the provisions of, this Indenture for the purpose of making future renovations or improvements to the CONRAC, making deposits into the Debt Service Fund and/or the Debt Service Reserve Fund, and/or refunding any outstanding Series 2015 Bonds or previously issued Additional Bonds.

"***Administrative Costs***" means any and all costs incurred or paid by the City in connection with providing (i) property insurance policies related to the Facility, and (ii) the administration of the CFC, the Bonds, the Bond Documents, the Public Parking Area GARB Debt, or the satisfaction of any and all non-financial obligations under the Bonds, the Bond Documents and the Public Parking Area GARB Debt (or any of them). Without limiting the generality of the foregoing, Administrative Costs described in clause (ii) above include, but are not limited to, bank charges, the fees and expenses of the Trustee responsible for the collection, handling and disbursement of the CFC and servicing the Bonds, legal fees, the cost of CFC audits, the cost to prepare the "CFC Reports" required under the Lease Agreements, Rating Agency fees, fees and expenses of the paying agent/registrar for the Public Parking Area GARB Debt, and costs related to arbitrage rebate calculations related to the Public Parking Area GARB Debt.

"***Administrative Costs Fund***" means the Fund of such name created pursuant to Section 5.02(h) of this Indenture and further described in Section 5.10 of this Indenture.

"***Airport***" means the *San Antonio International Airport*.

"***Airport Consultant***" means a nationally recognized independent firm, person or corporation having a widely known and favorable reputation for special skill, knowledge and experience in methods of development, operation and financing of airports of approximately the same size as the properties constituting the Airport System, chosen by the City and qualified to review and analyze the anticipated CFC Revenues and, if requested, recommend to the City the amount of the Customer Facility Charge.

"***Airport Parking Operating Costs***" means and includes costs to compensate the City for (i) the loss of revenues reasonably estimated by the City which results from the loss of the existing short term parking garage (which is being demolished to construct the Facility) until such time as the Public Parking Area (which is being constructed to replace the existing short term parking garage) is completed and open for public parking, and (ii) the additional costs the City reasonably estimates it will incur relating to provide shuttle service for passengers and employees to other parking areas on the Airport property during construction of the Facility.

"***Airport Parking Operating Funds Account***" means the Account of such name created in the CFC Surplus Fund pursuant to Section 5.02(j) of this Indenture and further described in Section 5.12 of this Indenture.

"***Airport System***" means and includes the Airport and *Stinson Municipal Airport*, as each now exists, and all land, buildings, structures, equipment, and facilities pertaining thereto, together with all future improvements, extensions, enlargements, and additions thereto, and replacements thereof, and all other airport facilities of the City acquired or constructed with funds from any source, including the issuance of Airport System Revenue Bonds; provided, however, for the purpose of providing further clarification, the term "Airport System" shall not include "Industrial Properties" and "Special Facilities Properties" (as such terms are defined in the Master GARB Ordinance).

"***Airport System Revenue Bonds***" means the revenue bonds of the City, titled generally as "Airport System Revenue Bonds," which have been issued and are currently outstanding pursuant to the Master GARB Ordinance and certain ordinances supplemental to the Master GARB Ordinance, together with all additional bonds issued in the future on a parity therewith.

"***Authorized Denominations***" means $5,000 in principal and any integral multiple thereof.

"***Authorized Aviation Department Representative***" means the Aviation Director, the Assistant Aviation Director, Finance and Administration (or similar title of the person serving as the chief financial officer of the Aviation Department), of the City, and any other officers, employees or agents of the Aviation Department of the City authorized by the Aviation Director and by the City Manager or Deputy City Manager who oversees the Aviation Department to act as an Authorized Aviation Department Representative under this Indenture or any Supplemental Indenture or otherwise with respect to the Bonds or the CONRAC, all of which Persons shall be acting solely in their representative capacity on behalf of the City and not individually.

"***Authorized City Representative***" means the Mayor, City Manager, any Deputy City Manager, any Assistant City Manager, the Chief Financial Officer, the Director of Finance, any Assistant Director of Finance of the City, and any other officers, employees or agents of the City authorized by the City Manager of the City to act as an Authorized City Representative under this Indenture or any Supplemental Indenture or otherwise with respect to the Bonds or the CONRAC, all of which Persons shall be acting solely in their representative capacity on behalf of the City and not individually.

"***Aviation Director***" means the person serving as the director or chief administrative officer (permanent or interim) of the City's Department of Aviation (or similar title), together with his or her designee.

"***Bond Counsel***" means a firm of attorneys selected by the City whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized.

"***Bond Documents***" means this Indenture, any Supplemental Indentures, the ordinance or ordinances of the City authorizing the issuance of the Bonds, and all other documents and agreements related to the issuance thereof.

"***Bondholder***" or "***Registered Owner***" means the person in whose name any of the Bonds and, if applicable, Subordinated Debt, are registered on the books kept and maintained by the Trustee as bond registrar.

"***Bonds***" means, collectively, the Series 2015 Bonds and any Additional Bonds.

"***Business Day***" means a day of the year that is not a Saturday, Sunday, a legal holiday or a day on which commercial banks are not required or authorized to close in the City of San Antonio, Texas, the City of New York, New York, or the city in which the operations office of the Trustee (with respect to payment of the Bonds) is located.

"***CFC***" and "***Customer Facility Charge***" mean the customer facility charge or charges imposed by the City pursuant to the Bond Ordinance on rental car transactions occurring on or about the Airport, and required to be collected by each Operator pursuant to the Lease Agreements and by each Off-Airport Rental Car Permittee pursuant to an Off-Airport Rental Car Permit.

"***CFC Renewal and Replacement Fund***" means the Fund of such name created pursuant to Section 5.02(i) of this Indenture and further described in Section 5.11 of this Indenture.

"***CFC Renewal and Replacement Fund Requirement***" means the amount required to be maintained as a balance in the CFC Renewal and Replacement Fund in accordance with Section 5.11(b) of this Indenture.

"***CFC Report***" means the report required by the Lease Agreements to be produced at least annually by the City to identify the status of CFC collections and remittances, forecast the next year's CFC collections and requirements for balances in all Funds and Accounts established hereunder and other obligations established in the Bond Documents, recommend the new CFC rate, and provide the "Contingent Fee Statement" required under the Lease Agreements.

"***CFC Revenues***" means the funds received by the City from all Operators and Off-Airport Rental Car Permittees resulting from the collection of the Customer Facility Charge.

"***CFC Eligible Routine Maintenance***" shall have the same meaning as set forth in the Lease Agreements.

"***CFC Surplus Fund***" means the Fund of such name created pursuant to Section 5.02(j) of this Indenture and further described in Section 5.12 of this Indenture.

"***City***" means the City of San Antonio, Texas, a political subdivision and home-rule municipality of the State of Texas, principally situated in Bexar County.

"***City Council***" means the governing body of the City.

"***Closing Date***" means the date on which a Series of Bonds are initially issued and delivered to the initial purchasers thereof.

"***Comptroller***" or "***Comptroller of Public Accounts***" means the Comptroller of Public Accounts of the State of Texas.

"***Concession Agreement***" means that certain concession agreement between the City and each of the Operators, together with the exhibits thereto, as amended from time to time. The term "Concession Agreement" specifically includes each successor Concession Agreement to which the City and each of the Operators may be a party.

"***CONRAC Manager***" means the entity chosen by the Operators to operate and maintain the CONRAC pursuant to the Lease Agreement, the name of which, and any changes thereto, shall be provided in writing to the Trustee by the City.

"***Consolidated Rental Car Facility***" and "***CONRAC***" means the consolidated rental car facility (excluding the Public Parking Area) to be located at the Airport across from Terminals A and B and which is further described in the Lease Agreements, plus necessary ingress and egress from the Airport Terminals and roadways.

"***Construction Fund***" means the Fund of such name created pursuant to Section 5.02(a) of this Indenture and further described in Section 5.03 of this Indenture.

"***Contingent Fee***" means the additional payment obligations required to be paid by the Operators and the City pursuant to the Lease Agreement to fund any deposits to the Debt Service Fund, the Debt Service Reserve Fund, the Debt Service Coverage Fund, the Public Parking Area GARB Debt Fund, the Subordinated Debt Fund, the Administrative Costs Fund, and the CFC Renewal and Replacement Fund in the event CFC Revenues and amounts available in the CFC Surplus Fund which are not held in any other Account thereunder are not sufficient to make such required deposits in full as required by this Indenture.

"***Contingent Fee Reimbursment Account***" means the Account of such name created in the CFC Surplus Fund pursuant to Section 5.02(j) of this Indenture and further described in Section 5.12 of this Indenture.

"***Contingent Fee Reimbursement Account Requirement***" means, at any time, the amount reported in a CFC Report as being the total amount of Contingent Fees paid by all Operators and the City, if any, and for which the Operators and the City have not been reimbursed, all in accordance with the terms of the Lease Agreements.

"***Debt Service***" means, for any Debt Service Payment Date, the amount required to pay the principal of (whether pursuant to a stated maturity or redemption requirements applicable thereto) and/or interest on Outstanding Bonds coming due on such Debt Service Payment Date.

"***Debt Service Coverage Fund***" means the Fund of such name created pursuant to Section 5.02(e) of this Indenture and further described in Section 5.07 of this Indenture.

"***Debt Service Coverage Fund Requirement***" means an amount equal to 25% of the maximum annual Debt Service on all Outstanding Bonds, which amount shall be calculated as of the date of issuance of each series of Bonds and on the first day of each Fiscal Year.

"***Debt Service Fund***" means the Fund of such name created pursuant to Section 5.02(c) of this Indenture and further described in Section 5.05 of this Indenture.

"***Debt Service Payment Date***" or "***Debt Service Payment Dates***" means, with respect to the Series 2015 Bonds, January 1 and July 1 of each year, commencing January 1, 2016, and with respect to any Additional Bonds, the date on which principal or interest is due and payable thereon.

"***Debt Service Reserve Fund***" means the Fund of such name created pursuant to Section 5.02(d) of this Indenture and further described in Section 5.06 of this Indenture.

"***Defeasance Securities***" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements to defease Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds.

"***Depository***" means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book entry interests in the Bonds, and to effect transfers of book entry interests in the Bonds, and includes and means initially DTC.

"***DTC***" means the Depository Trust Company, New York, New York.

"***Event of Default***" means, as such term is used in, or is to apply to, any of the Bond Documents, such meaning as set forth in each respective Bond Document, after giving effect to any applicable notice and cure period in any such Bond Document.

"***Facility***" means the structure to be constructed by the City at the Airport that consists of the CONRAC and the Public Parking Area.

"***Fiscal Year***" means the fiscal year of the City, which currently begins on each October 1 and ends on the following September 30.

"***Fund***" or "***Funds***" means any of the Funds established by this Indenture.

"***Gross Revenues of the Airport System***" has the same meaning as the term "Gross Revenues" is defined in the Master GARB Ordinance, which is defined therein to mean "*all of the revenues and income of every nature and from whatever source derived by the City (but excluding grants and donations for capital purposes) from the operation and/or ownership of the Airport System, including the investment income from the investment or deposit of money in each Fund (except the Construction Fund, any Rebate Fund, and interest earnings required to be deposited to any Rebate Fund) created, maintained or confirmed by the Master Ordinance; provided, however, that if the net rent (excluding ground rent) from any Special Facilities Lease is pledged to the payment of principal, interest, reserve, or other requirements in connection with revenue bonds issued by the City to provide Special Facilities for the Airport System for the lessee (or in connection with obligations issued to refund said revenue bonds) the amount of such net rent so pledged and actually used to pay such requirements shall not constitute or be considered as Gross Revenues, but all ground rent, and any net rent in excess of the amounts so pledged and used, shall be deposited in the Revenue Fund described in the Master Ordinance. Without limiting the generality of the foregoing, the term Gross Revenues shall include all landing fees and charges, ground rentals, space rentals in buildings and all charges made to concessionaires, and all revenues of any nature derived from contracts or use agreements with airlines and other users of the Airport System and its facilities; provided, however, that the term Gross Revenues shall not include any "passenger facility charges" described substantially in the manner provided in the "Aviation Safety and Capacity Expansion Act of 1990" (P.L. 101-508, Title IX) or the "Aviation Investment and Reform Act for the 21st Century" enacted by Congress in the year 2000, or other* *similar federal laws and the rules and regulations promulgated thereby, or any other "passenger facility charges," "customer facility charges" or similar charges that may be imposed for use by passengers or customers of Airport System facilities pursuant to federal, state or local law.*"

"***Indenture***" means this Indenture of Trust, dated as of July 1, 2015, by and between the City and the Trustee pursuant to which the Series 2015 Bonds and any Additional Bonds are issued, together with any Supplements or amendments thereto.

"***Initial Tenant Improvements***" has the same meaning as such term is defined in the Lease Agreement.

"***Initial Tenant Improvement Reimbursment Account***" means the Account of such name created in the Construction Fund pursuant to Section 5.02(a) of this Indenture and further described in Section 5.03 of this Indenture.

"***Initial Tenant Improvement Reimbursement Allowance***" means the lesser of (i) *$6,000,000* or (ii) fifty percent (50%) of the total aggregate amount of the Initial Tenant Improvements constructed by all Operators.

"***Issuance Costs***" means the items of expense relating to the authorization, sale and issuance of the Bonds, which items of expense may include, without limitation: travel expenses; printing costs; costs of reproducing documents; computer fees and expenses; filing and recording fees; initial fees and charges of the Trustee; fees and expenses of any consultants retained by the City in connection with the CONRAC or the issuance of the Bonds including but not limited to the fees and expenses of the City's Co-Financial Advisors, Bond Counsel, special legal counsel, and feasibility consultants; legal fees and expenses and fees and expenses of other professionals and consultants related to drafting and negotiating all documents related to the issuance of the Bonds; costs of credit ratings; and any other administrative or other costs of issuing the Bonds, investing the Bond proceeds or negotiating and delivering the Bonds.

"***Lease Agreement***" or "***Lease Agreements***" means each *Consolidated Rental Car Facility Lease Agreement* (or any similar agreement) between the City and each Operator pursuant to which such Operator leases from the City a portion of the CONRAC for a period of time set forth in such Agreement, together with any amendments thereto.

"***Major Maintenance***" shall have the same meaning as set forth in the Lease Agreements.

"***Master GARB Ordinance***" means Ordinance No. 93789 of the City adopted on April 19, 2001, as amended by Ordinance No. 2012-03-29-0237 of the City adopted on March 29, 2012, which established the City's *General Airport Revenue Bond Financing Program* and pursuant to which the City's Airport System Revenue Bonds (which are secured with a first lien on and pledge of the Gross Revenues of the Airport System) are issued.

"***Off-Airport Rental Car Permit***" means a permit granted by the City to an Off-Airport Rental Car Permittee granting a non-exclusive right to conduct business at the Airport as an Off-Airport Rental Car Permittee and to load and unload airport customers at the Airport in conjunction with the provision of renting motor vehicles and passenger pick-up and drop-off services by such Permittee.

"***Off-Airport Rental Car Permittee***" means any entity operating a rental car business off of the Airport that picks up and drops off customers at the CONRAC. Off-Airport Rental Car Permittees' activities on the Airport are governed by an Off-Airport Rental Car Permit with the City.

"***Operator***" and "***Operators***" mean the particular entity or entities executing a Lease Agreement and related to the operation of a Rental Car Concession in the CONRAC. Operator may include any brands authorized to operate within the Operator's family under a Lease Agreement.

"***Outstanding***" means, as of the date of determination, all Bonds issued and delivered under this Indenture except: (i) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation; (ii) Bonds which matured and been paid in full or have been defeased in accordance with the provisions of Section 8.02 of this Indenture; (iii) Bonds in exchange for or in lieu of which other Bonds have been registered and delivered pursuant to this Indenture; and (iv) Bonds alleged to have been mutilated, destroyed, lost, or stolen which have been paid as provided in this Indenture.

"***Performance Guarantee***" means the letter of credit, surety bond, or other instrument provided to the City by each Operator in accordance with the provisions of each Lease Agreement as security for each Operator's full, faithful and timely performance of its obligations under its respective Lease Agreement.

"***Performance Guarantee Revenues***" means the funds received by the City which are derived from Performance Guarantees provided by the Operators that represent Customer Facility Charges and Contingent Fees due under the Lease Agreements.

"***Permitted Investments***" means any of the investment securities that are authorized under (i) the Texas Public Funds Investment Act (Chapter 2256, Texas Local Government Code, as amended), and (ii) the City's Investment Policy, which may be amended from time to time.

"***Person***" means any individual, public or private corporation, partnership, limited liability company, county, district, authority, municipality, political subdivision or other entity of the State of Texas or the United States of America, and any partnership, association, firm, trust, estate or any other entity or organization whatsoever.

"***Pledged Funds and Accounts***" means the amounts on deposit in the Construction Fund, the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Debt Service Coverage Fund, the CFC Renewal and Replacement Fund, the Subordinated Debt Fund, and in the CFC Surplus Fund which are not held in any other Account thereunder.

"***Pledged Investment Income***" means earnings on investments in all Funds and Accounts created under Article 5 hereof except for the Public Parking Area GARB Debt Fund and the Subordinated Debt Fund.

"***Pledged Revenues***" means the aggregate of the CFC Revenues, Performance Guarantee Revenues, Contingent Fees and Pledged Investment Income.

"***Prior CFC Revenues***" means, as of the Closing Date of the Series 2015 Bonds, the funds on deposit with the City which were derived from the collection of the Customer Facility Charge and which have not then been committed to pay any invoices, contracts or other obligations of the City.

"***Project Costs***" means any and all costs incurred or paid by City in connection with the design, permitting, construction and equipping of the CONRAC, including but not limited to design costs, permitting costs, construction costs, architectural and engineering fees, capitalized interest for payment of interest on the Bonds, bond issuance and underwriting expenses, the funding of any reserves required in connection with the Bonds, demolition associated with the CONRAC, environmental costs, including remediation of environmental conditions discovered during construction of the CONRAC, construction costs, costs associated with contract administration or construction management, and a reasonable allocation of administrative costs of the City associated with the design and construction of the CONRAC.

"***Public Parking Area***" means the levels of the Facility to be exclusively used as a City operated public parking facility at the Airport.

"***Public Parking Area GARB Debt***" means the **CITY OF SAN ANTONIO, TEXAS AIRPORT SYSTEM REVENUE IMPROVEMENT BONDS, SERIES 2015 (AMT)**, dated as of July 1, 2015, being issued by the City concurrent with the Series 2015 Bonds pursuant to the Master GARB Ordinance and a related supplement thereto to finance the construction and equipping of the Public Parking Area, any bonds or obligations issued or incurred by the City (or a related entity) in the future to refund such Bonds, and any bonds or other obligations of the City (or a related entity) issued or incurred to make improvements to the Public Parking Area which are necessitated by events or requirements related to the CONRAC.

"***Public Parking Area GARB Debt Fund***" means the Fund of such name created pursuant to Section 5.02(f) of this Indenture and further described in Section 5.08 of this Indenture.

"***Rating Agency***" means one or more nationally recognized credit rating agency then maintaining a rating on the Bonds at the request of the City.

"***Record Date***" means the 15th day of the month immediately preceding any Debt Service Payment Date.

"***Redemption Date***" means the date upon which any Bonds are to be redeemed prior to their respective fixed maturities pursuant to any optional or mandatory redemption provision of this Indenture or any Supplemental Indenture.

"***Redemption Price***" means, with respect to any Bond, the principal amount, premium, if any, and interest accrued to the redemption date, payable upon the optional or mandatory redemption thereof, as provided in this Indenture or any Supplemental Indenture.

"***Register***" means the books and records maintained by the Trustee related to the Bonds and any Subordinated Debt.

"***Registrar***" means, with respect to the Series 2015 Bonds, the Trustee, and the successor or successors appointed pursuant to and meeting the requirements of Article X of this Indenture.

"***Rental Car Concession***" means the right to operate a rental car concession at the Airport from the CONRAC on a non-exclusive basis for the purpose of arranging rental car services primarily for the benefit of Airport customers where such rental car service is furnished by an Operator.

"***Requisition Requesting Disbursement of Funds on Deposit in CFC Surplus Fund***" means the written requisition, in substantially the form attached to this Indenture as *Exhibit H*, required to be submitted to the Trustee in accordance with the provisions of Section 5.12 of this Indenture for the purpose of disbursing funds from the CFC Surplus Fund for certain purposes described in such Section 5.12 hereof.

"***Requisition Requesting Disbursement of Issuance Costs***" means the written requisition, in substantially the form attached to this Indenture as *Exhibit B*, required to be submitted to the Trustee in accordance with the provisions of Section 5.03(b) of this Indenture for the purpose of paying Issuance Costs from the Construction Fund.

"***Requisition Requesting Disbursement of Project Costs***" means the written requisition, in substantially the form attached to this Indenture as *Exhibit C*, required to be submitted to the Trustee in accordance with the provisions of Section 5.03(c) of this Indenture for the purpose of paying Project Costs from the Construction Fund.

"***Reserve Fund Requirement***" means an amount equal to the maximum Debt Service payable on all Bonds during any Fiscal Year, calculated as of the date of issuance of the Series 2015 Bonds and any Additional Bonds and as of the first day of each Fiscal Year thereafter.

"***Responsible Officer of the Trustee***" means the chairman or vice chairman of the board of directors of the Trustee, the chairman or vice chairman of the executive committee of said board, the president or any vice president, the secretary or any assistant secretary, the treasurer or any assistant treasurer, the cashier or any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"***Revenue Fund***" means the Fund of such name created pursuant to Section 5.02(b) of this Indenture and further described in Section 5.04 of this Indenture.

"***Routine Maintenance Reimbursement Account***" means the Account of such name created in the CFC Surplus Fund pursuant to Section 5.02(j) of this Indenture and further described in Section 5.12 of this Indenture.

"***Routine Maintenance Reimbursement Account Recommended Amount***" means the amount recommended from time-to-time in a CFC Report and which is provided to the Trustee in writing by an Authorized Aviation Department Representative, and in no event shall such recommended amount cause the amount on deposit in the CFC Surplus Fund which is not held in any Account of the CFC Surplus Fund to be reduced below *$2,000,000* in any Fiscal Year.

"***Series 2015 Bonds***" means the **CITY OF SAN ANTONIO, TEXAS CUSTOMER FACILITY CHARGE REVENUE BONDS, TAXABLE SERIES 2015 (CONSOLIDATED RENTAL CAR SPECIAL FACILITIES PROJECT)**, initially issued and delivered in the aggregate principal amount of ***$123,900,000***.

"***Sinking Fund Installment Date***" means any date on which a Sinking Fund Installment shall be due and payable pursuant to this Indenture.

"***Sinking Fund Installment***" means , as of any particular date of calculation and with respect to any Series of Bonds, the amount of money to be applied as the Redemption Price of Bonds subject to mandatory sinking fund redemption prior to maturity pursuant to this Indenture or the Supplemental Indenture for such Series, as such Sinking Fund Installment shall have been previously reduced by the principal amount of such Series of Bonds which, prior to the date of the mailing of notice of such mandatory sinking fund redemption, (i) shall have been acquired by the City and delivered to the Trustee for cancellation, (ii) shall have been purchased and canceled by the Trustee at the request of the City, or (iii) shall have been redeemed pursuant to any optional or extraordinary mandatory redemption described in Section 4.03 of this Indenture and not theretofore credited against a mandatory redemption requirement.

"***Special Facilities***" and "***Special Facilities Properties***" mean structures, hangars, aircraft overhaul, maintenance or repair shops, heliports, hotels, storage facilities, garages, inflight kitchens, training facilities and any and all other facilities and appurtenances being a part of or related to the Airport System the cost of the construction or other acquisitions of which is financed with the proceeds of Special Facilities Debt. Upon the retirement of Special Facilities Debt, the City may declare such facilities financed with such Special Facilities Debt to be within the meaning of "Airport System," as hereinabove defined.

"***Special Facilities Debt***" means those bonds, notes or other obligations from time to time issued or incurred by or on behalf of the City pursuant to Section 17(d) of the Master GARB Ordinance.

"***Special Facilities Lease***" means any lease or agreement, howsoever denominated, pursuant to which a Special Facility is leased by or on behalf of the City to the lessee in consideration for which the lessee agrees to pay (i) all debt service on the Special Facilities Debt issued to finance the Special Facility (which payments are pledged to secure the Special Facilities Debt) and (ii) the operation and maintenance expenses of the Special Facility.

"***State***" means the State of Texas.

"***Subordinated Debt***" means any bonds, notes or other obligations from time to time issued or incurred by or on behalf of the City pursuant to a Supplemental Indenture, for the purpose of making repairs, extensions and improvements to the CONRAC or refinancing any outstanding Bonds or Subordinated Debt, which expressly provides that all payments thereon shall be subordinated to the timely payment of all Bonds and Public Parking Area GARB Debt then outstanding or subsequently issued.

"***Subordinated Debt Fund***" means the Fund of such name created pursuant to Section 5.02(g) of this Indenture and further described in Section 5.09 of this Indenture.

"***Supplemental Indenture***" means any indenture supplemental to or amendatory of this Indenture, entered into by the City and the Trustee in accordance with Article XI thereof.

"***Trust Estate***" means the right, title and interest of the City pledged to the Trustee pursuant to the granting clauses of this Indenture.

"***Trustee***" means **U.S. BANK NATIONAL ASSOCIATION**, a national banking association, which is authorized by law to accept and exercise the trust powers set forth in this Indenture, and its successors in trust and assigns.

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ARTICLE II
SECURITY FOR THE BONDS

Section 2.01. Pledge of Trust Estate.

(a) In order to secure the payment of the Debt Service on the Bonds as the same becomes due and payable (whether at maturity, by prior redemption, or otherwise), and in consideration of the premises which shall be deemed to be a substantive part of this Indenture, the purchase and acceptance of the Bonds by the Registered Owners thereof, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City does hereby grant, bargain, sell and convey a pledge of and lien on the Trust Estate to the Trustee as trustee for the benefit of all beneficiaries hereunder, including without limitation all third party beneficiaries to the extent provided herein with all rights and privileges appurtenant thereto, subject, however, to the terms and provisions hereof.

(b) Except as provided herein and subject to the terms hereof, including without limitation Article V hereof, such pledge and lien shall be for the equal and proportionate benefit and security of the Registered Owners from time to time of the Bonds issued and to be issued hereunder, or any of them, without preference, priority or distinction as to lien or otherwise of any Bond over any other Bond.

Section 2.02. Time of Pledge. The pledge of the Trust Estate pursuant to the provisions of this Indenture shall be effective from and after the payment for and delivery of any Bonds hereunder.

Section 2.03. Declaration. It is hereby expressly declared that the Trust Estate hereby pledged is to be applied, disbursed, dealt with and disposed of under, upon and subject to the terms, conditions, covenants, agreements, uses and purposes set forth in this Indenture.

Section 2.04. Payment of Debt Service; Limited Obligations. The City will duly and punctually pay the principal of, redemption premium, if any, any sinking fund requirement and interest on the Bonds in accordance with the terms of the Bonds and this Indenture and any related Supplemental Indenture; provided, however, the Bonds and the other obligations of the City provided for herein shall be limited obligations of the City and shall be secured by and payable by the City solely out of the Trust Estate. All Bonds shall be in all respects on a parity with and of equal dignity with one another, subject to the terms and provisions hereof and a related Supplemental Indenture. The Registered Owners of the Bonds shall never have the right to demand payment of either the principal of, interest on, or any redemption premium on the Bonds out of any funds raised or to be raised by taxation or out of the general revenues of the Airport System or the City, including, without limitation, the Gross Revenues pledged to payment of the Airport System Revenue Bonds.

NOTWITHSTANDING ANY PROVISION OR INFERENCE CONTAINED HEREIN OR IN ANY OTHER BOND DOCUMENT, NEITHER THE BONDS NOR ANY OTHER AMOUNTS SECURED BY THE TRUST ESTATE WILL EVER CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY, BEXAR COUNTY, THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS, WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISIONS OR STATUTORY LIMITATION WHATSOEVER, BUT THE BONDS AND ANY OTHER AMOUNTS SECURED BY THE TRUST ESTATE WILL BE SPECIAL OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE FUNDS AVAILABLE THEREFOR AS PROVIDED IN THIS INDENTURE. WITHOUT LIMITING AND IN ADDITION TO THE FOREGOING, THE TRUSTEE AND THE BONDHOLDERS UNDERSTAND THAT NO FUNDS OR OTHER ASSETS OR RESOURCES OF THE CITY, OTHER THAN THE PLEDGED REVENUES, THE PLEDGED FUNDS AND ACCOUNTS, AND OTHER ASSETS CONSTITUTING THE TRUST ESTATE, ARE SUBJECT TO THIS INDENTURE OR ANY OF ITS OBLIGATIONS OR PROVISIONS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY NOR ANY OTHER POLITICAL SUBDIVISION OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR THE INTEREST ON THE BONDS, OR ANY OTHER AMOUNTS SECURED BY THE TRUST ESTATE. THE OBLIGATIONS OF THE CITY TO THE BONDHOLDERS ARE LIMITED SOLELY TO THE TRUST ESTATE AS DESCRIBED IN THIS INDENTURE.

Section 2.05. Rate Covenant.

(a) As long as any Bonds remain outstanding, the City will require the Operators and the Off-Airport Rental Car Permitees to charge and collect the Customer Facility Charge and remit to the Trustee funds derived from the Customer Facility Charge. The initial amount of the Customer Facility Charge as it exists on the Closing Date of the Series 2015 Bonds (which shall be subject to adjustment pursuant to Section 2.05(c) below) is set forth in the Bond Ordinance. The amount of the Customer Facility Charge shall remain in effect until such time as it is adjusted by the Aviation Director pursuant to Section 2.05(b) or (c) below.

(b) The Customer Facility Charge shall be reviewed and adjusted (if necessary) annually, or more frequently as required below, by the Aviation Director based upon the CFC Report prepared by the City, at a rate estimated to generate during the applicable Fiscal Year (or such other period as applicable) CFC Revenues, together with

(i) funds estimated to be transferred from the Debt Service Coverage Fund to the Debt Service Fund in accordance with Section 5.07(c) *First* hereof,

(ii) funds estimated to be transferred by the Trustee in accordance with the last sentence of Section 5.12(c)(ii) hereof from the CFC Surplus Fund which are not held within any Account thereunder (if any), and

(iii) Pledged Investment Income estimated to be transferred to the Revenue Fund during the applicable Fiscal Year,

equal to not less than the aggregate of:

(A) 125% of the Debt Service requirements on the Bonds for such Fiscal Year; and

(B) with the residual expected to remain after providing for the payment of actual Debt Service requirements on the Bonds sufficient to provide the following:

(1) 125% of the debt service requirements on the Public Parking Area GARB Debt for such Fiscal Year; and

(2) fully fund in such Fiscal Year all transfers from the Revenue Fund as required by Section 5.04(b) *Second*, *Third*, *Fifth*, *Sixth* and *Seventh* of this Indenture.

The provisions set forth above shall be determined on the assumption that no Contingent Fees shall be established by the City, and no draws shall be made under any Performance Guarantees, for the applicable Fiscal Year for purposes of satisfying the required rate covenant; however, with respect to preparing its annual financial reports and submitting information required by a Rating Agency in connection with the Series 2015 Bonds, the City shall base any debt service coverage calculations and other reporting statistics on Pledged Revenues (including but not limited to Contingent Fees and draws on Performance Guarantees, if applicable) actually received by the City during the applicable Fiscal Year.

(c) The Aviation Director shall cause the CFC Report to be prepared and to be filed with the Trustee prior to each Fiscal Year, based upon the Transaction Days (as defined in the Lease Agreements) and other rental information required to be provided to the City by the Operators pursuant to the Lease Agreements and by the Off-Airport Rental Car Permittees pursuant to the Off-Airport Rental Car Permits. If at any time during such ensuing Fiscal Year,

(i) the aggregate collection of CFC Revenues are less than 90% of the pro forma aggregate collections for the corresponding period as shown in the CFC Report filed with the Trustee, the Aviation Director, following consultation with the Operators, may promptly increase the Customer Facility Charge without waiting for the next annual review; or

(ii) for four (4) consecutive months the monthly collections of the CFC Revenues are less than 80% of the pro forma monthly collections for the corresponding periods as shown in the most recent CFC Report filed with the Trustee,

then the Aviation Director shall promptly engage an Airport Consultant to review the Transaction Day and CFC collection history and issue and deliver to the City, the Trustee and the Operators a new CFC Report recommending appropriate action with respect to the CFC rate and other appropriate actions (including but not limited to transferring funds from the Renewal and Replacement Fund in accordance with Section 5.11(a) hereof), which CFC Report recommendation shall be implemented as promptly as practicable; provided, that if such CFC Report is to be issued within the final three (3) months of a calendar year, it may also include recommendations for the ensuing calendar year, in which case no additional CFC Report for such ensuing calendar year will be required, except as may be required by this clause (ii).

(d) In the event the rate covenant described in Section 2.05(b) above shall not be satisfied in any Fiscal Year, it shall not constitute an Event of Default so long as no payment default has occurred and the Aviation Director promptly causes the recommendations in the CFC Report to be enacted, including but not limited to increasing the Customer Facility Charge to the recommended rate, making transfers from funds on deposit in the CFC Surplus Fund which are not held in any Account thereunder, or implementing Contingent Fees.

(e) The Aviation Director shall file a certificate with the Trustee no less than annually setting forth the current Customer Facility Charge and stating whether the actions described within Sections 2.05(c)(i) or (ii) above have been taken during the previous twelve (12) months.

(f) Except for the purpose stated in the third sentence of this subsection, the Trustee is under no duty or obligation to review any CFC Reports delivered to it and shall hold such CFC Reports solely as a repository on behalf of the Bondholders. The Trustee has no duty or obligation to monitor whether not any recommendations made by an Airport Consultant described in Section 2.05(c) above are implemented. For purposes of making the deposits required under Section 5.12 *Second* and *Third* the Trustee shall be fully protected in relying on the Contingent Fee Reimbursement Account Requirement and the Routine Maintenance Reimbursement Account Recommended Amount set forth in the CFC Report the Trustee has on file. The Trustee shall be fully protected in relying on the annual certifications provided to it by the Aviation Director described in Section 2.05(e) above and has no independent duty to confirm that the rate covenant described in Section 2.05(b) has been complied with.

Section 2.06. Covenants Regarding Contingent Fees. As long as any Bonds remain outstanding, in the event it is determined under the provisions of the Lease Agreements that it is necessary for the Operators and the City to pay Contingent Fees as required therein, the City shall pay, and shall require the Operators to pay, such Contingent Fees directly to the Trustee for deposit into the Revenue Fund. The amount of Contingent Fees to be charged shall be determined by the City in the manner set forth in the Lease Agreements, and in any event shall be set by the City at a rate sufficient, together with CFC Revenues reasonably expected to be available for such purpose, to satisfy the requirements set forth in Section 2.05(b) above.

Section 2.07. Enforcement of Lease Agreements and Off-Airport Rental Car Permits. The City covenants that, as long as any Bonds are Outstanding, the City will take all actions required on its part to keep the Lease Agreements in effect in accordance with their terms and will take all reasonable actions to enforce compliance by the Operators with the Lease Agreements, including seeking specific performance by each of the Operators of their respective obligations to charge, collect and pay the Customer Facility Charges to the Trustee, and to pay the Contingent Fees, if any, to the Trustee pursuant to the terms of the Lease Agreements. Similarly, the City covenants to take all actions required on its part to keep the Off-Site Rental Car Permits in effect in accordance with their terms and will take all reasonable actions to enforce compliance by the Off-Airport Rental Car Permittees with the Off-Airport Rental Car Permits, including seeking specific performance by each of the Off-Airport Rental Car Permittees of their respective obligations to charge, collect and pay the Customer Facility Charges to the Trustee.

Section 2.08. Covenant to Maintain Customer Facility Charge and Collection of CFC Revenues. The City covenants that, as long as any Bonds are Outstanding, the City will continue to impose a customer facility charge and provide for the collection of revenues from such customer facility charge in a manner which is substantially similar to those provisions relating to the imposition of the Customer Facility Charge and the collection of the CFC Revenues contained in the Lease Agreements. Any such customer facility charges shall constitute Customer Facility Charges for all purposes of this Indenture.

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ARTICLE V
ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Section 5.01. Security for Bonds.

(a) Pledge of Trust Estate. The Bonds are payable from and secured by a pledge of the Trust Estate in accordance with the terms hereof. With respect to the Series 2015 Bonds, said pledge shall constitute a first lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Trustee of the Series 2015 Bonds, without any physical delivery thereof or further act; provided, however, priority of payment obligations shall be made in accordance with this Article V and Article IX hereof, as applicable.

(b) Authority of Trustee to Enforce Certain Rights. The Trustee also shall be entitled upon the occurrence and during the continuance of an Event of Default hereunder, subject to the provisions of this Indenture, to take all steps, actions and proceedings to enforce all of the rights and obligations of the City under this Indenture.

Section 5.02. Establishment of Funds and Accounts. The City hereby establishes the following Funds and Accounts, all of which shall be held by the Trustee and certain of which shall constitute Pledged Funds and Accounts as a component of the Trust Estate:

(a) **Construction Fund** (which is more fully described in Section 5.03 hereof), and within the Construction Fund the following Accounts:

(i) Series 2015 Bond Proceeds Account;
(ii) Initial Tenant Improvement Reimbursement Account; and
(iii) Prior CFC Revenues Account.

(b) **Revenue Fund** (which is more fully described in Section 5.04 hereof);

(c) **Debt Service Fund** (which is more fully described in Section 5.05 hereof);

(d) **Debt Service Reserve Fund** (which is more fully described in Section 5.06 hereof);

(e) **Debt Service Coverage Fund** (which is more fully described in Section 5.07 hereof);

(f) **Public Parking Area GARB Debt Fund** (which is more fully described in Section 5.08 hereof);

(g) **Subordinated Debt Fund** (which is more fully described in Section 5.09 hereof);

(h) **Administrative Costs Fund** (which is more fully described in Section 5.10 hereof);

(i) **CFC Renewal and Replacement Fund** (which is more fully described in Section 5.11 hereof); and

(j) **CFC Surplus Fund** (which is more fully described in Section 5.12 hereof), and within the CFC Surplus Fund the following Accounts:

(i) Contingent Fee Reimbursement Account;
(ii) Routine Maintenance Reimbursement Account; and
(iii) Airport Parking Operating Funds Account.

The Trustee may create any other Funds and Accounts (including subaccounts) hereunder as the Trustee deems necessary to carry out the purposes of this Indenture. Not later than the fifteenth (15^{th}) day of each month, the Trustee shall provide the City with a monthly statement of (i) the amounts on deposit in the Funds and Accounts as of the last day of the preceding month after making all transfers required pursuant to Sections 5.04(b) hereof, and (ii) if applicable, the amounts of any deficiencies in such Funds and Accounts that are at such time known by the Trustee.

Section 5.03. Construction Fund.

(a) Deposits to Construction Fund. There shall be deposited into the Construction Fund the amounts required to be so deposited by the provisions of this Indenture, including particularly Sections 3.03 and 5.13 hereof. There may also be deposited into the Construction Fund until the completion and opening of the CONRAC any moneys received by the Trustee from any source with the express written direction from an Authorized City Representative and an Authorized Aviation Department Representative to deposit such moneys in an Account of the Construction Fund unless otherwise required to be applied by this Indenture.

(b) Payment of Issuance Costs. Except for the payment of Issuance Costs to be paid on the date of initial delivery of the Series 2015 Bonds in accordance with instructions contained in a closing memorandum provided by the City to the Trustee, disbursements to pay or reimburse the payment of the Issuance Costs shall be made by the Trustee from the Series 2015 Bond Proceeds Account of the Construction Fund only upon receipt of a *Requisition Requesting Disbursement of Issuance Costs*, substantially in the form attached hereto as *Exhibit B*, executed by an Authorized City Representative and an Authorized Aviation Department Representative.

(c) Disbursement Procedures for Payment of Project Costs. Funds on deposit in the Series 2015 Bond Proceeds Account and the Prior CFC Revenues Account of the Construction Fund shall be disbursed for the payment of Project Costs as provided in this subsection.

(i) Upon the Trustee's receipt of a *Requisition Requesting Disbursement of Project Costs*, substantially in the form attached hereto as *Exhibit C*, executed by an Authorized City Representative and an Authorized Aviation Department Representative, together with all attachments, the Trustee shall, within three (3) Business Days of such receipt, disburse money first, from the Series 2015 Bond Proceeds Account to the extent available therein, and thereafter from the Prior CFC Revenues Account of the Construction Fund, to pay the Project Costs which are the subject of such Requisition.

(ii) The Trustee shall not be required to accept more than four such Requisitions each month except for requisitions solely for Issuance Costs.

(iii) The final disbursement from the Series 2015 Bond Proceeds Account and the Prior CFC Revenues Account of the Construction Fund for Project Costs shall additionally require a certification from an Authorized City Representative and an Authorized Aviation Department Representative to the effect that construction of the CONRAC has been completed and, following such final disbursement of funds from the Construction Fund, no amounts will remain to be paid to any contractors, vendors or other entities related to the construction thereof of the CONRAC.

(d) Disbursement Procedures to Reimburse Operators for Initial Tenant Improvements. Funds on deposit in the Initial Tenant Improvement Reimbursement Account of the Construction Fund shall be disbursed to reimburse Operators for cost of Initial Tenant Improvements as permitted under the terms of the Lease Agreements (subject to a maximum aggregate reimbursement equal to the Initial Tenant Improvement Reimbursement Allowance) as provided in this subsection.

(i) Upon the Trustee's receipt of a *Requisition Requesting Disbursement of Initial Tenant Improvement Reimbursements*, substantially in the form attached hereto as *Exhibit D*, executed by an Authorized City Representative and an Authorized Aviation Department Representative, together with all attachments, the Trustee shall, within three (3) Business Days of such receipt, disburse money to reimburse the Operators for certain costs of Initial Tenant Improvement incurred by the Operators as permitted under the terms of the Lease Agreements and which are the subject of such Requisition.

(ii) The Trustee shall not be required to accept more than two such Requisitions each month.

(iii) The final disbursement from the Initial Tenant Improvement Reimbursement Account of the Construction Fund shall additionally require a certification from an Authorized City Representative and an Authorized Aviation Department Representative to the effect that construction of all Initial Tenant Improvements has been completed and, following such final disbursement of funds from the Initial Tenant Improvement Reimbursement Account of the Construction Fund, no amounts will remain to be paid to any Operator related to reimbursing the Operators for certain costs of Initial Tenant Improvements as permitted under the terms of the Lease Agreements.

(e) Trustee May Rely on Requisitions. Upon receipt of a fully executed and approved *Requisition Requesting Disbursement of Issuance Costs*, *Requisition Requesting Disbursement of Project Costs*, or *Requisition Requesting Disbursement of Initial Tenant Improvement Reimbursements* and the required attachments, the Trustee may rely conclusively upon such Requisitions. The Trustee shall have no liability on account of any disbursement from the Construction Fund in accordance with such Requisitions provided that it has complied with the procedures required in paragraphs (b), (c) and (d) above with respect to such Requisitions. The Trustee has no duty or obligation to confirm that any of the requested payments constitute Issuance Costs or Project Costs or are not in excess of the Initial Tenant Improvement Reimbursement Allowance, as applicable.

(f) Transfer of Excess Funds From the Construction Fund. Upon the receipt by the Trustee of a certificate from an Authorized City Representative and an Authorized Aviation Department Representative that construction of the CONRAC has been completed and no amounts remain to be paid to any contractors, vendors or other entities related to the construction thereof, the following shall occur:

(i) in the event any funds remain on deposit in the Series 2015 Bond Proceeds Account or the Initial Tenant Improvement Reimbursement Account of the Construction Fund, the Trustee shall transfer the amount remaining in such Accounts to the Debt Service Fund, which funds shall be used to pay principal on the Series 2015 Bonds when due, and the Series 2015 Bond Proceeds Account and the Initial Tenant Improvement Reimbursement Account of the Construction Fund shall thereafter be closed; and

(ii) in the event any funds remain on deposit in the Prior CFC Revenues Account of the Construction Fund, the Trustee shall transfer the amount remaining in such Account to the CFC Surplus Fund, and the Prior CFC Revenues Account of the Construction Fund and the Construction Fund itself shall thereafter be closed.

Section 5.04. Revenue Fund; Flow of Funds.

(a) Deposits into the Revenue Fund.

(i) *CFC Revenues and Contingent Fees from Operators and Off-Airport Rental Car Permittees*. Pursuant to the Lease Agreements, each Operator is required to remit to the Trustee (A) all CFC Revenues collected and held by such Operator on or before the fifteenth (15^{th}) day of each month following the month in which the CFC Revenues were collected, and (B) its pro rata share of any Contingent Fee, if a Contingent Fee has been imposed by the City on all Operators in accordance with the Lease Agreements, on or before the fifteenth (15^{th}) day of each month following the month in which the Contingent Fee was collected for so long as a Contingent Fee is being imposed by the City in accordance with the Lease Agreements. Similarly, pursuant to the Off-Airport Rental Car Permits, each Off-Airport Rental Car Permittee is required to remit to the Trustee all CFC Revenues collected and held by such Off-Airport Rental Car Permittee on or before the fifteenth (15^{th})

day of each month following the month in which the CFC Revenues were collected. All CFC Revenues and Contingent Fees received by the Trustee from the Operators and Off-Airport Rental Car Permittees, and identified as such, shall be deposited upon receipt to the Revenue Fund. Upon receipt thereof, the Trustee shall provide notice to the City and to the submitting party acknowledging the receipt of such CFC Revenues and Contingent Fees.

(ii) *Funds Derived from Performance Guarantees*. Pursuant to the Lease Agreements, each Operator is required to provide to the City a Performance Guarantee as security for each Operator's full, faithful and timely performance of its obligations under its respective Lease Agreement. All amounts received by the City under a Performance Guarantee provided by an Operator pursuant to the applicable Lease Agreement that represent Customer Facility Charges and Contingent Fees due under such Lease Agreement shall be transferred promptly by the City to the Trustee and deposited into the Revenue Fund.

(iii) *Earnings on Permitted Investments*. All earnings on Permitted Investments required to be deposited into the Revenue Fund pursuant to Section 6.03(b) hereof.

(b) Transfers From the Revenue Fund. On the last Business Day of each month, the Trustee shall make the deposits, transfers or payments indicated below from amounts then on deposit in the Revenue Fund in the priority listed below (including curing any deficiency in deposits, transfers or payments required in prior months), the requirements of each Fund, Account, deposit, transfer or payment to be fully satisfied, leaving no deficiencies, prior to any deposit, transfer or payment later in priority, unless as otherwise specifically provided below:

First, **to the Debt Service Fund**, in the following amounts:

(i) approximately equal monthly installments of the total amount of interest coming due on all Outstanding Bonds (including the Series 2015 Bonds) on the next Debt Service Payment Date; plus

(ii) commencing with the twelfth (12^{th}) month prior to the first principal payment date for a Series of Bonds (or commencing on the month immediately following the issuance of a Series of Bonds if the delivery of such Series of Bonds is made less than twelve months prior to the first principal payment date), equal installments of the total amount of principal (including sinking fund installments) coming due on all Outstanding Bonds on the next Debt Service Payment Date, all pursuant to the requirements of Section 5.05 hereof.

Second, if the Debt Service Reserve Fund contains less than the Reserve Fund Requirement, **to the Debt Service Reserve Fund**, an amount equal to the amount required to replenish the Reserve Fund Requirement pursuant to the requirements of Section 5.06(b) hereof.

Third, **to the Debt Service Coverage Fund**, the amount necessary to cause the amount on deposit therein to equal the Debt Service Coverage Fund Requirement, pursuant to the requirements of Section 5.07(b) hereof.

Fourth, **to the Public Parking Area GARB Debt Fund**,

(i) approximately equal monthly installments of the total amount of interest on the City's outstanding Public Parking Area GARB Debt coming due during the applicable Fiscal Year, plus

(ii) commencing with the twelfth (12^{th}) month prior to the first principal payment date for the City's outstanding Public Parking Area GARB Debt (or commencing on the month immediately following the issuance of such Public Parking Area GARB Debt if the delivery of such Debt is made less than twelve months prior to the first principal payment date), approximately equal monthly installments of the total amount of principal (including sinking fund installments) coming due on all Public Parking Area GARB Debt on the next Debt Service Payment Date, and plus

(iii) approximately equal monthly installments of the amount necessary to restore any deficiency in the debt service reserve fund related to the Public Parking Area GARB Debt within sixty (60) months following the month during which such deficiency first occurred, all in accordance with, and based solely on, the schedule related to the City's Public Parking Area GARB Debt attached to this Indenture as *Exhibit I* (which may be substituted from time to time by a revised schedule provided to the Trustee by an Authorized City Representative or an Authorized Aviation Department Representative to account for the issuance of additional Public Parking Area GARB Debt, the defeasance of any Public Parking Area GARB Debt, a deficiency in the debt service reserve fund related to such Public Parking Area GARB Debt, or for other reasons).

Fifth, **to the Subordinated Debt Fund**, approximately equal monthly installments to satisfy the payment of principal of, redemption premium, if any, interest on, and reserve fund requirements related to Subordinated Debt in accordance with the provisions of each Supplemental Indenture related to such Subordinated Debt;

Sixth, **to the Administrative Costs Fund**, all funds remaining on deposit in the Revenue Fund until there shall have been deposited thereto an amount equal to the then budgeted Administrative Costs for such Fiscal Year as provided by the City to the Trustee in writing. Thereafter, no additional transfers to the Administrative Costs Fund shall be made during such Fiscal Year unless the City amends the budgeted Administrative Costs for such Fiscal Year and such amendment increases the budgeted Administrative Costs for such Fiscal Year. In such event, the Trustee shall transfer to the Administrative Costs Fund all moneys until there shall have been deposited thereto an amount equal to the increased budgeted Administrative Costs for such Fiscal Year.

Seventh, **to the CFC Renewal and Replacement Fund**, approximately equal monthly installments to restore the amount on deposit in the CFC Renewal and Replacement Fund to the CFC Renewal and Replacement Fund Requirement within the period of time required by Section 5.11 hereof.

Eighth, **to the CFC Surplus Fund**, the balance, if any, of moneys remaining in the Revenue Fund, for further use, and disbursement into the Accounts therein, as set forth in Section 5.12 hereof.

Section 5.05. Debt Service Fund.

(a) Deposits into the Debt Service Fund. All amounts to be transferred to the Debt Service Fund from whatever source (including but not limited to amounts deposited in accordance with Section 5.04(b) *First* hereof and excess deposits from the Debt Service Reserve Fund pursuant to Section 5.06(e) hereof) shall be deposited into the Debt Service Fund. In the event the amount actually transferred from the Revenue Fund to the Debt Service Fund in accordance with Section 5.04(b) *First* on any monthly transfer date is less than the amount which would fully satisfy the amount which should have been transferred on such date, the Trustee shall, in accordance with the final sentence of Section 5.12(c)(ii) hereof, transfer from funds on deposit in the CFC Surplus Fund which are not held in any Account thereunder an amount necessary to satisfy any deficiency in the Debt Service Fund for such month. In the event the amount on deposit in the Debt Service Fund prior to any Debt Service Payment Date is less than the amount required to pay all Debt Service coming due on such date, the Trustee shall satisfy any such deficiency by transferring to the Debt Service Fund from, first, the Debt Service Coverage Fund an amount equal to such deficiency in accordance with Section 5.07(c)(i) hereof, and, second, if necessary, from the Debt Service Reserve Fund an amount equal to any remaining deficiency therein in accordance with Section 5.06(c) hereof.

(b) Transfers to Pay Debt Service. There shall be paid out of the Debt Service Fund on or before each Debt Service Payment Date for any of the Bonds, the amount required to pay Debt Service coming due and payable on such Debt Service Payment Date. On or before any Redemption Date for Bonds to be redeemed, there shall also be paid out of the Debt Service Fund, from available amounts deposited therein from time to time, the Redemption Price of and interest on the Bonds then to be redeemed.

(c) Sinking Fund Installments. Amounts in the Debt Service Fund with respect to any Sinking Fund Installment (together with amounts in the Debt Service Fund with respect to interest on the Bonds for which such Sinking Fund Installment was established) shall be applied to the redemption of Bonds of the Series and maturity for which such Sinking Fund Installment was established in an amount not exceeding that necessary to complete the retirement of such Sinking Fund Installment as hereinafter provided. Unless otherwise provided in any Supplemental Indenture, as soon as practicable after the sixtieth (60th) day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, by giving notice as provided in Section 4.05 hereof, on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment Date) in such amount as shall be necessary to complete the retirement of such Sinking Fund Installment; provided that for this purpose the principal amount of Bonds of such Series and maturity delivered by the City to the Trustee for cancellation not less than sixty (60) days prior to such due date, if any, shall be credited against the amount of such Sinking Fund Installment. Such notice of redemption shall be given without any further instructions from the City.

(d) Reduction of Sinking Fund Installments Resulting From Earlier Redemptions. Upon a redemption pursuant to any optional redemption provision of this Indenture or any Supplemental Indenture, other than an anticipated sinking fund redemption provision, of Bonds of any Series and maturity for which Sinking Fund Installments have been established, the principal amount of such Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment or Installments for such Series of Bonds.

Section 5.06. Debt Service Reserve Fund.

(a) Initial Deposit into Debt Service Reserve Fund. Simultaneously with the delivery of the Series 2015 Bonds to the initial purchasers thereof, the City shall cause to be deposited in the Debt Service Reserve Fund an amount equal to the Reserve Fund Requirement (i.e., ***$9,766,629.40***). Such requirement shall be satisfied by depositing to the credit of the Debt Service Reserve Fund proceeds of the Series 2015 Bonds in an amount equal to the Reserve Fund Requirement, as provided in Section 3.03 hereof.

(b) Additional Deposits to Cure Deficiencies. When and so long as the money and investments in the Debt Service Reserve Fund total not less than the Reserve Fund Requirement, no deposits need be made to the credit of the Debt Service Reserve Fund; but when and if the Debt Service Reserve Fund at any time contains less than the Reserve Fund Requirement, such deficiency in the Reserve Fund Requirement shall be cured within twenty-four (24) months from the date the deficiency first occurred by making monthly deposits from funds on deposit in the Revenue Fund in accordance with Section 5.04(b) *Second* hereof in approximately equal amounts required to restore the balance in the Debt Service Reserve Fund to the Reserve Fund Requirement by the end of such 24-month period.

(c) Transfers to Debt Service Fund. After first transferring to the Debt Service Fund funds on deposit in the Debt Service Coverage Fund in accordance with Section 5.07(c)(i) hereof to make good any deficiency in the Debt Service Fund which is required to make debt service payments in accordance with Section 5.05(b) hereof, and if a deficiency still remains in the Debt Service Fund to be able to make the payments required under Section 5.05(b) hereof, then the Trustee shall transfer from the Debt Service Reserve Fund an amount equal to such deficiency. When the amount in the Debt Service Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or Redemption Price and interest), the amount on deposit in the Debt Service Reserve Fund, together with the amount on deposit in the Debt Service Fund may, at the direction of the City, be transferred to the Debt Service Fund and applied to pay the principal and Redemption Price of and interest on all Outstanding Bonds.

(d) Computation of Debt Service Reserve Fund. For the purpose of determining the amount on deposit to the credit of the Debt Service Reserve Fund, investments in which money in such account shall have been invested shall be computed at cost. The amount on deposit to the credit of the Debt Service Reserve Fund shall be computed by the Trustee annually, and shall also be computed as of the date of initial issuance of a Series of Additional Bonds and immediately upon any withdrawal from the Debt Service Reserve Fund.

(e) Transfer of Excess Funds. If on the last Business Day of any month the amount on deposit in the Debt Service Reserve Fund exceeds the Reserve Fund Requirement (after earnings on investments in the Fund have been transferred to the Revenue Fund in accordance with Section 6.03(b) hereof), such excess shall be deposited into the Debt Service Fund.

Section 5.07. Debt Service Coverage Fund.

(a) Initial Deposit into Debt Service Coverage Fund. Simultaneously with the delivery of the Series 2015 Bonds to the initial purchasers thereof, and in accordance with clause (iii) of Section 5.13 hereof, the City shall cause Prior CFC Revenues to be deposited into the Debt Service Coverage Fund in the amount equal to ***$2,441,657.35***, which amount is equal to the Debt Service Coverage Fund Requirement.

(b) Additional Deposits into Debt Service Coverage Fund. If the amount on deposit in the Debt Service Coverage Fund is at least equal to the Debt Service Coverage Fund Requirement, no further deposits shall be made; however, if the Trustee determines that the amount credited to the Debt Service Coverage Fund is less than the Debt Service Coverage Fund Requirement, the Trustee shall promptly resume making deposits in accordance with Section 5.04(b) *Third* hereof in order to restore the Debt Service Coverage Fund to the Debt Service Coverage Fund Requirement. Additionally, each increase, if any, in the Debt Service Coverage Fund Requirement resulting from the issuance of Additional Bonds shall be funded at the time of issuance and delivery of such series of Additional Bonds by depositing to the credit of the Debt Service Coverage Fund from the proceeds of such Additional Bonds or other lawfully appropriated funds in an amount sufficient to cause the amount credited to the Debt Service Coverage Fund to equal the Debt Service Coverage Fund Requirement after taking into account the issuance of such Additional Bonds.

(c) Transfers from Debt Service Coverage Fund. Amounts credited to the Debt Service Coverage Fund shall be used by the Trustee for the following purposes and in the following order of priority:

(i) *First*, transfer to the Debt Service Fund on or before each Debt Service Payment Date an amount necessary to make good any deficiency in the Debt Service Fund which is required to pay Debt Service in accordance with Section 5.05(b) hereof; and

(ii) *Second*, upon receipt by the Trustee of prior written authorization of an Authorized City Representative and an Authorized Aviation Department Representative, transfer to the Debt Service Fund (A) on or before an optional redemption date of any series of Bonds an amount authorized by such Authorized City Representative and Authorized Aviation Department Representative to be applied to pay the redemption price of such Bonds, or (B) on or before the date directed by the Authorized City Representative and the Authorized Aviation Department Representative in such written authorization an amount to be applied to make the final payments for the retirement or defeasance of any Bonds; provided, however, that after giving effect to such application of moneys pursuant to this clause (ii) and the redemption, payment or defeasance of such Bonds, as applicable, the amount remaining on deposit in the Debt Service Coverage Fund must equal or exceed the Debt Service Coverage Fund Requirement with respect to all Bonds to remain Outstanding.

Section 5.08. Public Parking Area GARB Debt Fund.

(a) Deposits into Public Parking Area GARB Debt Fund; Authorized Purposes. All amounts to be transferred from the Revenue Fund in accordance with Section 5.04(b) *Fourth* hereof shall be deposited into the Public Parking Area GARB Debt Fund. Funds on deposit in the Public Parking Area GARB Debt Fund shall be used solely for the purpose of (i) providing funds to the paying agent for the Public Parking Area GARB Debt sufficient to pay the principal of and interest on all Public Parking Area GARB Debt on each respective payment date therefor as shown in *Exhibit I* attached hereto, as amended from time to time as described in Section 5.04(b) *Fourth* hereof, and (ii) providing funds to the City to restore a deficiency associated with the outstanding Public Parking Area GARB Debt in the debt service reserve fund related to the Airport System Revenue Bonds.

(b) Disbursements from Public Parking Area GARB Debt Fund. The Trustee shall, without the necessity of receiving further direction from the City, transfer from the Public Parking Area GARB Debt Fund to the paying agent related to the Public Parking Area GARB Debt at least one Business Day prior to each principal and/or interest payment date of such Debt, an amount equal to the total amount of principal and/or interest coming due on such payment date, all as shown in *Exhibit I* attached hereto, as amended from time to time as described in Section 5.04(b) *Fourth* hereof. On or about the date of delivery of an issue of Public Parking Area GARB Debt, the City shall provide the Trustee with the name of the paying agent for the Public Parking Area GARB Debt along with wiring instructions to be used by the Trustee to make the transfers described above, and the City shall promptly notify the Trustee of any changes to such information. In addition, in the event funds have been transferred from the Revenue Fund to the Public Parking Area GARB Debt Fund in accordance with clause (iii) of Section 5.04(b) Fourth hereof to accumulate funds to pay a pro rata portion of a deficiency associated with the outstanding Public Parking Area GARB Debt in the debt service reserve fund related to the Airport System Revenue Bonds, the Trustee shall, within three Business Days of receiving a *Requisition Requesting Disbursement From Public Parking Area GARB Debt Fund* in the form attached hereto as *Exhibit E* that is executed by an Authorized City Representative and an Authorized Aviation Department Representative, transfer to the City in accordance with the wiring instructions provided in such Requisition, the amount requested by the City in such Requisition for the purpose described in such Requisition. The City shall not submit a *Requisition Requesting Disbursement From Public Parking Area GARB Debt Fund* more frequently than two times during a Fiscal Year.

Section 5.09. Subordinated Debt Fund. All amounts to be transferred from the Revenue Fund in accordance with Section 5.04(b) *Fifth* hereof shall be deposited into the Subordinated Debt Fund. Amounts credited to the Subordinated Debt Fund shall be used by the Trustee solely for the purpose of paying the principal of, redemption premium, if any, interest on, and reserve fund requirements related to Subordinated Debt in accordance with the provisions of each Supplemental Indenture pursuant to which such Subordinated Debt is issued. Funds on deposit in the Subordinated Debt Fund shall not be available to pay Debt Service on the Bonds or transferred to any other Funds or Accounts established hereunder.

Section 5.10. Administrative Costs Fund. All amounts to be transferred from the Revenue Fund in accordance with Section 5.04(b) *Sixth* hereof shall be deposited into the Administrative Costs Fund. Moneys credited to the Administrative Costs Fund shall only be used by the Trustee to pay Administrative Costs. The Trustee shall disburse amounts in the Administrative Costs Fund to pay or reimburse the City for Administrative Costs upon written direction from an Authorized City Representative and an Authorized Aviation Department Representative in the form of <u>*Exhibit F*</u> attached hereto. The Trustee may conclusively rely on any such written direction provided to it and the Trustee has no duty or obligation to confirm that such requested payments are for Administrative Costs.

Section 5.11. CFC Renewal and Replacement Fund.

(a) <u>Deposits into CFC Renewal and Replacement Fund; Authorized Purposes</u>. Simultaneously with the delivery of the Series 2015 Bonds to the initial purchasers thereof, and in accordance with clause (ii) of Section 5.13 hereof, the City shall cause Prior CFC Revenues to be deposited into the CFC Renewal and Replacement Fund in the amount equal to ***$7,500,000***, which amount is equal to the CFC Renewal and Replacement Fund Requirement. There shall also be deposited into the CFC Renewal and Replacement Fund all amounts to be transferred from the Revenue Fund in accordance with Section 5.04(b) *Seventh* hereof. Amounts credited to the CFC Renewal and Replacement Fund shall be used for the purpose of (i) paying the costs of Major Maintenance to the Facility upon the written direction from an Authorized City Representative and an Authorized Aviation Department Representative in the form of <u>*Exhibit G-1*</u> attached hereto, and (ii) transferring funds to the Debt Service Fund, the Debt Service Reserve Fund, the Debt Service Coverage Fund, the Public Parking Area GARB Debt Fund, the Subordinated Debt Fund and/or the Administrative Cost Fund (in connection with the City determining whether it shall be necessary to impose a Contingent Fee on the Operators in accordance with Section 3.4 of the Lease Agreement) upon the written direction from an Authorized City Representative and an Authorized Aviation Department Representative in the form of <u>*Exhibit G-2*</u> attached hereto. The Trustee may conclusively rely on any such written direction provided to it hereunder and the Trustee has no duty or obligation to confirm that such requested payments are for costs associated with Major Maintenance to the Facility or are needed as deposits to the Administrative Cost Fund.

(b) <u>Required Balance and Monthly Transfers from Revenue Fund</u>. The amount required to be on deposit in the CFC Renewal and Replacement Fund is equal to ***$7,500,000*** (the "***CFC Renewal and Replacement Fund Requirement***"). As noted in Section 5.11(a) above, the CFC Renewal and Replacement Fund Requirement initially shall be funded by depositing Prior CFC Revenues in such amount in accordance with clause (ii) of Section 5.13 hereof. Thereafter, when and so long as the money and investments in the CFC Renewal and Replacement Fund total not less than the CFC Renewal and Replacement Fund Requirement, no deposits need be made to the credit of the CFC Renewal and Replacement Fund. Upon the withdrawal of funds on deposit in the CFC Renewal and Replacement Fund in accordance with Section 5.11(a) hereof which causes the amount on deposit therein to fall below the CFC Renewal and Replacement Fund Requirement, the amount of each respective withdrawal shall be replenished within sixty (60) months from the date of each such respective withdrawal by the Trustee making approximately equal monthly deposits to the CFC Renewal and Replacement Fund in accordance with Section 5.04(b) *Seventh* hereof.

In the event funds available to be deposited from the Revenue Fund into the CFC Renewal and Replacement Fund to reimburse a deficiency therein are not sufficient to fully fund such amount in any given Fiscal Year, such failure shall not constitute an Event of Default and any deficiency in any Fiscal Year shall be carried over and, to the extent funds are available therefor, shall be transferred therein during the next succeeding Fiscal Year until such deficiency has been fully satisfied.

Section 5.12. CFC Surplus Fund.

(a) <u>Transfers from Revenue Fund; Authorized Purpose for Funds Deposited to Various Accounts</u>. All amounts transferred from the Revenue Fund to the CFC Surplus Fund pursuant to Section 5.04(b) *Eighth* hereof, together with any funds then on deposit in the CFC Surplus Fund which are not then held within an Account of the CFC Surplus Fund, shall be utilized and deposited by the Trustee in accordance with the following order of priority:

<u>*First*</u>, to satisfy a deficiency in any Fund, and in the order of priority set forth in Section 5.04(b) *First* through *Seventh* hereof, with the amount of deficiency in a Fund with a higher priority being fully satisfied before satisfying a deficiency in a lower Fund;

<u>*Second*</u>, to make a deposit into the Contingent Fee Reimbursement Account up to an aggregate amount equal to the Contingent Fee Reimbursement Account Requirement, which funds shall be used to reimburse the Operators and the City for the payment of Contingent Fees made under the Lease Agreements, if any, and shall be disbursed as provided in Section 5.12(c)(i) below; and

<u>*Third*</u>, to make a deposit into the Routine Maintenance Reimbursement Account to fully restore the balance therein to the Routine Maintenance Reimbursement Account Recommended Amount, which funds shall be used to pay CFC Eligible Routine Maintenance (as defined in the Lease Agreements) and shall be disbursed as provided in Section 5.12(c)(ii) below; <u>provided, however</u>, in the event making such deposit into the Routine Maintenance Reimbursement Account to fully restore the balance therein to the Routine Maintenance Reimbursement Account Recommended Amount would cause the amount on deposit in the CFC Surplus Fund which is not held within any Account of the CFC Surplus Fund to be reduced below *$2,000,000*, the amount to be deposited into the Routine Maintenance Reimbursement Account shall be reduced by an amount necessary so as not to cause the amount on deposit in the CFC Surplus Fund which is not held within any Account thereof to go below *$2,000,000.*

All remaining funds on deposit in the CFC Surplus Fund after making such required transfers shall remain therein and may be used for any lawful purpose related to the Facility, including but not limited to (i) satisfying any future monthly deposits described in clauses *First* through *Third* in this Section 5.12(a), (ii) transferring funds therein for deposit into the CFC Renewal and Replacement Fund in order to pay the costs of Major Maintenance, (iii) making other improvements, enlargements, extensions, additions, replacements, repairs or other capital expenditures related to the Facility as deemed necessary or appropriate by the Aviation Director, and (iv) transferring funds therein for deposit into the Debt Service Fund for the purpose of optionally redeeming Bonds in accordance with Section 4.02(a) hereof, which funds shall be used and disbursed in accordance with Section 5.12(c)(ii) below.

(b) <u>Airport Parking Operating Funds Account</u>. The Airport Parking Operating Funds Account of the CFC Surplus Fund shall be funded on the date of delivery of Series 2015 Bonds in accordance with clause (i) of Section 5.13 hereof. No funds from the Revenue Fund shall be deposited into the Airport Parking Operating Funds Account. Funds on deposit in the Airport Parking Operating Funds Account of the CFC Surplus Fund may be used by the City prior to the completion of the CONRAC to pay Airport Parking Operating Costs as determined by the Aviation Director or the Assistant Aviation Director, Finance and Administration, and shall be disbursed by the Trustee in accordance with Section 5.12(c)(i) below. Upon the receipt by the Trustee of a certificate from an Authorized City Representative and an Authorized Aviation Department Representative that construction of the CONRAC has been completed and is open for operations by the Operators and no amounts remain to be paid to any contractors, vendors or other entities related to the construction thereof, the Trustee shall close the Airport Parking Operating Funds Account of the CFC Surplus Fund and shall disburse or utilize all funds on deposit therein in the same manner and order of priority as set forth in Section 5.12(a) above.

(c) <u>Disbursements from Certain Accounts in CFC Surplus Fund</u>.

(i) <u>*Disbursements from Contingent Fee Reimbursement Account, Routine Maintenance Reimbursement Account, and Airport Parking Operating Funds Account*</u>. With respect to utilizing funds on deposit in the Contingent Fee Reimbursement Account, the Routine Maintenance Reimbursement Account, and the Airport Parking Operating Funds Account of the CFC Surplus Fund, the Trustee shall, within three Business Days of receiving a *Requisition Requesting Disbursement From CFC Surplus Fund* in the form attached hereto as <u>*Exhibit H*</u> that is executed by an Authorized City Representative and an Authorized Aviation Department Representative, transfer to the City or to other payees in accordance with the wiring instructions provided in such Requisition, the amount requested by the City in such Requisition for the purpose described in such Requisition. A Requisition to disburse funds on deposit in the Routine Maintenance Reimbursement Account shall not be made more than twice each Fiscal Year (expected to occur within a reasonable period of time following the end of the second and fourth fiscal quarters of each Fiscal Year).

(ii) <u>*Disbursements from CFC Surplus Fund Not Held in Any Account Thereunder*</u>. With respect to utilizing funds on deposit in the CFC Surplus Fund which are not held in any Account thereunder, the Trustee shall, within three Business Days of receiving a *Requisition Requesting Disbursement From CFC Surplus Fund* in the form attached hereto as <u>*Exhibit H*</u> that is executed by an Authorized City Representative and an Authorized Aviation Department Representative, transfer to the City or to other payees in accordance with the wiring instructions provided in such Requisition, the amount requested by the City in such Requisition for the purpose described in such Requisition. Notwithstanding the foregoing, the Trustee shall transfer funds on deposit in the CFC Surplus Fund which are not held in any Account thereunder in order to satisfy the monthly deposits described in clauses *First* through *Third* in Section 5.12(a) hereof without the necessity of obtaining a Requisition from the City.

(iii) *Reliance*. The Trustee may conclusively rely on any such written direction provided to it hereunder and the Trustee has no duty or obligation to confirm that such requested payments are for costs permitted hereunder.

Section 5.13. Additional Deposits. On the Closing Date for the Series 2015 Bonds, the City shall cause to be remitted to the Trustee moneys constituting Prior CFC Revenues or other lawfully available funds of the City (other than proceeds of the Series 2015 Bonds) in the aggregate amount of ***$_____________***[1]. Upon receipt thereof the Trustee shall deposit such moneys into the following Funds and Accounts in the following amounts:

(i) ***$8,500,000.00*** shall be deposited into the Airport Parking Operating Funds Account of the CFC Surplus Fund;

(ii) ***$7,500,000.00***, representing the CFC Renewal and Replacement Fund Requirement, shall be deposited into the CFC Renewal and Replacement Fund; and

(iii) ***$2,441,657.35***, representing the initial Debt Service Coverage Fund Requirement, shall be deposited into the Debt Service Coverage Fund; and

(iv) the balance of such moneys shall be deposited into the Prior CFC Revenues Account of the Construction Fund.

ARTICLE VI
MONEYS HELD IN TRUST, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 6.01. Moneys Held in Trust. All moneys held by the Trustee under the provisions of this Indenture shall be deposited with the Trustee, and held in the name of the Trustee, in such capacity hereunder. All moneys deposited under the provisions of this Indenture with the Trustee shall be held in trust and applied only in accordance with the provisions of this Indenture, and each of the Funds and Accounts established by this Indenture shall be a trust fund for the purpose of this Indenture subject to application thereof as set forth herein.

Section 6.02. Deposits and Transfers.

(a) All moneys held by the Trustee under this Indenture may be placed on demand or time deposit, if and as directed by the City, provided that such deposits shall permit the moneys so held to be available for use at the time when needed.

(b) All moneys held under this Indenture by the Trustee in the Pledged Funds and Accounts shall be held in trust and shall constitute a portion of the Trust Estate for the benefit of the Registered Owners.

(c) All moneys deposited with the Trustee shall be credited to the particular Fund or Account to which such moneys belong.

(d) Except as otherwise provided by Supplemental Indenture, any transfer required to be made from one Fund or Account to another Fund or Account held by the same Person may be made by book transfer of any moneys or investments or portions of investments without liquidating any investments in order to make such transfer unless the funds required to be transferred are needed to make payments out of the Fund or Account to which such funds were transferred at the time of transfer. Investments may also be exchanged between Funds and Accounts if the City and the Trustee determine such transfer to be the best way to preserve the Trust Estate.

[1] Actual amount will not be determined until the date of initial delivery of the Series 2015 Bonds. Such amount is expected to be approximately *$19,700,000.000.*

Section 6.03. Investment of Funds.

(a) Funds on deposit in any Fund or Account under this Indenture may be invested only in Permitted Investments. All funds on deposit in any Fund or Account held hereunder shall be invested and reinvested by the Trustee as promptly as practicable, in accordance with written instructions of an Authorized City Representative or an Authorized Aviation Department Representative. If the Trustee fails to receive such directions at least one Business Day before the day on which any amounts are required to be invested, the Trustee shall hold such amounts uninvested in cash, without liability for interest. The Trustee shall be fully protected in relying on any written investment direction provided to the Trustee by the either an Authorized City Representative or and Authorized Aviation Department Representative as to the legality and suitability of such directed investments. Notwithstanding anything herein to the contrary, Permitted Investments in all Funds and Accounts shall mature, or the principal of and accrued interest on such Permitted Investments shall be available for withdrawal without penalty, not later than such times as shall be necessary to provide moneys when needed for payment to be made from such Funds and Accounts. The Trustee shall not be responsible for determining whether or not any Permitted Investments are legal investments under the Public Funds Investment Act or the City's investment policy, nor shall the Trustee be responsible for any loss in any investment in any Fund or Account as long as the Trustee was following written instructions provided by an Authorized City Representative or an Authorized Aviation Department Representative or as otherwise set forth herein.

(b) Except as otherwise provided in the following two sentences or by a Supplemental Indenture, interest earned or profits realized from investing any moneys deposited in any Fund and Account or any subaccount thereof shall be transferred to the Revenue Fund. Interest earned or profits realized from investing any moneys deposited in the Public Parking Area GARB Debt Fund and the Subordinated Debt Fund shall be retained in the respective Fund. Additionally, in the event the amount of deposit in the Debt Service Reserve Fund is equal to the Reserve Fund Requirement, all earnings from investments on deposit in the Debt Service Reserve Fund shall be transferred to the Revenue Fund; otherwise, investment earnings shall remain in the Debt Service Reserve Fund until such time as the amount on deposit therein equals the Reserve Fund Requirement.

(c) The City acknowledges that regulations of the Comptroller of the Currency grant the City the right to receive brokerage confirmations of security transactions as they occur. The City specifically waives such right to notification to the extent permitted by law and acknowledges that it will receive periodic transaction statements that will detail all investment transactions.

Section 6.04. Valuation and Sale of Investments.

(a) Permitted Investments acquired as an investment of moneys in any Fund or Account created under the provisions of this Indenture shall be at all times a part of such Fund or Account and any profit or loss realized from the liquidation of such investment shall be applied as provided in subsection (b) of Section 6.03 hereof.

(b) The value of Permitted Investments on deposit in all Funds and Accounts established pursuant to this Indenture shall be computed by the Trustee not less often than annually, and such Permitted Investments shall be valued based upon fair market value, including accrued interest thereon (and shall retain the previously determined value until such value is required to be redetermined).

(c) Except as otherwise provided in this Indenture, the Trustee shall sell, or present for redemption, any Permitted Investment so purchased as an investment whenever it shall be requested in writing by an Authorized City Representative or an Authorized Aviation Department Representative to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund or Account held by it. The Trustee shall not be liable or responsible for any loss resulting from any such sale.

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ARTICLE VIII
DISCHARGE AND DEFEASANCE

Section 8.01. Discharge of Indenture. If the City, its successors or assigns, shall well and truly pay, or cause to be paid, all of the principal and Redemption Price of and interest on the Bonds, at the times and in the manner provided in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made into the Funds and Accounts established hereunder and in the amounts required hereby, or shall provide, as permitted hereby, for the payment thereof by depositing with or for the account of the Trustee an amount sufficient to provide for payment of the entire amount due or to become due thereon, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it on or prior to the date such payments are made, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then, upon such payment and performance, this Indenture and the rights and liens hereby granted shall cease, determine and be void; otherwise, this Indenture is to be and shall remain in full force and effect. In the event that this Indenture is discharged as herein provided, the Trustee shall execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City all moneys or securities held by them pursuant to this Indenture in respect of such Series which are not required for the payment of principal or Redemption Price, and interest on the Bonds of such Series not theretofore surrendered for such payment or redemption.

Section 8.02. Defeasance. Any Outstanding Bonds of any Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in Section 8.01 hereof if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee in form satisfactory to it written instructions containing irrevocable instructions to give notice of redemption of such Bonds on said date as provided in Article IV hereof, (b) there shall have been deposited with the Trustee, in trust, either money in an amount which shall be sufficient, or Defeasance Securities, the principal of and interest on which without any reinvestment thereof when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an independent certified public accountant, to pay when due the principal or Redemption Price of, and interest due and to become due on, such Bonds on or prior to the redemption date or maturity date thereof, as the case may be, (c) in the event such Bonds are not to be redeemed within the next succeeding sixty (60) days, the City shall have given the Trustee in form satisfactory to it written instructions containing irrevocable instructions to mail, as soon as practicable, notice to the Registered Owners of all such Bonds that the deposit required by clause (b) above has been made with the Trustee or an escrow agent and that such Bonds are deemed to have been paid in accordance with this Section and stating such maturity or Redemption Date upon which money is to be made available for the payment of the principal or Redemption Price of and interest on such Bonds, and (d) there shall be delivered to the Trustee a written opinion of Bond Counsel to the effect that the provisions of this Section have been complied with so that such Bonds are no longer entitled to the benefits of this Indenture. Neither Defeasance Securities nor money deposited with the Trustee or an escrow agent pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price of and interest on said Bonds; provided that any cash received from such principal or interest payment on such Defeasance Securities, (i) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received, free and clear of any trust, lien, security interest, pledge or assignment securing such Bonds or otherwise existing under this Indenture, if all Bonds have been redeemed or discharged, otherwise such cash shall be deposited into the Revenue Fund, and (ii) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in a Defeasance Security maturing at the times and in amounts sufficient to pay when due the principal or Redemption Price of and interest to become due on such Bonds, on or prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the City as received, free and clear of any trust, lien or pledge, if all Bonds have been redeemed or discharged, otherwise such cash shall be deposited into the Revenue Fund. Bonds defeased hereunder shall no longer be subject to redemption at the option of the City, except to the extent that such Bonds are called for redemption at the time provision is made for the defeasance thereof, as provided in this Section 8.02.

ARTICLE IX
DEFAULT AND REMEDIES

Section 9.01. Rights and Remedies, Generally. Subject to the provisions of this Indenture, the Registered Owners of the Bonds, and the Trustee acting for all of the Registered Owners of the Bonds, shall be entitled to all of the rights and remedies provided or permitted this Indenture or at law or in equity.

Section 9.02. Events of Default. Each of the following events is hereby declared an "Event of Default" under this Indenture:

(a) failure to make due and punctual payment of the Debt Service on any Bond when and as the same shall become due and payable, whether at maturity or mandatory sinking fund redemption, or otherwise;

(b) other than as described elsewhere in this Section 9.02, failure by the City in the performance or observance of any other of the covenants, agreements or conditions on its part contained in this Indenture or any Supplemental Indenture or in the Bonds, and such failure shall continue for a period of sixty (60) days after written notice thereof to the City by the Trustee.

(c) if proceedings shall be commenced by or against the City in bankruptcy or seeking reorganization, arrangement, readjustment or composition of its debts or for any other relief under the federal bankruptcy laws or under any other insolvency act or law, State or federal, now or hereafter existing, or seeking the appointment of a receiver or trustee of the City or for all or a substantial part of its property, and, if not commenced by the City, the same shall continue for 60 days undismissed or undischarged or shall result in the adjudication of bankruptcy or insolvency; and

(d) any representation or warranty made by the City herein or in any document, instrument or certificate furnished to the Trustee in connection with the issuance of any Series of Bonds shall at any time prove to have been incorrect in any material respect as of the time made; provided that if it can be corrected by the City and such default was unintentional, the City shall have a sixty (60)-day period to make such correction prior to an Event of Default occurring.

Section 9.03. Notice of Default. Upon knowledge of the existence of any Event of Default, the Trustee shall notify the City in writing as soon as practicable, but in any event within two (2) Business Days; provided, however, that the Trustee need not provide notice of any Event of Default if the City has expressly acknowledged the existence of such Event of Default in a writing delivered to the Trustee. The Trustee shall recognize any cure of an Event of Default by the City.

Section 9.04. Specific Remedies. If an Event of Default occurs and is continuing, then the Trustee shall, upon having been indemnified to its reasonable satisfaction (except with respect to the exercise of the remedy specified in clause (a) of this Section for which the Trustee shall not be entitled to require indemnification as a precondition to the exercise of such remedy), take any or all or any combination of the following actions:

(a) by mandamus or other suit, action or proceeding at law or in equity require the City to perform its covenants, representations and duties with respect to the Bonds under this Indenture;

(b) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of the Bonds;

(c) request that a court of competent jurisdiction appoint, to the extent permitted by law, a receiver or receivers of the Trust Estate, and the income, revenues, profits and use thereof, it being the intent hereof that, to the extent permitted by law, the Trustee shall be entitled to appointment of such a receiver as a matter of right;

(d) upon the occurrence of an Event of Default described in Section 9.02(a) hereof, transfer moneys from any Pledged Funds and Accounts to the Debt Service Fund as necessary and as permitted in Sections 5.05 - 5.12 hereof;

(e) take such actions, including the filing and prosecution of lawsuits, as may be required to enforce for the benefit of the Registered Owners the terms of any agreements or instruments relating to the Bonds, or any part thereof, which the Trustee may be entitled to enforce, including without limitation (i) the Lease Agreements, the Off-Airport Rental Car Permits, and the Performance Guarantees, (ii) any construction contracts, design contracts or consulting contracts or operating agreements, (iii) any insurance policies, completion guaranties or the payment and performance bond, and (iv) any other agreements or instruments which the Trustee may be entitled to enforce;

(f) take such other steps to protect and enforce its rights and the rights of the Registered Owners of the Bonds, whether by action, suit or proceeding in aid of the execution of any power herein granted or for the enforcement of any other appropriate legal or equitable remedy, including, but not limited to, proceeding by suit or suits, at law or in equity or by any other appropriate legal or equitable remedy, to enforce payment of the principal and Redemption Price of and interest then due on the Bonds.

Section 9.05. Application of Proceeds. The proceeds received by the Trustee under this Article shall, together with all securities and other moneys which may then be held by the Trustee as a part of the Trust Estate, be applied in order, as follows:

First, to the payment of the reasonable charges, expenses and liabilities of the Trustee, including the fees and expenses of it attorneys and agents;

Second, to the payment to the Registered Owners entitled thereto of all installments of interest (together with interest due on overdue installments of interest to the extent allowed by law) then due on the Bonds in the order of the maturity of such installment, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Third, to the payment to the Person entitled thereto of the unpaid principal of or Redemption Price of the Bonds with respect to which such remedy was exercised which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

Fourth, any remainder to the City.

Section 9.06. Trustee May Act Without Possession of Bonds. All rights of action under this Indenture or under any Bonds may be enforced by the Trustee without possession of any of the Bonds or the production thereof in any trial or other proceedings relative thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its name, as Trustee, subject to the provisions of this Indenture.

Section 9.07. Trustee as Attorney-in-Fact. The Trustee is hereby irrevocably appointed (and the Registered Owners of the Bonds, by taking and holding same from time to time, shall be deemed to have so appointed the Trustee) the true and lawful attorney in fact of the Registered Owners of the Bonds, or on behalf of all Registered Owners of the Bonds as a class, with respect to any proof of debt, amendment to proof of debt, petition or other document, and to do and perform any and all acts and things for and in the name of the Registered Owners of the Bonds against the City allowed in any equity receivership, insolvency, liquidation, bankruptcy, reorganization or other proceedings to which the City shall be a party and to receive payment of or on account of such claims. Any such receiver, assignee, liquidator or trustee is hereby authorized by the each of the Registered Owners of the Bonds to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Registered Owners of the Bonds, to pay to the Trustee any amount due for compensation and expenses of the Trustee, including counsel fees, incurred up to the date of such distribution, and the Trustee shall have full power of substitution and delegation in respect of any such powers.

Section 9.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity or by statute.

Section 9.09. Limitation on Suits. All rights of action in respect of this Indenture shall be exercised only by the Trustee, and the Registered Owner of any Bond shall not have any right to institute any suit, action or proceedings at law or in equity for the appointment of a receiver or for any other remedy hereunder or by reason hereof, unless and until the Trustee shall have been furnished reasonable indemnity and shall have refused or neglected for thirty (30) days thereafter to institute such suit, action or proceedings. The making of such request and the furnishing of such indemnity shall in each and every case be conditions precedent to the execution and enforcement by any Registered Owner of any Bond of the powers and remedies given to the Trustee hereunder and to the institution and maintenance by any such Registered Owner of any action or cause of action for the appointment of a receiver or for any other remedy hereunder, but the Trustee may, in its discretion, and when furnished indemnity satisfactory to protect it against expenses, charges and liability shall, forthwith take such appropriate action by judicial proceedings otherwise in respect of any existing Event of Default as the Trustee may deem expedient in the interest of the Registered Owners. The rights of the Registered Owners under this Section are in all events subject to the provisions of Section 9.04 hereof.

Nothing contained in this Article, however, shall affect or impair the right of any Registered Owner of any Bonds, which shall be absolute and unconditional, to enforce the payment of the principal of, premium, if any, and interest on the Bonds of such Registered Owner, but only out of the moneys for such payment as herein provided, or the obligation of the City, which shall also be absolute and unconditional, to make payment of the principal of, premium, if any, and interest on the Bonds, but only out of the funds provided herein for such payment, to the respective Registered Owners thereof at the time and place stated herein, and subject in all cases to Section 9.05 hereof.

Section 9.10. Restoration of Rights and Remedies. If the Trustee or any Registered Owner of a Bond has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Registered Owner of a Bond, then and in every such case, the City, the Trustee and the Registered Owners of the Bonds shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Registered Owners of the Bonds shall continue as though no such proceeding had been instituted.

Section 9.11. Waiver of Stay or Extension Laws. To the extent that it may lawfully do so, the City covenants that it will not at any time insist upon, plead or in any manner whatsoever claim or take the benefit or advantage of any stay or extension law, whenever or wherever enacted, which may affect the covenants or the performance of this Indenture. The City also covenants that it will not otherwise hinder, delay or impede the execution of any power herein granted to the Trustee.

Section 9.12. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Registered Owner of any Bond to exercise any right or remedy accruing upon any Event of Default hereunder shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Registered Owners of the Bonds may be executed from time to time, and as often as may be deemed expedient, by the Trustee or by the Registered Owners of the Bonds, as the case may be.

ARTICLE X
CONCERNING THE TRUSTEE

Section 10.01. Trustee; Appointment and Acceptance of Duties. **U.S. BANK NATIONAL ASSOCIATION** is hereby appointed as Trustee. The Trustee hereby accepts and agrees to execute the trusts hereby created, but only upon the additional terms set forth in this Article X, to all of which the City agrees and the respective Registered Owners of the Bonds agree by their acceptance of delivery of any of the Bonds. The Trustee shall be deemed to have accepted such trusts with respect to all the Bonds hereafter to be issued, but only, however, upon the terms and conditions set forth in this Indenture. The Trustee may execute any of the trusts or powers set forth herein and perform the duties required of it or imposed on it hereunder by or through attorneys, agents or receivers, and shall be entitled to advice of counsel concerning all matters of trusts and its duties herein.

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Section 10.07. Resignation of Trustee. Except as otherwise provided by a Supplemental Indenture, the Trustee may at any time resign and be discharged of the duties and obligations created by this Indenture, effective immediately upon the appointment of a successor Trustee pursuant to Section 10.09 hereof, by giving not less than sixty (60) days' written notice to the City of the date it desires to resign and mailing written notice to the Registered Owners of all Bonds and such resignation shall take effect immediately on the appointment of a successor Trustee pursuant to Section 10.09 hereof.

Section 10.08. Removal of Trustee. The Trustee may be removed, with or without cause, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the City or its attorneys-in-fact duly authorized. Notwithstanding the foregoing, any removal of the Trustee shall not be effective until a successor Trustee has been appointed and has assumed the duties and responsibilities of successor Trustee under this Indenture.

Section 10.09. Appointment of Successor Trustee.

(a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the City by an instrument or concurrent instruments in writing signed and acknowledged by the City or by its attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the predecessor Trustee. The successor Trustee shall mail notice of the appointment of the successor Trustee to the Registered Owners of all Bonds.

(b) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Trustee shall have given to the City written notice as provided in Section 10.07 hereof or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, its removal, or for any other reason whatsoever, the Trustee (in the case of a resignation under Section 10.07 hereof) may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

(c) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a bank or trust company or national or state banking association (i) duly qualified under the laws of the State to perform the duties of Trustee hereunder, and (ii) having (or whose parent holding company shall have) capital stock and surplus aggregating at least $100,000,000 and subject to supervision or examination by federal or state authority.

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ARTICLE XI
SUPPLEMENTAL INDENTURES AND AMENDMENT OF BOND DOCUMENTS

Section 11.01. Supplemental Indentures and Amendments of Bond Documents Effective Without Consent of Registered Owners. The City and the Trustee may, as appropriate, from time to time and at any time, without the consent of but with notice to Registered Owners, enter into Supplemental Indentures or any amendments to the Bond Documents as follows:

(a) to cure any formal defect, omission, inconsistency or ambiguity in this Indenture or in the applicable Bond Document;

(b) to insert such provisions clarifying matters or questions arising under this Indenture or in the applicable Bond Document as are necessary or desirable and are not contrary to or inconsistent with this Indenture or the applicable Bond Document as theretofore in effect;

(c) to grant to or confer upon the Trustee for the benefit of the Registered Owners any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with this Indenture or the Bond Documents as therefor in effect;

(d) to authorize Additional Bonds of a Series and, in connection therewith, to specify and determine the matters and things referred to in Article III and Article IV hereof and also any other matters and things relative to such Additional Bonds which are not in conflict with this Indenture as theretofore in effect, or to amend, modify, or rescind any such authorization, specification, or determination at any time prior to the first delivery of such Additional Bonds; provided however that such supplement or amendment shall be limited to the specific terms of such Additional Bonds and shall not otherwise amend this Indenture;

(e) to authorize Subordinated Debt and, in connection therewith, to specify and determine all matters and things relative to such Subordinated Debt which are not in conflict with this Indenture as theretofore in effect, or to amend, modify, or rescind any such authorization, specification, or determination at any time prior to the first delivery of such Subordinated Debt; provided however that such supplement or amendment shall be limited to the specific terms of such Subordinated Debt and shall not otherwise amend this Indenture;

(f) to provide limitations and restrictions in addition to the limitations and restrictions contained in this Indenture or any Supplemental Indenture or the Bond Documents on the delivery of Additional Bonds or the issuance of other evidences of indebtedness;

(g) to add to the covenants and agreements of the City in this Indenture or any Supplemental Indenture or the Bond Documents, other covenants and agreements to be observed by the City or the other parties thereto which are not in conflict with this Indenture or the applicable Supplemental Indentures or in the applicable Bond Document as theretofore in effect;

(h) to add to the limitations and restrictions in this Indenture or any Supplemental Indenture or the Bond Documents other limitations and restrictions to be observed by the City or the other parties thereto which are not in conflict with this Indenture or the applicable Supplemental Indenture as theretofore in effect;

(i) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Indenture or any Supplemental Indenture, of the Trust Estate or of any other moneys, securities or funds, or to subject to the lien or pledge of this Indenture additional revenues, properties or collateral;

(j) to provide for additional duties of the Trustee in connection with the Trust Estate;

(k) to modify, amend or supplement this Indenture or any Supplemental Indenture in such manner as to permit, if presented, the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or under any state blue sky law;

(l) to surrender any right, power or privilege reserved to or conferred upon the City by the terms of this Indenture, provided that the surrender of such right, power or privilege is not in conflict with the covenants and agreements of the City contained in this Indenture;

(m) to designate Registrars for the Bonds of any Series;

(n) to evidence the appointment of a succession of a new Trustee hereunder;

(o) to modify, amend or supplement this Indenture or any Supplemental Indenture in order to provide for or eliminate book-entry registration of all or any of the Bonds to the extent not inconsistent with the provisions hereof;

(p) to make any change that does not materially adversely affect the rights of any Registered Owner; and

(q) to amend a prior Supplemental Indenture in accordance with the provisions thereof.

Section 11.02. Supplemental Indentures and Amendments to Bond Documents Requiring Registered Owner Consent. Except as provided in Section 11.01 hereof and in the immediately following sentence, any modification or amendment of this Indenture or to any Bond Document and of the rights and obligations of the City and of the Registered Owners of the Bonds hereunder or thereunder, in any particular, may only be made by a Supplemental Indenture or an amendment to the applicable Bond Document in each instance with the written consent or deemed consent (as permitted under Section 11.03 herein) of the Registered Owners of a majority in aggregate principal amount of each Series of Bonds then Outstanding. No such modification or amendment shall, without the written consent of the Registered Owner of each Bond affected thereby, permit (i) a change in the terms of redemption or maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, (ii) creation of a lien upon or a pledge of or payment priority from the Pledged Revenues ranking prior to or on a parity with the lien or pledge created by this Indenture, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the percentages of Bonds of which the consent of the Registered Owners is required to effect any such modification or amendment, or (v) a deprivation to any Registered Owners of the lien created by this Indenture, or (vii) a change or modification of any of the rights or obligations of the Trustee without its written consent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this Indenture or an amendment to the applicable Bond Document if the same materially adversely affects or diminishes the rights of the Registered Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of this Indenture or an amendment to the applicable Bond Document and any such determination shall be binding and conclusive on the City and all Registered Owners.

Section 11.03. Consent of Registered Owners. The City and the Trustee, as applicable, may at any time enter into a Supplemental Indenture or an amendment to the applicable Bond Document making a modification or amendment permitted by the provisions of Section 11.02 hereof, to take effect when and as provided in this Section. A copy of such Supplemental Indenture or amendment to a Bond Document (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Registered Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed to Registered Owners as provided in Section 11.08 hereof. Such Supplemental Indenture or amendment to such Bond Document requiring the consent of all or any of the Registered Owners will be effective when: (a) there shall have been filed with the Trustee the written consent of such Registered Owners of the percentages of Outstanding Bonds specified in Section 11.02 hereof required to consent to such amendment (provided that if such amendment requires the consent of the Registered Owners of a majority in aggregate principal amount of Bonds of a Series, Registered Owners failing to respond within ten (10) Business Days after mailing the notice requesting such consent shall be deemed to have consented to such amendment), and an opinion of Bond Counsel, in form and substance satisfactory to the Trustee, stating that such Supplemental Indenture has been duly and lawfully entered into by the City in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, is valid and binding upon the City and enforceable in accordance with its terms, is in accordance with this Indenture; provided, however, that such opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally and principles of government law and equity; and (b) a notice shall have been mailed as hereinafter in this Section provided. Each such written consent (other than a deemed consent) shall be effective only if accompanied by proof satisfactory to the Trustee of the holding, at the date of such consent, of the Bonds with respect to which such consent is given. Each such deemed consent shall be effective if the Trustee has not been notified by such Registered Owner of its decision regarding such amendment within ten (10) Business Days after the Trustee shall have mailed a request to such Registered Owner. Any such consent shall be binding upon the Registered Owner of the Bonds giving or deemed to have given such consent and, upon any subsequent Registered Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Registered Owner thereof has notice thereof). At any time after the Registered Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture or amendment to a Bond Document, the Trustee shall make and file with the City a written statement that the Registered Owners of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed or deemed to have been so filed. Upon receipt of the requisite consents or deemed consents, filing of the written statement of the Trustee required hereunder and the execution of such amendment by the parties thereto, notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture entered into by the City and the Trustee as of a stated date, a copy of which is on file with the Trustee) or other amendment to the Bond Documents has been consented or deemed consented to by the Registered Owners of the required percentages of Bonds and will be effective as provided in this Section, shall be given to Registered Owners by mailing such notice to Registered Owners immediately thereafter by Trustee. Proof of the mailing of such notice shall be filed with the Trustee. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture or amendment to a Bond Document making such amendment or modification shall be deemed conclusively binding upon the City, the Trustee and the Registered Owners of all Bonds after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture or amendment to a Bond Document in a legal action or equitable proceeding for such purpose commenced prior to such mailing; provided, however, that the Trustee and the City prior to such mailing and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture or amendment to a Bond Document as they may deem expedient.

Section 11.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Registered Owner from accepting any amendment as to the particular Bonds held by such Registered Owner, provided that due notation thereof is made on such Bonds.

Section 11.05. Exclusion of Bonds. Bonds owned or held by or for the account of the City shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the City shall not be entitled with respect to such Bonds to give any consent or take any other action provided in this Article. At the time of any consent or other action taken under this Article, the City shall furnish the Trustee a certificate of an Authorized City Representative or an Authorized Aviation Department Representative, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 11.06. General Provisions.

(a) This Indenture and the other Bond Documents shall not be modified or amended in any respect except as provided in and in accordance with and subject to provisions of this Article.

(b) Any Supplemental Indenture or amendment to a Bond Document referred to and permitted or authorized by Section 11.01 hereof may be entered into by the City and the Trustee, as applicable, without the consent of any of the Registered Owners, but shall become effective only (i) after the parties thereto have duly executed such Supplemental Indenture or Bond Document, (ii) following written notice of the proposed supplement or amendment provided to the Registered Owners, and (iii) if such Supplemental Indenture or amendment meets the conditions, and to the extent provided, in Section 11.01 hereof. Prior to entering into any Supplemental Indenture or amendment to a Bond Document, the Trustee shall receive an opinion of Bond Counsel, in form and substance satisfactory to the Trustee, stating that such Supplemental Indenture or amendment to a Bond Document has been duly and lawfully entered into by the City in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, and is valid and binding upon the City, and will not be materially adverse to the interests of the Registered Owners. In addition, prior to entering into any Supplemental Indenture in accordance with Section 11.01(p) hereof, the Trustee shall receive written confirmation from each Rating Agency that such Supplemental Indenture will not adversely affect the then-current underlying rating on the Bonds.

Section 11.07. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in this Article may, and, if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Trustee as to such action, and in that case upon demand of the Registered Owner of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the designated office of the Trustee responsible for transferring Bonds or upon any transfer of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer by the Trustee as to any such action. If the Trustee shall so determine, new Bonds so modified as directed by the Trustee to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Registered Owner of any Bond Outstanding shall be exchanged, without cost to such Registered Owner, for Bonds Outstanding, upon surrender of such Bonds, for Bonds of the same Series and maturity then Outstanding.

Section 11.08. Mailing. Any provision in this Article for the mailing of a notice or other instrument to Registered Owners shall be fully complied with if it is mailed postage prepaid only to each Registered Owner of Bonds at his address, if any, appearing upon the Register and to the Trustee.

ARTICLE XII
MISCELLANEOUS

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Section 12.05. Filing of Security Instruments. Pursuant to Chapter 1208.002(2), Texas Government Code, as amended, any security interests created by this Indenture shall be automatically perfected from the time this Indenture is entered into or adopted, and shall remain perfected continuously through the termination of this Indenture in accordance with the terms set forth herein, all without physical delivery or transfer of control of the Trust Estate, filing of a document, or another act. Therefore, it shall not be necessary for the Trustee or the City to file any financing statements or continuation statements or any supplemental instruments or documents or further assurance in any manner in order to perfect or maintain perfection of any security interests created by this Indenture. If Texas law is amended at any time while any Bonds are outstanding and unpaid such that the security interest created by this Indenture is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of such security interest, the City and the Trustee agree to take such measures as they determine are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest created by this Indenture; provided, however, the Trustee's obligation to take such actions is conditioned upon a Responsible Officer of the Trustee being informed of such change in law. The Trustee shall be entitled to receive and rely on an opinion of Bond Counsel as to the required actions under Texas law to so perfect the security interest created by this Indenture and the costs of such opinion shall be paid by the City as a component of Costs of Administration.

Section 12.06. Parties Interested Herein. Nothing in this Indenture or any Supplemental Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the City, the Trustee, and the Registered Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any Supplemental Indenture or any covenant, condition or stipulation hereof or thereof; and all the covenants, stipulations, promises and agreements in this Indenture and each Supplemental Indenture contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee, and the Registered Owners of the Bonds thereunto appertaining.

Section 12.07. No Recourse on the Bonds. No recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or for any other obligation under this Indenture or on any Supplemental Indenture against any officer or employee of the City or the Trustee or any person executing or authenticating the Bonds.

Section 12.08. No Individual Liability. **NOTWITHSTANDING ANY OTHER PROVISIONS OF OR INFERENCES IN THIS INDENTURE OR ANY OTHER BOND DOCUMENT, NO COVENANT OR AGREEMENT CONTAINED IN THE BONDS, THIS INDENTURE OR ANY SUPPLEMENTAL INDENTURE**

OR ANY OTHER BOND DOCUMENT SHALL BE DEEMED TO BE THE COVENANT OR AGREEMENT OF ANY MEMBER OF THE CITY COUNCIL OR ANY OFFICER, AGENT, EMPLOYEE OR REPRESENTATIVE OF THE CITY OR THE TRUSTEE, AND NEITHER THE OFFICERS, AGENTS, EMPLOYEES OR REPRESENTATIVES OF THE CITY OR THE TRUSTEE NOR ANY PERSON EXECUTING OR AUTHENTICATING THE BONDS SHALL BE PERSONALLY LIABLE THEREON OR BE SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE THEREOF, WHETHER BY VIRTUE OF ANY CONSTITUTIONAL PROVISION, STATUTE OR RULE OF LAW, OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY, OR OTHERWISE, ALL SUCH LIABILITY BEING EXPRESSLY RELEASED AND WAIVED AS A CONDITION OF AND IN CONSIDERATION FOR THE EXECUTION OF THIS INDENTURE, ANY SUPPLEMENTAL INDENTURE AND THE ISSUANCE OF THE BONDS.

Section 12.09. Indenture and Supplemental Indentures to Constitute Contracts. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Indenture and each Supplemental Indenture shall be deemed to be and shall constitute a contract among the City, the Trustee and the Registered Owners of the Bonds; and the pledge made in this Indenture and the covenants and agreements herein and therein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE CONCESSION AGREEMENTS

The following is a summary of select provisions of the Concession Agreements. This summary is qualified by reference to the other portions of the Concession Agreements referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Concession Agreements in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Concession Agreements, copies of which may be obtained from the City's Co-Financial Advisors. The Concession Agreements may be amended or supplemented in accordance with their respective terms.

Definitions

Airport Customer: any person who enters into a Motor Vehicle rental agreement with Operator at the Airport or takes delivery of a rental car from Operator at the CONRAC; or any person who enters into a Motor Vehicle rental agreement with Operator or takes delivery of a rental car at another Operator location (other than the CONRAC), that is located within a three (3) mile distance from the Airport Terminal building but excluding any persons that meet certain criteria.

Operator: the particular Operator executing this Concession Agreement.

Operators: all entities, including Operator, having executed a Concession Agreement and Lease Agreement related to the operation of a rental car concession in the CONRAC.

Prior Concession Agreement: that certain Car Rental Lease and Concession Agreement at San Antonio International Airport, authorized pursuant to Ordinance Number 2008-06-12-0527 approved on June 12, 2008, as amended by Amendment Number 1, authorized pursuant to Ordinance Number 2013-05-30-0360, approved on May 30, 2013, and by Administrative Amendment Number 2. Administrative Amendment Number 2 extends this Concession Agreement until the last day of the month after the CONRAC opens to the public.

Initial Concession Period: the period of time between DBO and the first Fiscal Year.

Fiscal Year: is each successive year after the Initial Concession Period during the Term, beginning with the first Fiscal Year after DBO.

Grant of Concession

Grant Concession Right: The Operator is granted the non-exclusive right to operate a rental car concession at the Airport for the purpose of arranging rental vehicle and related services for Airport Customer. The rights granted are for no other purpose.

Subject to CONRAC Lease Agreement: The privileges granted and awarded to Operator in the Concession Agreement are subject to the Operator also being a party to the Lease Agreement and CONRAC Management Contract.

Concession Agreement Term

Term: Ten (10) years from the Date of Beneficial Occupancy (DBO) through the last day of the tenth (10th) full Fiscal Year following DBO. DBO is the date on which the Aviation Director declares that the CONRAC is open for business and can begin serving the public.

Renewals: The City, in its sole discretion, may extend the Term for up to one additional ten (10) year period; provided that the Operator (i) provides the City with written notice of its request to renew nine (9) months prior to expiration of the Term; and (ii) is in Good Standing.

Concession Fee

Concession Fee: Is equal to the greater of (i) the Minimum Annual Guaranteed Concession Fee (*MAG*) for such period; or (ii) the "Percentage Fee" for such Concession Year.

Minimum Annual Guaranteed Concession Fee

Minimum Annual Guaranteed Concession Fee: Is the minimum amount of money due City annually from Operator in consideration of the rights granted Operator under this Concession Agreement.

Initial Concession Period and first Concession Year MAG for Operators With Prior Concession Agreement: The MAG for the Initial Concession Period and first Concession Year shall be eighty-five percent (85%) of the Concession Fee due for the last twelve months under the Prior Concession Agreement [i.e., 85% x (10% x Prior Year Gross Revenues)], but in no event less than $250,000.00 per Brand.

MAG For Operators Without Prior Concession Agreement: The Operators that are not party to a Prior Concession Agreement shall pay a MAG for the Initial Concession Period and first Concession Year in the amount of $250,000.00 per Brand, to be prorated for the Initial Concession Period.

MAG Payment: The MAG payment is made on a monthly basis according to the terms of this Concession Agreement.

MAG Abatement: The MAG may be abated upon the happening of calamitous events such as dramatic decrease in monthly deplaning passengers, national shortages of automobiles, gasoline, or other goods necessary for the Operators business.

Percentage Fee

Percentage Fee: Operator shall pay to City a Percentage Fee of ten percent (10%) of Gross Revenues for those months in which the year-to-date Percentage Fee exceeds the year-to-date MAG. At the end of each Concession Year there will be a reconciliation to assure that the City receives the MAG or Percentage Fee whichever is greater for that Concession Year.

Percentage Fee Adjustment: City may adjust the Percentage Fee every five (5) Concession Years.

Percentage Fee Upon Abatement of MAG: In the event that the MAG is abated or reduced to $0.00, Percentage Fee shall still apply.

Performance Guarantee

Performance Guarantee Amount: Upon DBO, the Operator shall deposit with City the sum equal to fifty percent (50%) of the MAG, to be held by City as security for Operator's full, faithful, and timely performance of its obligations.

Performance Guarantee Form: At least one-third of the Performance Guarantee shall be in the form of an irrevocable letter of credit. The remainder may be in the form of a surety bond, or other instrument satisfactory to the City. Alternatively, the Operator may provide an on-demand surety bond in the entire amount of the Performance Guarantee.

Periodic Performance Guarantee Adjustment: As the fees and charges adjust during the term of the Concession Agreement, City will periodically adjust the adequacy of the Performance Guarantee, and may increase the required amount of the Performance Guarantee.

Minimum Concessionaire Requirements

Operator Requirements: The Operator will operate a rental car concession at the CONRAC and, at a minimum, provide the following services for its customers:

(i) Brand/Family is a recognized national car rental company operating at fifteen (15) or more airports;

(ii) Brand/Family advertises Rental Car services nationally and has a toll free reservations number and/or Internet website with a national reservation system and a credit card payment system;

(iii) Brand/Family has a sufficient fleet of Motor Vehicles to provide timely and efficient Rental Car service at the Airports. All Motor Vehicles used to provide this service will be current models or models of the immediately preceding two years; and

(iv) Operator is authorized, and licensed to do business in Texas, or agrees to obtain such authorization and license prior to execution of Concession Agreement and Lease Agreement to operate at the CONRAC.

Operational Standards including: (i) Quality of Service; (ii) Safety; (iii) Prohibition on diversion of Airport Customers; (iv) Prompt service; (v) Customer Complaints; (vi) Sufficient Trained Personnel; (vii) Personnel Appearance and Conduct; (viii) Hours of Operation; and (ix) Rental Vehicles.

Insurance

Operator insurance: Operator shall provide the following types of insurance: (i) Workers' Compensation/Employers' Liability; (ii) Commercial General Liability; (iii) Business Automobile Liability; (iv) Builder's Risk (if applicable); (v) Property Insurance; and (vi) Operator's Pollution Liability.

Events of Default

Standard Events of Default plus: (i) Occurrence of an Event of Default under the Operator's Lease Agreement or the CONRAC Management Contract; and (ii) Failure to submit its annual audit statement within 120 days after the end of the Fiscal Year.

Airport Concession Disadvantaged Business Enterprises Goal

ACDBE Goal: The Airport will establish an ACDBE goal on goods and services for this Concession Agreement prior to the Term of the Agreement.

Nondiscrimination

Non-Discrimination Policy: Operator understands and agrees to comply with the Non-Discrimination Policy of the City of San Antonio.

Affirmative Action: Operator assures that it will undertake an affirmative action program as required by 14 C.F.R. Part 152, Subpart E, to insure that no person shall, on the grounds of race, color, creed, sex, age, religion, national origin or handicap, be excluded from participating in any employment activities covered in 14 C.F.R. Part 152, Subpart E. Operator assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by said Subpart. Operator assures that it will require that its covered sub-organizations provide assurances to Operator that they will require assurances from their sub-organizations, as required by 14 C.F.R. Part 152, Subpart E, to the same effect.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENTS

The following is a summary of select provisions of the Lease Agreements. This summary is qualified by reference to the other portions of the Lease Agreements referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Lease Agreements in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Lease Agreements, copies of which may be obtained from the City's Co-Financial Advisors. The Lease Agreements may be amended or supplemented in accordance with their respective terms.

Definitions

Commencement Date: the date on which the City issues a Temporary Certificate of Occupancy and turns over to each Operator the Exclusive Use Premises for commencement of construction of the Operator Initial Tenant Improvements.

Facility: the structure to be constructed by the City that consists of the CONRAC and Public Parking Area consisting of a total of approximately 1.8 million square feet.

Fiscal Year: the fiscal year of the City, which currently begins each October 1st and end the following September 30th.

Operator: the particular entity executing the Lease Agreement.

Operators Member Agreement: the agreement providing for the membership rights, requirements, obligations and procedures of the Operators with respect to (i) the operation and maintenance of certain areas of the CONRAC; (ii) the payment for such operation and maintenance costs for certain areas in the CONRAC to the extent such operation and maintenance is not paid for by CFC proceeds; (iii) the allocation and reallocation of the foregoing costs, as well as other Operator expenses; (iv) review, approve, and/or enter into agreements with third parties; and (v) the allocation and reallocation of space in the CONRAC that are not inconsistent with the Lease Agreement

Lease Agreement Term

Term: Beginning at the Commencement Date through the last day of the twentieth (20th) full Fiscal Year following Date of Beneficial Occupancy (DBO). DBO is the date on which the Aviation Director declares that the CONRAC is open for business and can begin serving the public. There will be one DBO for the entire CONRAC. No Operator may begin rental car operations in the CONRAC until the DBO.

Renewals: The term can be extended, at the City's sole option, to match the term of any extension of the Concession Agreement or any successor Concession Agreement.

Early Termination: The term of the initial Concession Agreement is ten (10) years. Upon the expiration of Operator's initial Concession Agreement without renewal or continuation by consent of City, or replacement by a successor Concession Agreement, the Lease Agreement as to that Operator will automatically terminate.

Cross Default: Operator must be a party to the Lease Agreement, the Concession Agreement and the Operators Member Agreement at all times; a default under any of these agreements constitutes a default under the other 2 agreements.

Project Construction

Facility: The City will construct the Facility that is composed of Public Parking Area and the CONRAC.

Public Parking Area: The Facility will house two floors of Public Parking Area to replace the public parking demolished to make room for the Facility.

CONRAC: The CONRAC consists of a pedestrian skybridge from the Terminal to the CONRAC, a Customer Service Center, three Quick Turnaround (QTA) vehicle-servicing facilities, three floors of Ready/Return vehicle staging, one floor of vehicle storage, and associated vertical circulation infrastructure for the movement of automobiles and customers.

Rents and Fees

Ground Rent: For use of the Facility Site on which the Facility is going to be constructed, a ground rent of $1.00 per square foot per year is being charge to the Facility users. The initial Ground Rent is estimated at $488,275 per year. This amount is prorated between the CONRAC and the Public Parking Area area based on square footage. The Operators will pay the Airport Ground Rent of approximately $361,078 annually. Final allocation will be based on as-built drawings. The Ground Rental rate per square foot will be escalated 15% every five years during the Term of the Lease Agreement.

Customer Facility Charge: The CFC will pay the debt service and certain operating costs of the Facility. The CFC proceeds are to be held in trust by the Operators for the City. These funds are the City's property and Operators, as agents for the City, only hold a possessory interest, not an equitable interest in these funds held in trust. The CFC is to pay: Facility Debt Service, Administrative Costs, Major Maintenance, CFC Eligible Routine Maintenance, Facility Renewals and Replacements, and other Bond requirements.

Contingent Fee: A Contingent Fee will be imposed on the Operators and the Airport, if necessary. The purpose of the Contingent Fee is to provide sufficient additional revenue to remain in compliance with the Bond Documents when Customer Facility Charge proceeds and Bond Fund deposits are forecast to be inadequate to pay when due all financial requirements of the Facility.

Contingent Fee Reimbursement: Both the Airport and Operators will be reimbursed contingent fees paid in prior fiscal periods, if, as, and when in surpluses are available in the CFC Surplus Fund.

Facility Maintenance

Major Maintenance: Facility Major Maintenance will be performed by the City or CONRAC Manager and funded with balances available in the CFC Renewal and Replacement Fund. The source of the funds in the CFC Renewal and Replacement Fund are CFC proceeds and transfers from the CFC Surplus Fund.

Public Parking Area Routine Maintenance: The City will perform and pay for Public Parking Area Routine Maintenance.

CONRAC Routine Maintenance: The Operators are financially responsible for performing and paying for Routine Maintenance of the CONRAC. CONRAC Routine Maintenance is divided between CFC Eligible Routine Maintenance (eligible for reimbursement) and Non-CFC Eligible Routine Maintenance (not eligible for reimbursement).

CONRAC CFC Eligible Routine Maintenance: Subject to the availability of funds in the CFC Eligible Routine Maintenance Reimbursement Account in the CFC Surplus Fund, the Operators will be reimbursed twice annually for CFC Eligible Routine Maintenance. CFC Eligible Routine Maintenance consists of maintenance of the CONRAC's vertical circulation (elevators and escalators), janitorial services, utilities costs, maintenance in public view areas of the Customer Service Center, wayfinding signage, CONRAC allocation of Routine Maintenance and replacement thereof, and maintenance of the exterior of the CONRAC, including finishes and lighting.

Non-CFC Eligible Routine Maintenance: The Operators will recover the costs of Non-CFC Eligible Routine Maintenance together with the projected shortfalls to funding of CFC Eligible Routine Maintenance by levying a Facility Maintenance Fee on their customers. The Facility Maintenance Fee will be a per Transaction Day charge. Annually, the City will calculate the Facility Maintenance Fee daily rate for the subsequent year. Each Operator will remit the Facility Maintenance Fee proceeds monthly to the CONRAC Manager to pay the cost of Non-CFC Eligible Routine Maintenance and shortfalls to the CFC

Eligible Routine Maintenance. The City has no interest in or claim to the Facility Maintenance Fee proceeds.

CONRAC Management

CONRAC Operation and Maintenance: The Operators will select an independent third-party management contractor to operate and maintain the CONRAC.

CONRAC Management Contract: Requires the CONRAC Manager to provide for the performance of Routine Maintenance and certain Major Maintenance of the CONRAC and the management of all operations of and activities in the CONRAC, including fueling operations, on behalf of all Operators. Further, the City is a third-party beneficiary of the CONRAC Management Contract.

Performance Guarantee

Performance Guarantee Amount: an amount equal to six (6) months' of estimated CFCs paid by the Operator to City and projected Ground Rent.

Form of Performance Guarantee: At least one-third of the Performance Guarantee shall be in the form of an irrevocable letter of credit. The remainder may be in the form of a surety bond, or other instrument satisfactory to the City. Alternatively, the Operator may provide an on-demand surety bond in the entire amount of the Performance Guarantee.

Periodic Performance Guarantee Adjustment: As the fees and charges adjust during the term of the Lease Agreement, City will periodically adjust the adequacy of the Performance Guarantee, and may increase the required amount of the Performance Guarantee.

Brands

No more than thirteen (13) Brands shall be allowed to operate from the CONRAC.

New entrants can be solicited if space is vacated during the term of the Lease.

Initial Allocation and Reallocation of CONRAC Space

The Initial Allocation of Offices, Counters, Ready-Return and QTA space is shown on Exhibits to the Lease based on market share. Regardless of market share, each operator shall be entitled to a minimum allocation.

The Lease Agreement provides for periodic reallocation of space among Operators based on shifts in market share.

Insurance

City insurance: City shall maintain all-risk property insurance on the Facility during the Term of the Lease Agreement.

Operator insurance: Operator shall provide the following types of insurance: (i) Workers' Compensation/Employers' Liability; (ii) Commercial General Liability; (iii) Business Automobile Liability; (iv) Builder's Risk (if applicable); (v) Property Insurance; and (vi) Operator's Pollution Liability

Compliance with Environmental Laws

Operator shall strictly comply with all applicable Environmental Laws, the Airport Rules and Regulations (including without limitation, the SWPPP, SPCC, and Fuel Spill Response Plan), and other Airport environmental policies and procedures as may be promulgated from time to time.

Operator's Hazardous Materials shall be the responsibility of Operator.

Operator acknowledges that the Airport is subject to the National Pollution Discharge Elimination System Program (*NPDES*), Federal Stormwater Regulations (40 C.F.R. Part 122) and the Texas Pollution Discharge Elimination System Program (*TPDES*).

Fuel Facilities and Management

Fuel and Environmental Responsibilities. Operator shall operate its allocated fuel dispenser(s) in accordance with Environmental Laws and in such a manner as to prevent and eliminate fuel spills or damage to the Fuel Facilities.

Fuel Supply: The Operators shall enter into a fuel supply agreement with the CONRAC Manager or a third-party fuel supplier to provide a continuous source of gasoline for the CONRAC.

Fuel Facilities Management – Operation, Maintenance, and Repair Responsibilities: Operator, through the CONRAC Manager, shall be responsible for the proper operation, maintenance, repair and use of the Fuel Facilities and the payment of all costs and expenses incurred for the operation, maintenance, repair and use of the Fuel Facilities, except for the cost of fuel, which shall be allocated to the Operators according to consumption.

Events of Default

Standard Events of Default plus: (i) Failure to collect and remit the CFC; (ii) Failure to make any payment to the CONRAC Manager; (iii) Failure to observe or perform any covenant, condition, or agreement to be observed or performed by Operator in the CONRAC Management Contract or the Operators' Member Agreement, following applicable notice and cure period; and (iv) Any financial or background statement provided to the City by Operator, any successor, grantee, or assignee is materially false.

Airport Concession Disadvantaged Business Enterprises Goal

To the extent applicable to the Lease Agreement, Operator shall comply with all requirements of the City's ACDBE Program strictly in accordance with the terms of the Concession Agreement.

Nondiscrimination

Non-Discrimination Policy: Operator understands and agrees to comply with the Non-Discrimination Policy of the City of San Antonio.

Affirmative Action: Operator assures that it will undertake an affirmative action program as required by 14 C.F.R. Part 152, Subpart E, to insure that no person shall, on the grounds of race, color, creed, sex, age, religion, national origin or handicap, be excluded from participating in any employment activities covered in 14 C.F.R. Part 152, Subpart E. Operator assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by said Subpart. Operator assures that it will require that its covered sub-organizations provide assurances to Operator that they will require assurances from their sub-organizations, as required by 14 C.F.R. Part 152, Subpart E, to the same effect.

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APPENDIX E

FORM OF BOND COUNSEL'S OPINION

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AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

July __, 2015

CITY OF SAN ANTONIO, TEXAS
CUSTOMER FACILITY CHARGE REVENUE BONDS, TAXABLE SERIES 2015
(CONSOLIDATED RENTAL CAR SPECIAL FACILITIES PROJECT)
DATED JULY 1, 2015
IN THE AGGREGATE PRINCIPAL AMOUNT OF $123,900,000

AS BOND COUNSEL FOR THE CITY OF SAN ANTONIO, TEXAS (the "***City***"), the issuer of the bonds described above (the "***Bonds***"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates, and payable on the dates, as stated in the text of the Bonds, and which are subject to redemption prior to maturity, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City relating to the issuance of the Bonds, including (i) an *Indenture of Trust*, dated as of July 1, 2015, between the City and *U.S. Bank National Association*, as trustee (the "***Indenture***"), (ii) an ordinance of the City adopted by the City Council of the City on June 18, 2015, which authorized the issuance of the Bonds and approved the Indenture and all related documents (the "***Bond Ordinance***"), and (iii) other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding special revenue obligations of the City in accordance with their terms (except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally); and that the Bonds, together with any "Additional Bonds" (as such term is defined in the Indenture) which may be issued in the future, are equally and ratably secured by and payable from an irrevocable first and prior lien on the assets in the "Trust Estate" created and established under the Indenture and are an obligation of the City only to the extent of the Trust Estate. The primary assets in the Trust Estate are the revenues received by the City from the "Customer Facility Charge" imposed by the City on rental car transactions occurring on or within the vicinity of the San Antonio International Airport and required to be collected by each "On-Airport Rental Car Operator" pursuant to the Lease Agreements between the City and the Operators and by each "Off-Airport Rental Car Permittee" pursuant to an "Off-Airport Rental Car Permit" (as such terms are defined in the Indenture). The owners of the Bonds shall never have the right to demand payment of money raised or to be raised by taxation, or from any source whatsoever other than assets held in the Trust Estate.

THE CITY HAS RESERVED THE RIGHT, subject to the requirements stated in the Indenture, to issue Additional Bonds which also may be secured by and made payable from a first lien on and pledge of the assets in the Trust Estate on a parity with the Bonds and all other Additional Bonds then outstanding.

IT IS FURTHER OUR OPINION that the Bonds are not obligations described in section 103(a) of the Internal Revenue Code of 1986, as amended, and, therefore, interest on the Bonds is includable in gross income for federal income tax purposes under the statues, regulations, published rulings, and court decisions existing on the date of this opinion.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the City, and in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the inclusion in gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds, and we have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the City as to the historical and projected "CFC Revenues" (as defined in the Indenture), which is the primary security for the Bonds. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

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