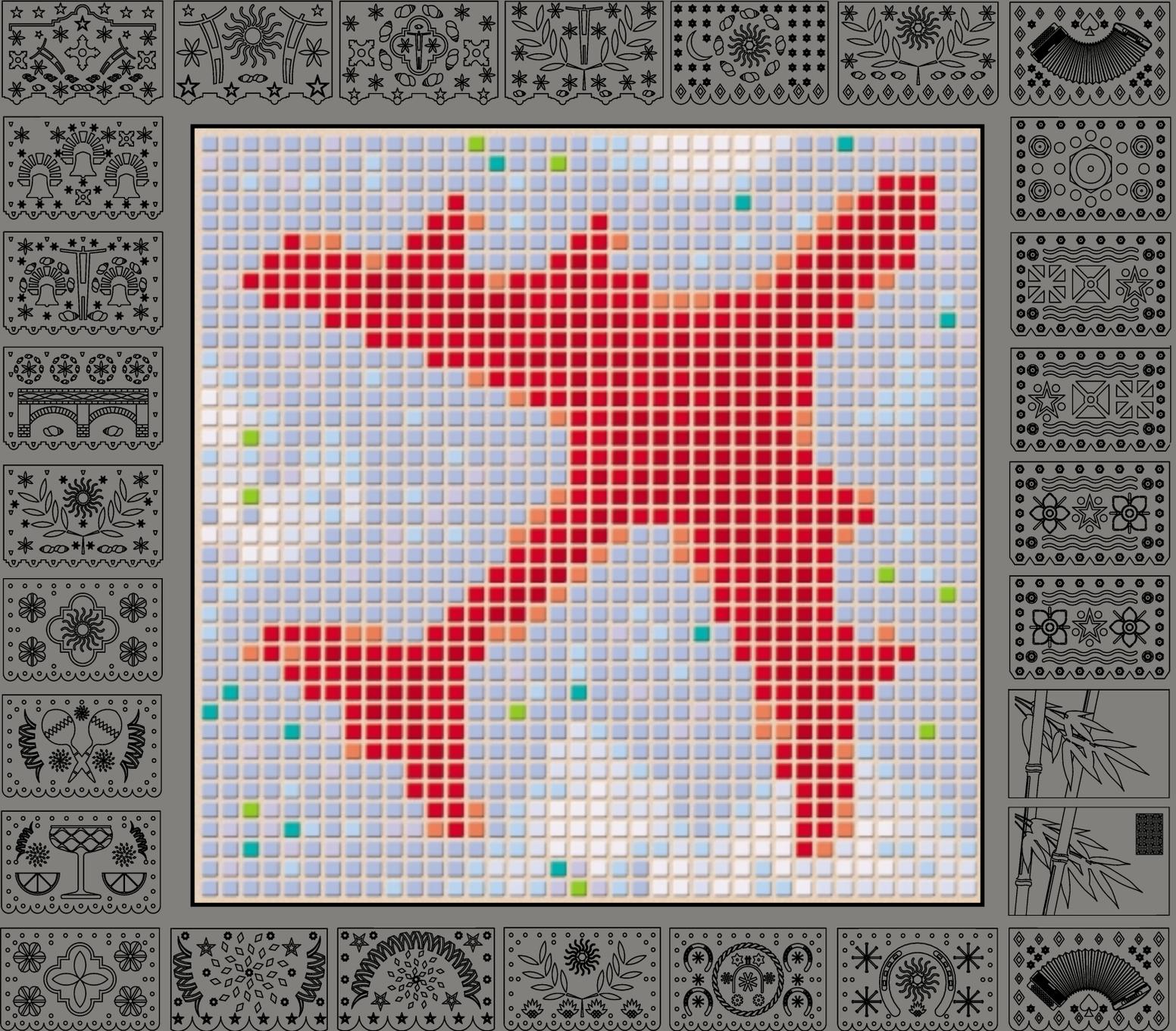


San Antonio Airport System

2002 YEAR IN REVIEW



Portal to South Texas

Message from the Director



The past year has been challenging to airports and the customers they serve. While meeting these challenges, the City has also continued to focus on future growth and needed improvements in the San Antonio Airport System. To this end, we have continued to plan and pursue a strategy to upgrade our airports and expand our facilities based on projected growth of passengers and aircraft operations.

Security is on the minds of everyone. San Antonio International Airport (SAT), along with every airport in the nation, has been working closely with the newly created Transportation Security Administration (TSA) to ensure that all federally mandated airport security measures under the Aviation & Transportation Security Act 2001 were implemented in accordance with their prescribed timelines, culminating with the December 31, 2002 deadline for 100% baggage screening.

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Cover artwork reflects airport architectural enhancements explained on page 13.

Just as the new security measures are changing the passengers' experience at the airport, so is the new, expanded concessions program, which provides more conveniences and customer appeal with its "street pricing." During 2002, approximately 25 new concessions opened in the two terminals, offering the traveling public new services and a variety of local and national branded foods and retail items.

In 2002, work was also started in Terminal One, which will completely change the appearance of all of the building interiors and provide more up-to-date amenities and services to the traveling public. The work in Terminal One should be completed by late summer 2003.

The Airport System operates as a financially self-sufficient enterprise with a strong and varied revenue base comprised of facility rentals and user fees. We have historically and will continue into the future to pursue federal and state grants to help underwrite the cost of additional security and safety measures, as well as eligible infrastructure improvements.

During 2002, the first steps were taken to bring the City's \$426 million Capital Improvement Program to fruition. The City's consultant, Marmon Mok/Gensler, validated the 1998 Airport Master Plan and completed a programming study. This process included development of a layout of proposed additional terminal and roadway facilities needed to meet the projected passenger growth through 2015. The study also included a review and mapping of the ultimate terminal and airline gate expansion for future development as growth occurs at SAT.

Completed, along with the



Kevin C. Doliolo
Aviation Director

programming study, were schematic designs, which will be used by the architectural team of 3D International/Corgan Associates, Inc., to layer in the exterior and interior structural design features in the ticketing, concourse, and bag processing areas. Other architects were also selected to start the process of designing and constructing a new 3,000-space parking garage and a freight facility.



The first of several funding measures was initiated in 2002. I am happy to report that SAT retained its high credit ratings following the national credit service firms of Fitch, Standard & Poors and Moody's rating of two 2002-bond issues.

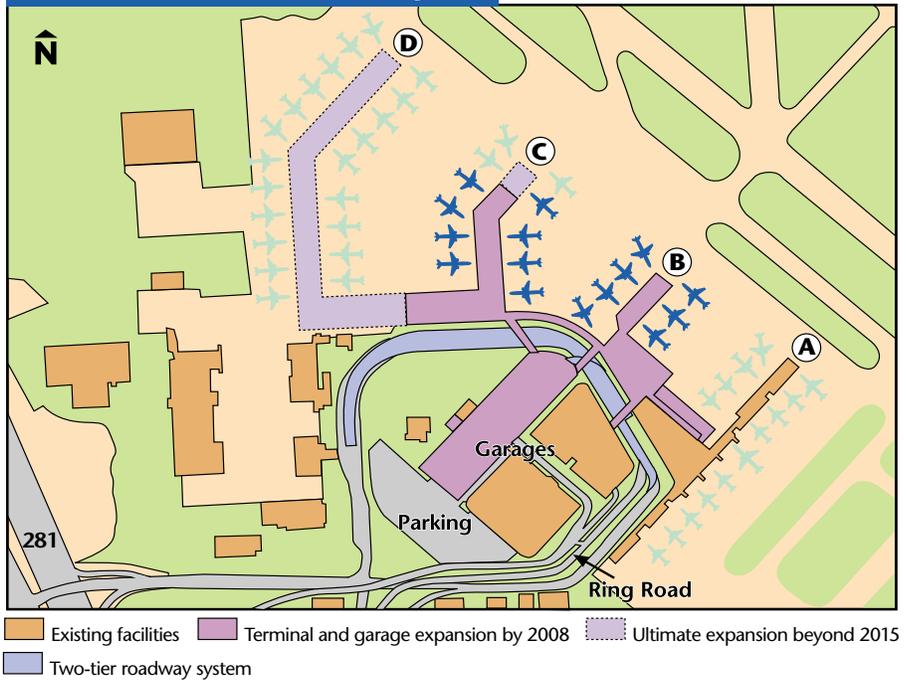
Passenger traffic declined 5.5 percent in 2001 and 2.8 percent in 2002. However, the drop in SAT passenger traffic is about half of that seen at airports across the country. This is due in great part to San Antonio's strong, resilient market demand for air service and the airlines' response to that demand. While most airports saw cuts in flights during 2002, San Antonio continued to see more new flights. Northwest initiated new nonstop service between San Antonio and Detroit in July 2002. Many of the airlines serving San Antonio added additional frequencies. San Antonio passengers traveling on charters to Mexico destinations reached an all time high.

Air service development continues to be a priority for the City of San Antonio Aviation Department. Working with the airlines and Mayor Edward Garza's Reach for the Sky Committee, which was formed in 2002 and includes community leaders, we are developing new initiatives to stimulate market demand and attract new air service.

We greatly value our partnership with the airlines, our customers, and the traveling public. Throughout the coming years, we will continue to work with our community leaders and our airline partners to meet the demand for efficient customer services in cost effective, state-of-the-art airport facilities.

Our continuing goal will be to operate the Airport System in a financially self-sufficient manner,

Validated Master Plan Layout



Ultimate Terminal	Total Gates
Terminal A	16
Terminal B	7
Terminal C	11
Terminal D	21
Total Possible Gates	55

recognizing the importance of keeping costs low to our airline partners and tenants, as well as the traveling public. These fiscal goals will also remain in the forefront as we take the necessary steps in the coming years to implement the

planned capital improvements for both San Antonio International and Stinson Municipal Airports.

Thank you for your continued confidence in the future of the San Antonio Airport System. Be assured that all of us who work at the City's airports are doing our utmost every day to ensure that your use of these facilities is safe, secure and a pleasant experience.

Kevin C. Dolliole
Kevin C. Dolliole
 Aviation Director



City Completes Initial Steps to Implement Airport CIP



San Antonio City Council has approved a 10-year Capital Improvement

Program (CIP) to meet master plan projections for future growth at the City's airport facilities. The cost of the CIP is estimated at \$426 million. It is intended to implement current, ongoing terminal renovations, as well as proposed terminal expansion projects, roadway and parking improvements and airfield and related environmental work at San Antonio International Airport (SAT). Approximately \$6 million is earmarked for Stinson Municipal Airport improvements.

SAT Terminal and Roadway Improvements

According to the validated Airport Master Plan, up to seven additional gates will be needed to meet the projected passenger demand through 2010. The proposed Terminal Expansion Project calls for the construction of two new concourses (B and C) to the west of and contiguous to Terminal One. When completed, Concourse B will include: seven airline gates with adjoining passenger holding rooms; airline operations, baggage handling and ticketing areas; concession outlets; aviation administrative offices; and public circulation areas.

Terminal Two, which houses eight airline gates, has exceeded its useful life and is scheduled for removal. Furthermore, the location of Terminal Two impedes development of additional airline gates. Its removal not only clears the way for the future terminal expansion of Concourse C, but ultimately Concourse D, which is beyond the current 2015 Master Plan horizon.

Construction of Concourse C, which will contain the same amenities and passenger services as Concourse B, is planned for



incremental development as passenger growth occurs. Within the 2010 timeframe, expansion of up to eight airline gates is anticipated for Concourse C. Completion of the Terminal Expansion Project will increase the total number of airline gates from 24 to 31 and result in 565,000 square feet of new terminal space. Subsequently, Concourse C is expandable up to an additional three gates and will be constructed at such time when passenger growth dictates. The three additional gates would increase the total new terminal space to 614,000 square feet.

Vehicular access improvements will include an extension of the bi-level roadway in front of Terminal One, as well as additional directional signage. The elevated roadway will provide access to the upper and lower levels of the two new terminal concourses (B and C). Continuation of the two-tiered roadway system for the new concourses will nearly double the traffic capacity to and from the terminal area, while the addition of new roadway signage will improve the flow of traffic.

Terminal Expansion – Phase One Completed

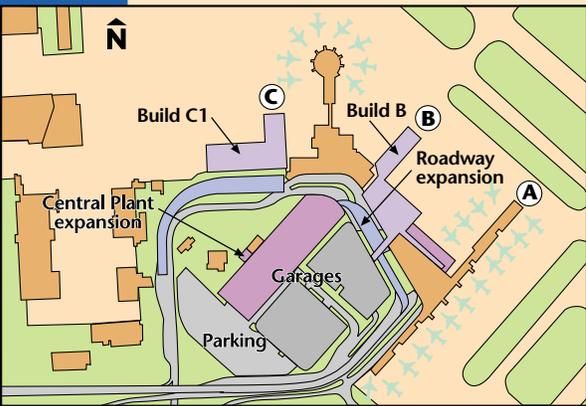
The first phase of planned development for the Concourse B and C Construction Project is

complete. This phase consisted of a programming study that reviewed and ultimately validated the Airport Master Plan and its facility requirements to meet projected future passenger growth at SAT. Also included in the study was the preparation of a construction phasing plan (opposite page) and a terminal schematic design, all of which were developed by San Antonio's Marmon Mok, one of Texas' leading architecture and engineering design firms, in collaboration with Gensler & Associates, Inc. With its long history of designing structures at SAT, Marmon Mok brought to the team an in-depth familiarity with the Airport's current facilities. Gensler contributed its varied airport experience, which includes work on more than 30 domestic and international airport terminals. Gensler has designed more than 15.5 million square feet of airport terminal space in major cities around the world.

Architect Selected to Design New Terminal and Roadway Facilities

On November 21, 2002, City Council authorized the Aviation Department to initiate a process to contract with 3D International (3DI)/Corgan Associates, Inc., and a

Phases 1 & 2

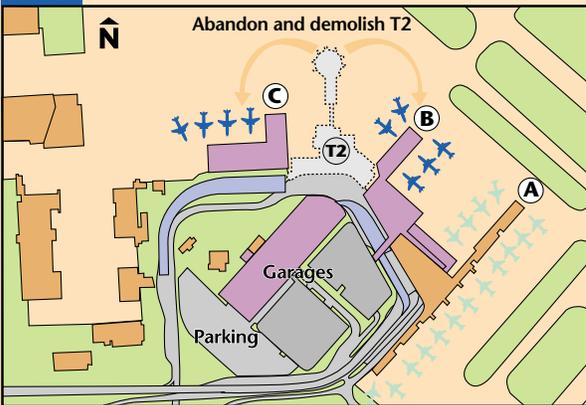


Existing construction Phase 1 Phase 2 Phase 2 roadway

Phases 1 & 2	New Gates	Total Gates
Terminal A	0	16
Terminal 2	0	8
Terminal B	0	0
Terminal C	0	0
Total Available Gates	24	

- Build phase C1 of Terminal C
- Widen upper and lower level roadway at A, B, and C
- Expand Central Plant
- Construct garage

Phase 3

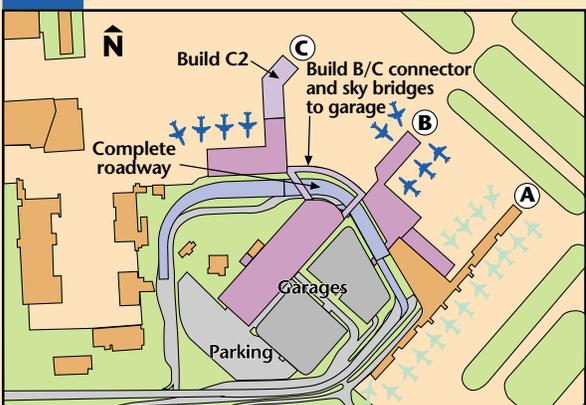


Existing construction Phases 1 & 2 Phase 3

Phase 3	New Gates	Total Gates
Terminal A	0	16
Terminal 2	-8	0
Terminal B	5	5
Terminal C	4	4
Total Available Gates	25	

- Transfer operations from T2 to B and C
- Abandon T2, losing 8 gates
- Gain 5 usable gates at B & 4 temporary gates at C
- Demolish T2

Phase 4

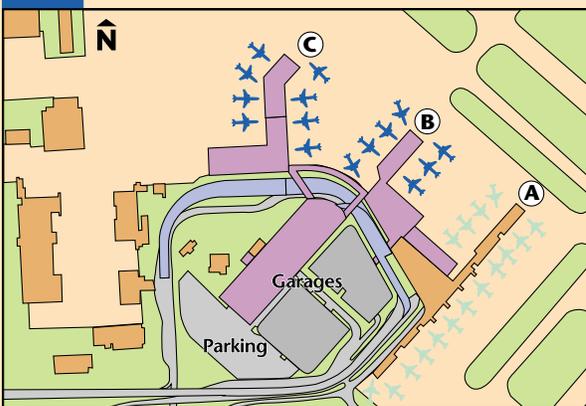


Existing construction Phases 1 & 2 Phase 4 Phase 4 roadway

Phase 4	New Gates	Total Gates
Terminal A	0	16
Terminal B	0	5
Terminal C	0	4
Total Available Gates	25	

- Build phase C2 of Terminal C
- Complete roadway (initial phase)
- Build B/C connector
- Build sky bridges from Terminals B and C to garage
- Replace former T2 site with aircraft apron

Phase 5



Existing construction Phases 1, 2 & 4 Phases 2 & 4 roadway

Phase 5	New Gates	Total Gates
Terminal A	0	16
Terminal B	2	7
Terminal C	4	8
Total Available Gates	31	

- Relocate 4 temporary Terminal C gates to permanent locations, and gain 4 additional gates at east side of C and another 2 gates at B for a total of 6 new gates

team that includes other national and locally based firms. 3DI, the nation's largest architectural practice, employs 600 people in its 14 offices across the country, including San Antonio. It provides integrated architecture, interior architecture, engineering, environmental and construction services for aviation, government, corporate, institutional and private clients throughout the U.S., Latin America and abroad.

The results of the programming study and schematic design, prepared by Marmon Mok/Gensler, will be used by 3DI/Corgan to formulate the architectural features and construction documents for the Concourse B and C Construction Project. 3DI/Corgan's scope of services for this phase of the Terminal Expansion Project also includes engineering services associated with building construction, together with specialty designs such as baggage handling, security processing and flight information display monitors, which are specifically associated with airport terminal construction.

Architect Hired to Design New Parking Facilities

On April 24, 2003, City Council authorized execution of a contract with the firm of HNTB to provide programming and architectural services in connection with the new parking facilities at SAT. Design work on the Expanded Parking Facility Project will occur during 2004, with construction expected to start in 2005.

The proposed new structure will provide an additional 3,000 long-term and short-term parking spaces. Completion of this proposed expansion will bring SAT's total public parking spaces to approximately 8,800. The new facility will provide about a 50% increase to the number of terminal area parking spaces. Also planned are enclosed pedestrian connectors, which will link the garage to the terminal.

Program Manager Hired to Oversee Airport Expansion

Selected in 2002 for contract negotiation and approved through City Council action on March 6, 2003, Carter Burgess, Inc., along with subcontractor Parsons Brinckerhoff, was hired to perform program management services. The firm will assist the Aviation Department in the administration of a portion of the Airport CIP to include the Terminal Expansion Project, the Expanded Parking Facilities Project and other projects, as deemed necessary to ensure timely execution of the work effort for major capital



(from left) Aviation Director Kevin Doliolo and Assistant Aviation Directors Dom Smith and Ryan Martinez

improvements at SAT. The three-year contract, with provision for extension up to two additional years at the City's discretion, has been executed.

New Freight Facility Planned

On November 21, 2002, City Council approved a contract with San Antonio-based Chesney Morales & Associates, Inc., to provide architectural and engineering services for construction of a new belly freight facility at SAT. The site of the facility will be near the corner of Airport and Northern Boulevard and is currently occupied by hangar facilities that will be demolished as part of the terminal expansion and proposed new aircraft parking apron projects. From the airside, it will be adjacent to the new aircraft overnight parking ramp to be located south of Terminal One.

The new freight facility will eventually replace the current West Air Cargo Facility located on John Saunders Road, which was constructed in 1974 and has reached the end of its useful life. The old facility has a total of 67,200 square feet, of which 33,000 square feet is used for passenger airline "belly" freight handling. The remaining area is used for vehicle maintenance and office space.

The new freight facility is being programmed for about 51,200 square feet of belly freight handling area, an increase of 55 percent over current available like space, and some limited customer pick up counters. The shell will also contain a second floor, which will provide the tenants office space on an as-needed basis. Refrigerated storage and incineration capabilities are also being evaluated for this facility. The building will have trucking dock height contact on the landside and at grade access on the airside.

Airfield Environmental Impact Statement Process Started

The Airport Master Plan recommended certain airfield improvement projects at San Antonio International Airport. Incorporated into the City's 2002-2011 Airport Capital Improvements Program, these projects include the extension of Runway 3/21, the reconstruction of Runway 12L/30R to air carrier standards and the construction of taxiways supporting

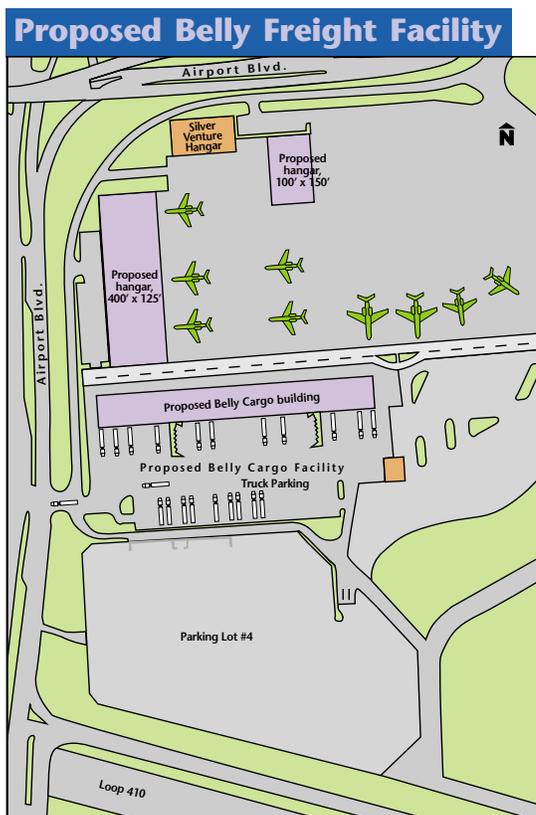
these runway improvements.

In order to implement these airfield projects, it is necessary to conduct an Environmental Impact Statement (EIS) process in accordance with the National Environmental Policy Act of 1969 (NEPA) and the Council on Environmental Quality (CEQ). Major elements of an EIS include evaluation of the proposed projects as they may impact noise, air and water quality, historic and cultural resources, endangered species, wetlands, energy and natural resources and light emissions.

On September 26, 2002, the City of San Antonio accepted an Airport Improvement Program (AIP) grant in support of Phase 1 of the EIS. The CEQ requires that the Federal Aviation Administration (FAA) assume a prominent role in the EIS process. On December 12, 2002, the City Council authorized execution of a Memorandum of Understanding (MOU) between the FAA and the City of San Antonio for management oversight of the EIS

preparation. Under the MOU, the FAA will be responsible for: the consultant selection; ensuring compliance with all NEPA and CEQ regulations; the management of the consultant for the duration of the study; and conducting public workshops. The City will be responsible for contract negotiations with the selected consultant, contracting with the consultant for the EIS services and fully participating in the EIS process.

The City initiated the solicitation of qualification statements from EIS consultants during August 2002. The FAA selected Booz Allen Hamilton, Inc., from the various respondents. Work on the EIS, which is estimated to cost about \$1 million during its initial phase, should begin during the fall of 2003.



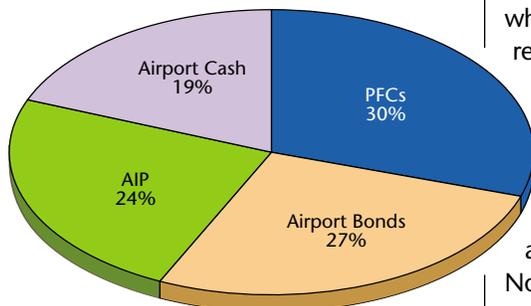
Capital Improvement Funding Sources

San Antonio Airport System Summary of Capital Expenditures FY 2002-2011



Of the total \$426 million Capital Improvement Program (CIP), approximately \$230 million or 54% will be funded on a "cash basis" through a combination of the Passenger Facility Charge (PFC), airport-generated funds (fees and rentals) and federal grants. This pay-as-you-go approach reduces the overall cost of proposed improvements. General Airport Revenue bonds (\$117 million) and PFC bonds (\$79 million) will be issued and will make up the difference in needed funding for the Airport System's planned 10-year CIP.

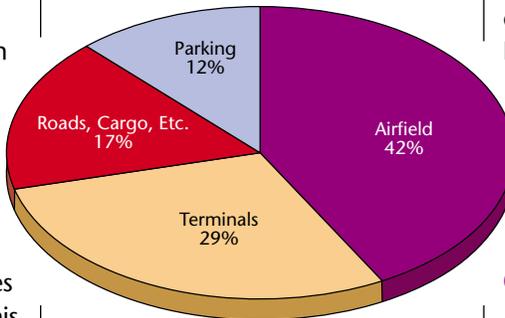
Summary of Capital Expenditures, FY 2002-2011



Upon completion of the CIP, it is anticipated that the improvements will result in:

- ▶ A 30% increase in airfield capacity (in terms of aircraft operations),
- ▶ A net increase of seven aircraft gates to handle over a million more boarding passengers annually,
- ▶ About a 50% increase in parking spaces, and
- ▶ A substantial increase in roadway capacity with a new dual roadway system serving all terminal facilities.

Capital Improvement Program (CIP) Use of Funds, FY 2002-2011



Series 2002 Bonds Initiate CIP Funding

Two bond issues were sold in March 2002 totaling \$138.4 million. The bond proceeds are being used to finance a significant portion of SAT's \$426 million CIP. The larger of the two bond issues included \$92.5 million in General Airport Revenue Bonds (GARBs), which are backed by Airport revenues, including airfield fees, terminal rentals, and parking revenue. A second issue was for \$37.6 million in Passenger Facilities Charge (PFC) bonds, which are to be repaid through a \$3.00 PFC fee that was initiated November 1, 2001.

The net proceeds of the 2002 GARBs and a series of PFC Bonds will be utilized to complete the financing of the on-going terminal

renovations, as well as to commence work on the first stage of the Terminal and Garage Expansion Projects.

Additional GARBs and PFC bond issues are scheduled through 2007 in support of implementing the CIP.

SAT Retains Its High Credit Rating

The national credit service firms rated both the 2002 GARBs and PFC bond issues. Fitch and Standard & Poors (S&P) assigned an A-plus rating to the GARBs, while Moody's Investors Service assigned an equivalent A1 rating. These ratings are the same as the previous SAT-issued bonds, which were affirmed following the September 11 terrorist attacks. Fitch assigned an A-plus rating to the PFC bonds, while Moody's assigned an A2 rating and S&P rated the bonds A-minus. All three firms indicated that they believed San Antonio International Airport would continue its strong financial performance and would possess a growing air service market.

According to Assistant Aviation Director Ryan Martinez, "An 'A' rating is considered to be a good credit risk and thus a fairly secure investment. Generally speaking, the

higher the credit rating, the lower the interest rate on the bonds. A lower interest rate will have a very beneficial effect on the overall cost of the Airport improvements. The average interest rate on both 2002 bond issues was 5.3%."



SAT Passenger, Air Cargo & Operations Statistics

2002 SAT Operating Statistics



Thirteen scheduled and several charter operators provide air service at the San Antonio International Airport (SAT). In 2002, 6,714,328 passengers flew in and out of SAT. During this same period, air cargo operators at SAT airlifted approximately 267 million pounds of freight and mail.

Airports across the country saw passenger traffic continue to decline after the terrorists' attacks on September 11, 2001 and as a result of the U.S. economic downturn. San Antonio International Airport was no exception; however, SAT has performed better when compared to other U.S. airports, which saw an average



enjoys nonstop service to most of the major hubs in the U.S.

This provides San Antonio passengers with connecting service to all parts of the world or, in some cases, continuing service on the same plane with a stop over to pick up additional passengers.

SAT averages 250 commercial passenger take-offs and landings per day to 30 nonstop destinations. An additional 30 destinations can be reached with one or two stops on the same plane. As of July 2003, nonstop or same plane service is available to all but one of San Antonio's top 20 domestic markets.

In July 2002, Northwest Airlines began offering new nonstop service to its hub in Detroit. San Antonio became the 131st nonstop destination served by Northwest and its partners through its global Detroit network.

By the end of the year, Continental Airlines announced that it planned to start new daily nonstop service to its Cleveland hub using 50-seat regional jets. Service to Cleveland, Ohio will commence in May 2003.

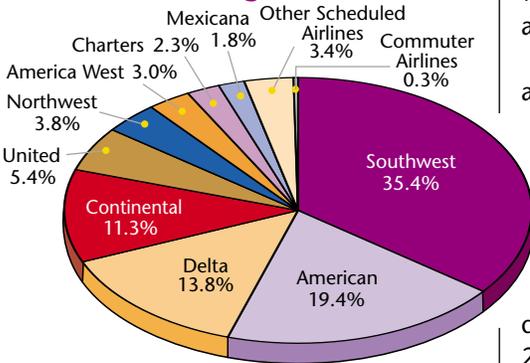
4.7% reduction in enplaned passengers over 2001. SAT's enplaning passengers (3,349,146) for 2002 were down 2.8 percent when compared to the 2001 annual enplanements.

Total air cargo (includes freight and mail) in San Antonio returned to its historical trend in 2002 with 266,926,867 pounds processed at SAT (up 22.7% when compared to 2001). This followed a decrease in 2001 to 217,630,732 pounds or a 21% drop over 2000. SAT processed 274,860,731 pounds of air cargo in 2000.

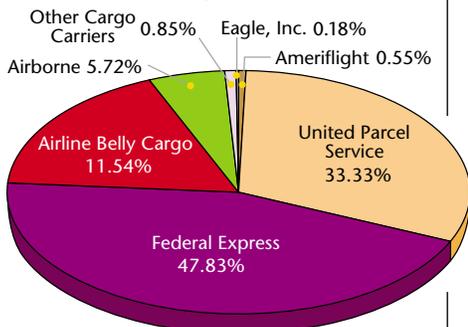
Passenger Air Service Status

In terms of passenger numbers, SAT ranks 42nd in the Department of Transportation's (DOT) top U.S. airports. San Antonio International is an origin and destination (O&D) airport versus a hub, which serves as a connecting airport for a major air carrier. As such, the City of San Antonio

2002 Passenger Market Shares



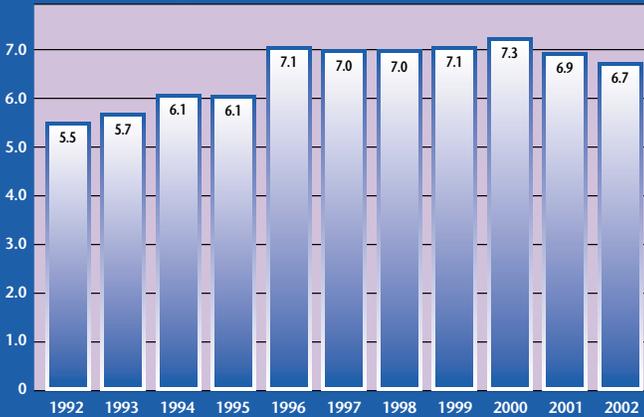
2002 Air Cargo Market Shares



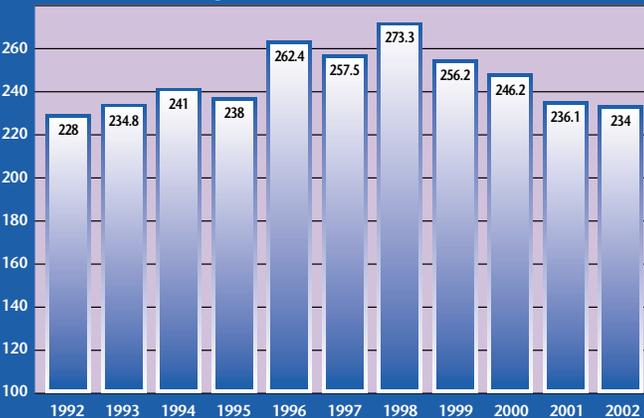


Historical Passenger and Cargo Traffic

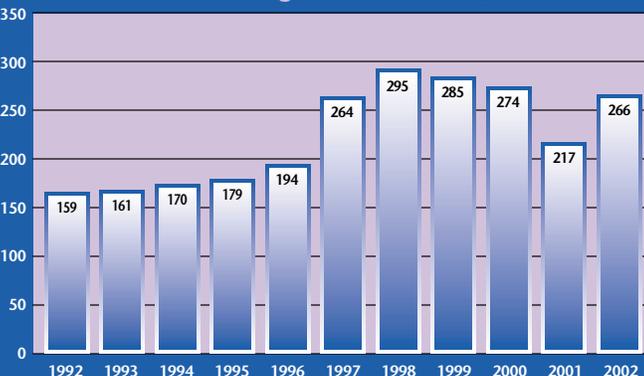
Total Passengers (Enplaned and deplaned in millions)



Total Aircraft Operations (Thousands of landings and takeoffs)



Combined Mail & Freight Totals (Millions of pounds)



Top 20 Domestic Origin & Destination Passenger Markets at San Antonio*

(Ranked by 12 months ended Dec. 2002)

Market Ranking	Market	O&D Domestic Passengers	Percent of Total	Daily Direct Flights***
1	Dallas/Ft. Worth, TX**	628,990	11.15%	36
2	Houston, TX**	236,890	4.20%	23
3	Las Vegas, NV	210,090	3.72%	5
4	Chicago, IL**	200,100	3.55%	8
5	New York, NY**	172,750	3.06%	3
6	Baltimore, MD	168,380	2.98%	2
7	Los Angeles, CA	147,120	2.61%	6
8	Atlanta, GA	142,970	2.53%	11
9	Phoenix, AZ	138,310	2.45%	6
10	Washington, DC	125,380	2.22%	3
		2,170,980	38.48%	
11	Orlando, FL	118,920	2.11%	2
12	El Paso, TX	112,790	2.00%	4
13	St. Louis, MO	103,730	1.84%	6
14	Denver, CO	95,400	1.69%	3
15	San Diego, CA	93,880	1.66%	1
16	Seattle/Tacoma, WA	89,870	1.59%	0
17	New Orleans, LA	86,060	1.53%	1
18	Minneapolis, MN	75,370	1.34%	2
19	Nashville, TN	73,760	1.31%	1
20	Detroit, MI	72,660	1.29%	2
		922,440	16.35%	
Total San Antonio Domestic Passengers – Top 20 Cities*		3,093,420	54.83%	
Grand Total San Antonio Domestic Passengers*		5,641,460	100.00%	

Total San Antonio Domestic Passengers – Top 20 Cities*

Grand Total San Antonio Domestic Passengers*

* Source: US DOT – Based on approximate 100% sample – O&D directional journeyed passengers for 12 months ended Dec. 2002

** Market includes multiple airports

*** Source: SH&E Non-stop and/or same plane service as of July 2003

Safety and Security is First

The number one goal at San Antonio International Airport has always been – and will continue to be – maintaining a safe and secure operating environment. To that end, the City, as required by Federal Aviation Administration (FAA) regulations, conducted a live emergency exercise and worked with the Transportation Security Administration (TSA) to implement new security procedures in 2002.

Emergency Preparedness

Every three years the FAA requires that an airport conduct a live emergency drill to make sure essential personnel have a good understanding of their roles in the event of an actual emergency. During the in-between years, tabletop exercises are conducted to go over preparedness plans and policies.

The Aviation Department's Airport Operations staff, working with a team of organizers, developed a scenario and conducted an emergency drill on April 5, 2002 at the San Antonio International Airport's (SAT) East Air Cargo Apron.

During the drill, both the Airport Emergency Center (AEC) and the Mobile Command Post were activated. The combination of the two is a critical communication stronghold for SAT in the event of a true disaster. The San Antonio Fire Department, including the airport's Aircraft Rescue and Fire Fighting unit; citywide EMS units; the Red Cross; Salvation Army; Fort Sam Houston; and University Hospital also participated in the drill.

According to Assistant Aviation Director Dom Smith, "This exercise on April 5 demonstrated that all participants have a good understanding of their roles and an ability to implement required emergency response functions."



Firefighters in disaster drill

Enhanced Security Measures Enacted in 2002

The passage of the Aviation and Transportation Security Act in November of 2001, created the Transportation Security Administration (TSA). The City's Aviation Department worked closely with the TSA to forge a new, higher level of security for the traveling public. The following are some highlights that occurred at San Antonio International Airport (SAT) in 2002:

- ▶ In February 2002, the TSA took over management of all airport security screening checkpoints and initiated all random boarding gate screening functions. Former screeners were temporarily hired by the TSA.
- ▶ To meet the required federalizing of all screening personnel at airport security screening checkpoints and gate areas by November 19, 2002, the TSA hired, trained and placed federal personnel in screening capacities during September 2002.
- ▶ In October 2002 and December 2002, SAT graduated three police officers from the TSA's Explosive Detection Canine Academy at Lackland Air Force Base. These officers, assigned with their dogs,

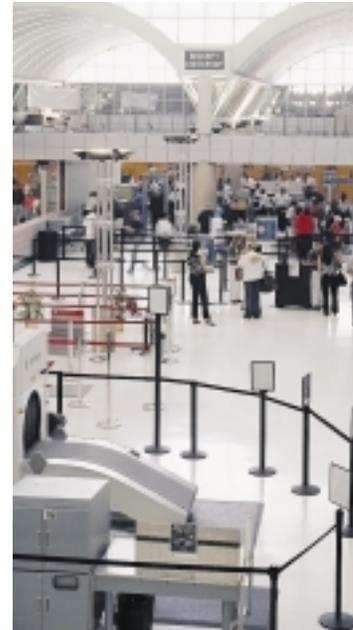


Canine team Tom and Wauneeta Perez

provide additional coverage for detection of explosive materials at SAT in baggage makeup areas, concourses, parking, cargo and aircraft. Canine teams are utilized at the airport 24 hours per day, 7 days per week. This program is supported by the TSA with reimbursement to the Airport at \$40,000 per team for a total of \$120,000. Additional coverage is provided on top of SAT's canine support from the San Antonio Police Department and Bexar County Sheriff's Office.

The TSA and the Aviation Department worked together on the installation of explosive detection baggage screening equipment to meet the mandated 100% baggage screening process on December 31, 2002. SAT's explosive detection screening equipment, which provides both CAT scan and trace detection on all baggage boarding aircraft, is currently located in the ticket lobby areas of the terminals. This was necessary in order to meet the December 31, 2002 deadline.

However, the Aviation Department is working with the TSA to relocate all baggage screening equipment behind the building using the new baggage handling systems planned as part of the upcoming Terminal Expansion Project.



Terminal One lobby and security checkpoint

Addressing Noise Abatement and Mitigation

Leadership in Aircraft Noise Mitigation



On March 2, 2000, City Council approved a six-signature memo to perform aircraft departure profile testing for San Antonio International Airport (SAT). The scope of this Departure Profile Testing Project was to examine and to facilitate live testing of the aircraft noise abatement profiles, as prescribed by the Federal Aviation Administration (FAA) Advisory Circular (AC) 91-53A, Noise Abatement Departure Profiles (NADP), and to assess the potential noise reduction benefits in the environs of SAT.

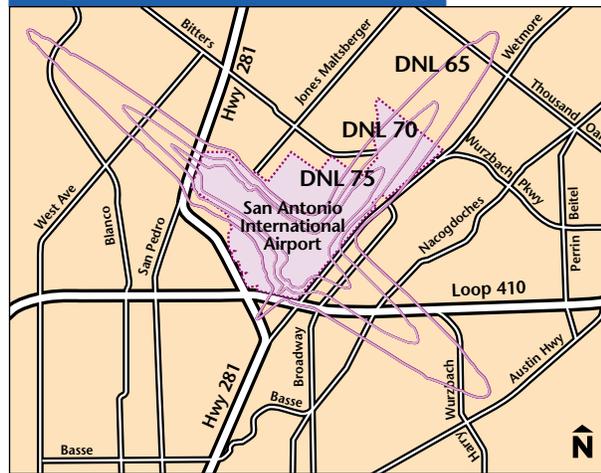
As part of the Federal Aviation Regulations Part 150 Noise Compatibility Study Update, Ricondo & Associates, Inc., in conjunction with Brown-Buntin Associates, Inc., completed this study, which was intended to gain more information about the impact of aircraft noise levels. A total of 385 aircraft departures were monitored during the course of the three noise monitoring sessions with a total of 1,128 noise events recorded at the noise monitoring sites.

The NADP identified that, for the most part, airlines are already using some form of noise abatement departure profile for SAT operations. As a result of the study, the Aviation Department coordinated with airlines to encourage NADP use, made changes to the federal Airport Facility Directory, and modified existing airfield signs at the approach ends of Runway 12R and 30L to request "Close-In Departure" procedures.

FAA Approves SAT Part 150 Update Measures

Over the last 10 years, the Airport Noise Compatibility Program (NCP) has resulted in excess of \$9 million

Airport Noise Contour Map



DNL: Day/night Noise Level, a 24-hour average in decibels

in federal funding to help reduce the impact of aircraft noise on public facilities near the Airport.

With City Council's approval in January 2002, an aggressive noise abatement/mitigation plan was submitted to the FAA for review and approval as part of its continuing effort to reduce aircraft noise impacts on neighborhoods surrounding the Airport.

The City was notified in the FAA's record of approval in October 2002 that the following proposed abatement/mitigation measures were approved for 80 percent funding to be provided by the FAA:

- ▶ A full-scale home sound insulation program for homes located in significantly impacted areas, as defined within the NCP;
- ▶ The acquisition and installation of a permanent aircraft noise monitoring system to track and record noise events in and around SAT's neighborhoods;
- ▶ Initiation of a land use compatibility study to aid the City and Airport with controlling development surrounding SAT.

Coupled with the land use study, the FAA approved development of a mechanism for incorporating noise exposure acknowledgements into real estate transactions. Additionally,

approval was given to develop various programs for voluntary noise level reductions through pilot awareness programs, to provide notifications for insertion into pilot publications and to write memorandums to Congress seeking stricter requirements on all aircraft to meet tighter noise standards.

The City's Aviation Department has

solicited the FAA for reconsideration of a few study items, which were not part of the record of approval for this noise abatement/mitigation plan. The City is looking forward to a favorable response from FAA to proceed with requested studies.

Innovation in Noise Monitoring

Operations Technology, Inc., an architectural/engineering specialist, was hired in October 2002 to design and specify an Airport Noise Monitoring System for the San Antonio International Airport. This system will consist of 10 permanent noise-monitoring devices and three portable devices to track aircraft noise events in the immediate area of SAT's surrounding neighborhoods. Information provided by this system will show aircraft noise level, flight track, aircraft type, aircraft operator and weather conditions at the time of the noise event. This tool will help the community and Airport in advising aircraft operators to maintain operations in accordance with established noise abatement and mitigation measures. Currently, the design efforts are near completion and installation specifications were released for bid in mid-June 2003 with an estimated completion date of April 2004.



Exit Express Debit/Credit Pay machines

Airport Parking Introduces New Customer Services

The Exit Express Program was introduced in June 2002 as a way to improve customer convenience for patrons using the San Antonio International Airport parking facilities. Six Exit Express Pay machines are conveniently located on the various pathways leading to the parking facilities.

This service allows travelers to use their credit or debit card to expedite payment and leave the Airport parking facilities without having to go through a parking attendant. "We expect to shave 5 to 7 minutes off the exit times during peak traffic periods at the Airport," says Dom Smith, the airport's assistant director of operations

and maintenance.

There are also plans in 2003 to add a Frequent Parker Program to Exit Express. It will allow travelers who fly frequently to establish a prepaid parking account with



the Airport. "A card that works on a radio frequency will be issued with a Velcro strip to be attached on the sun visor near the rear-view mirror. It will credit the traveler's account each time the driver leaves the parking facility," explains Parking Manager Greg Lawrence. Participants in the Frequent Parker Program may monitor their balance and replenish their account on line through the Airport's website: www.sanantonio-airport.com.

Life-Saving Devices Added to Terminals

The City of San Antonio recently purchased and deployed twelve Automatic External Defibrillators (AEDs) throughout Terminals One and Two. These life-saving devices are used to provide immediate first response care for victims of stroke and/or heart attack.

The AEDs are used when an individual suffers from ventricular fibrillation (VF), which can lead to cardiac arrest. They are designed to detect a shockable rhythm, VF, and then deliver a shock to the heart, which will convert it back to a more normal state. According to the American Heart Association, there is an 85% survival rate if the AED is used within the first three minutes of a heart problem. The survival rate decreases approximately 10 percent as each additional minute passes.

Almost 80 Aviation Department employees, plus airline personnel, have been trained to operate the AEDs. "Having personnel administer CPR and use the readily available AEDs are tremendous steps in the right direction toward making emergency care available for individuals who have suffered cardiac arrest while on airport property," said Fire Captain Melvin Keilers with the Airport Rescue and Fire Fighting Station. "There are a number of airports throughout the country that already have programs of this type established and have reported numerous instances where this training and equipment have saved lives."



Terminal Renovations and Concessions Redevelopment Update



After years of planning, construction work on the Concession Redevelopment and Terminal Renovation Project began in 2001 and is expected to be complete by the fall of 2003.

Although more extensive renovations to Terminal Two were initially considered, plans were drastically scaled back with the City's decision to move forward on the Terminal Expansion Project. Terminal expansion would make it necessary to demolish Terminal Two in five years. Accordingly, only life safety issues, as well as new concessions and customer services, were implemented.

Renovations to Terminal Two were concentrated in the concourse and gate areas, and only modifications in these areas that were complementary to implementation of the Concessions Redevelopment Program were made. Work was completed in September 2002 when the new food court and concessions opened to the public.

Major interior changes to Terminal One were initiated in late 2002. The Terminal Renovations Project for Terminal One includes new concession infrastructure and modifications to existing passenger-gate waiting rooms, the ticket lobby and baggage claim area. Also included in this Project, are

improvements to lighting, signage and graphics, as well as installation of flight information monitors. In 2002, passengers using Terminal One saw just the beginnings of the new Concession Redevelopment Program. A few eating establishments were opened with the great majority of new concessions scheduled to open in the summer of 2003.

Artistic Enhancements

San Antonio and south Texas are defined as much by their history as by their festive culture, events, and places. To capture the region's very interesting cultural mix, as well as its uniqueness, the City commissioned internationally recognized San Antonio artist Cesar Martinez to design distinctive portals along the concourse at 12 airline gate areas.

As arriving passengers step off their plane, they will enter into one of 12 canopy-like structures designed by Mr. Martinez. The portals are supported by four uniquely designed tiled columns and complemented in design theme by coordinating terrazzo floor areas. The multi-faceted portal artworks feature glass/ceramic photographic tile murals bordered by silk-screened or etched design metal treatments.

Visitors to the City will also experience their first walk along the San Antonio River at the Airport's main food and retail concession area. Los Angeles-based artist May Sun was commissioned by the City to develop a concept that ties the concourse and central food and retail court areas with the imagery that depicts the natural



Gate portal – "Fiesta"

environment of the San Antonio River. Ms. Sun's visuals of a lush riverbed, its wildlife and vegetation are being integrated into a wonderful floor design that is being created using the terrazzo technique. The incorporated natural patterns, colorful hues and detailed imagery give the floor an artistic natural feel not normally found in typical floor treatments.



Launched in 2002

The City of San Antonio Aviation Department and Westfield Concession Management, working together to implement SAT's Concession Redevelopment Program, saw a great deal of their efforts come to fruition in 2002.

Terminal One – Shops Open

Great food and drink selections and street pricing are the toast of The Shops at River Landing - San Antonio International Airport. The celebration of SAT's April 24, 2002 grand openings for its three new restaurant establishments generated excitement up and down the Terminal One concourse. **Alamo City Microbrewery, Blimpie Subs,**



Renovated gate waiting area



of invitees attended the grand opening celebration of the *Shops at River Landing*. The new Terminal Two Food Court was the scene of the grand opening celebration and included the concessionaires located pre-security checkpoint and those post-security near the gate area.

Terminal Two Grand Opening with Councilman Carroll Schubert, Councilman David Carpenter, Aviation Director Kevin Doliolo, City Manager Terry Brechtel, Assistant City Manager Chris Brady and Tim Lowe of Westfield Corporation.



City officials, airport employees, members of the business community, and concessionaires, along with family and friends, sampled food from **Taste of Orient, Quizno's Subs, McDonald's, Baskin Robbins, Cinnabon, Frullati Café & Bakery, Starbucks and Rosario's Mexican Cantina. Legend's Sports Bar** accommodated attendees who wished to purchase an alcoholic beverage. Also opened for the event were **Alamo Books & (Seattle's Best) Coffee Café and Alamo Express Newsstand**, along with **Texan Accent and Native Texan**, both offering traditional area gifts.

2002 Disadvantaged Business Enterprise Program

Under the new Concession Redevelopment Program, the City of San Antonio and its concession management firm, Westfield, took advantage of an opportunity to bring in more Disadvantaged Business Enterprise (DBE) certified vendors. Not counting the car rental companies and ground transportation providers, a completed Concession Redevelopment Program is expected to generate about 48 percent of its revenue from certified DBE firms. Taking in the total of all concessionaire participation at SAT during fiscal year 2002, the City had a DBE accomplishment of 7.76 percent, which far exceeded SAT's goal of 2.94 percent. For fiscal year 2003, the City set an overall DBE Concession goal of 8.79 percent, its largest ever to be submitted to the Federal Aviation Administration.

Salads & Smoothies; and **Gervin's (Iceman) Sports Bar** provided samples of their fare.

Terminal One's Secondary Food Court Opens

Since September 2002, **Famous Famiglia's** "real New York Pizza from the streets of New York City" is available to passengers in Terminal One in the Secondary Food Court across from Gate 1.

Also opened in the Secondary Food Court is the ever-popular **McDonald's** family restaurant. Franchise owners, Richard and Celia Acosta, provide passengers a tailored McDonald's menu for a great value.

The new concessions in Terminal Two's Food Court are situated in a bright and colorful patio setting with overhead umbrella-like lighting fixtures. The terrazzo floors, designed by California artist May Sun, emulate the flow of the San Antonio River.

Terminal Two – Food Court and Satellite Concessions Open

Passengers arriving in Terminal Two are keenly aware that they have arrived in one of America's most unique cities, and now have the opportunity to shop and dine at the *Shops of River Landing*.



2002 Highlights for Stinson Municipal Airport



Stinson Municipal Airport continued to report an all-time high record of aircraft operations. Stinson accommodated a total of 179,212 operations for the year 2002, a 127% increase over 1998 with 78,929 operations. Based aircraft also increased to 136, up from 56 in 1998.

Airport Master Plan

During October 2002, the City's consultant, Ricondo & Associates, completed a new 20-year Stinson Municipal Airport Master Plan. The Master Plan process developed forecasts for aircraft activity at Stinson, including the projected growth in based aircraft and operations (landings and take offs), and the number of tenants expected to be based at Stinson in the next 20 years.

By the year 2019, Stinson is projected to have 211 based aircraft at the airport compared to 56 in 1998. In 2002, there were over 179,000 aircraft operations at Stinson, and by 2005 that number is predicted to increase to over 225,000. Demand for leasable tenant space is expected to more than double by 2019. These findings led to a number of recommendations in the Master Plan, which will be accomplished in phases through the City's implementation of its Capital Improvement Program (CIP).

The first phase of the Capital Improvement Program, projects to be completed by 2004, will include \$8.5 million worth of improvements. These projects include construction of a new office, classroom and administration facility, relocation of the airport maintenance facility, airfield and infrastructure

improvements, and possible land acquisition. Stinson is currently conducting an Environmental Assessment (EA) Study for the extension of the east-west oriented runway. The runway extension would allow additional corporate aircraft to utilize Stinson Municipal Airport.

Phase 2 is scheduled for 2005-2009, and is estimated at a cost of \$2 million. Projects within this phase will consist of extending Echo Street and constructing T-hangars, corporate hangars and new taxi lanes.

Phase 3, scheduled for 2010-2014, is a \$6.2 million project, which includes the proposed reconstruction of a taxiway. If activity continues to warrant expansion during this time, the City could begin an Environmental Impact Statement (EIS) process and planning of a new runway. The EIS is required before a new runway can be constructed.

Phase 4 is a long-term future proposal, which would be



One of many airships that visit Stinson

implemented only if it is determined that future operations warrant continued development of the Airport and includes possible land acquisition for construction of a new runway. New runway construction would require significant funding from the Texas Department of Transportation (TxDOT) and other sources.

"The CIP for Phases 1, 2 and 3," explains Aviation Director Kevin Doliolo, "can be accomplished through use of the Stinson Revolving Fund and TxDOT

participation. Based on the Master Plan projections, we expect to see significant growth at Stinson over the next 20 years," added Doliolo, "and the recommended improvements will be necessary to keep up with the projected growth."

Target Industry Study

As part of the Stinson Municipal Airport Master Plan, a Target Industry Study (TIS) was developed. The City's Aviation Facilities Strategic





Plan, which is a plan that outlines the uses and planning direction for the area's aviation facilities, recommended a TIS for Stinson. The TIS identifies industries and businesses that should be targeted for location at Stinson, and will be used as a business development plan in the coming years. "The combination of the Master Plan and Target Industry Study accommodates Stinson's immediate needs for the near-term and provides long-term options for future growth," according to Stinson Airport Manager Tim O'Krongley.

Stinson Municipal Airport has a history unlike most municipal airports in the country; and if projections are correct, it will also have a noteworthy future. The new Master Plan and Target Industry Study for Stinson, approved by City Council, set forth future projects, which will provide for continued growth at what is no longer that sleepy little airport on Mission Road.

Capital Improvement Program (CIP)

To the right is a summary of the "major" CIP projects recommended in the Stinson Municipal Airport Master Plan. Implementation of these projects is contingent upon continued increase in aircraft operations and tenant growth at Stinson.

Hertz Rental Car Locates at Stinson

In May 2002, Hertz Car Rental opened a location in the

Stinson Terminal building to service pilots, as well as the area neighborhoods. The new Hertz location has posted very strong numbers and continues to have increased volume each month.

Special Events

During 2002, Stinson hosted a Civil Air Patrol (CAP) and Air Force Auxiliary encampment. The encampment provided training for cadets and members in lost aircraft search and rescue techniques from both the air and ground.

Stinson Municipal Airport also hosted several fly-ins including the Piper Aircraft Owners Association and the Mooney Aircraft and Pilot Association. These events brought over 200 aircraft and several hundred people to the airport.

Stinson continues to be utilized

by airships owned by companies like Metlife and Fuji, while they visit San Antonio for promotional purposes.

Facility Repairs

In 2002, the Texas Department of Transportation (TxDOT) Aviation Section approved a \$30,000 grant for Stinson under its Repair and Maintenance Program (RAMP). Funds from this program were used for the reconstruction of several hangar roofs. Stinson has participated in the RAMP program for the past three years bringing in a total of \$80,000 for airport repairs.



Stinson Municipal Airport CIP Projects

Airfield – Estimated cost: \$4.5 million

- ▶ Runway 9-27 extension. The proposed extension will give Stinson a 5,000-foot usable runway
- ▶ Replace the current VASI lights with new PAPI lights and other electrical upgrades to the airfield
- ▶ Extend several taxiways and recapture approximately 20 acres for airfield access
- ▶ Hangar renovations will continue at Stinson. Hangars 5 & 6 are the next scheduled hangars for renovation starting in May 2003

Landside – Estimated cost: \$2.5 million

- ▶ Additional administration space. The demand for office and classroom space at Stinson has driven the need for an additional 20,000 square feet of administration building. The additional space will house tenants, conference facilities and concessions areas, such as rental car providers.

Museum Expands

The Texas Air Museum, located at Stinson Municipal Airport, expanded its operation to a second hangar during 2002. The second hangar is located adjacent to the airport terminal building.

The museum houses many antique and modern aircraft, as well as an extensive exhibit depicting aviation history in San Antonio. The museum hosts approximately 3,000 visitors a year, of which about 800 visitors are students.

San Antonio Airport System Financial Highlights

2002 Gross Revenues



San Antonio International Airport and Stinson Municipal Airport

comprise the San Antonio Airport System. The Airport System receives no tax revenue or support from the City's General Fund. Self-sustaining income is derived from rentals and fees charged to tenants and users of airport facilities and services. Any income earned that exceeds annual operating and debt service expenses (payment of Airport bonds) is reinvested in the new

airport facilities.

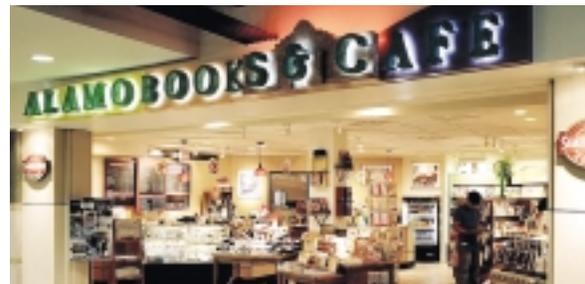
For the fiscal year ending September 30, 2002, gross revenues totaled \$42,367,376, which represented a slight decrease as compared to the prior year. The affect of the September 11, 2001 terrorist's attacks reduced the level of air travel during 2002, which directly impacted Airport revenues (e.g. parking fees). Another factor affecting revenues was the terminal renovations to the concession sites, which forced closure of some concessions or

reduced the size of concession operations during construction. Overall, non-airline revenues represented 68% of the total for fiscal year (FY) 2002. The three most significant revenue sources to the Airport System in 2002 include:

- ▶ The airlines at \$13,728,752 (32% of total)
- ▶ Parking fees at \$10,400,762 (25% of total)
- ▶ Concession revenues at \$9,297,542 (22% of total)

San Antonio Airport System 2002 Gross Revenues

Gross Revenues	Fiscal Years Ended September 30		
	FY2001	FY2002	% CHG
Airline Revenues			
Landing Fees	\$ 5,389,262	\$ 5,375,190	-0.3%
Terminal Rentals (less refund)	5,929,244	7,356,693	24.1%
International Passenger Fees	759,138	629,994	-17.0%
Ramp Fees	376,250	366,875	-2.5%
Subtotal Airline Revenue	\$ 12,453,894	\$ 13,728,752	10.2%
Non-Airline Revenues			
Property Leases	\$ 5,720,005	\$ 6,182,371	8.1%
Parking Fees	10,856,030	10,400,762	-4.2%
Concession Revenues	10,447,189	9,297,542	-11.0%
Stinson Airport	163,270	170,611	4.5%
Other Revenues	3,138,251	2,587,338	-17.6%
Subtotal Non-Airline Revenue	\$ 30,324,745	\$ 28,638,624	-5.6%
Total Gross Revenue	\$ 42,778,639	\$ 42,367,376	-1.0%



San Antonio Airport System Financial Highlights

2002 Operating and Maintenance Expenses



On the expenditure side, operating and maintenance expenses decreased from \$24,140,386 to \$22,536,912, or 6.6%. The

reduction in operating expenditures was achieved through an austerity program to offset the financial impact of September 11, 2001 on San Antonio International Airport. FAA grant reimbursements for

additional 9-11 related security expenses were also fully utilized to the extent that funds became available.

Overall, net revenues increased 6.4% from \$18,638,253 to \$19,830,464.



2002 Operating and Maintenance Expenses

	Fiscal Years Ended September 30		
	FY2001	FY2002	% CHG
Airfield Area	\$ 1,357,513	\$ 1,384,797	2.0%
Service Area	249,680	276,994	10.9%
Terminal 2	1,626,325	1,896,570	16.6%
Terminal 1	2,499,298	2,477,144	-0.9%
Fire & Rescue	2,620,549	2,279,735	-13.0%
Access	529,288	515,225	-2.7%
Central Plant	439,942	479,854	9.1%
Commercial & Industrial	71,050	66,113	-6.9%
Other Buildings & Area	75,080	66,187	-11.8%
Parking	1,987,083	2,114,736	6.4%
Stinson Airport	387,165	395,895	2.3%
Administration	6,531,487	4,426,652	-32.2%
Maintenance, Direction & Control	972,242	1,021,655	5.1%
Security	2,319,521	2,648,694	14.2%
Operations	1,666,184	1,693,149	1.6%
Ground Transportation	0	0	0.0%
Common Services	807,979	793,512	-1.8%
Total Operating & Maintenance Expense	\$ 24,140,386	\$ 22,536,912	-6.6%
Net Revenues*	\$ 18,638,253	\$ 19,830,464	6.4%

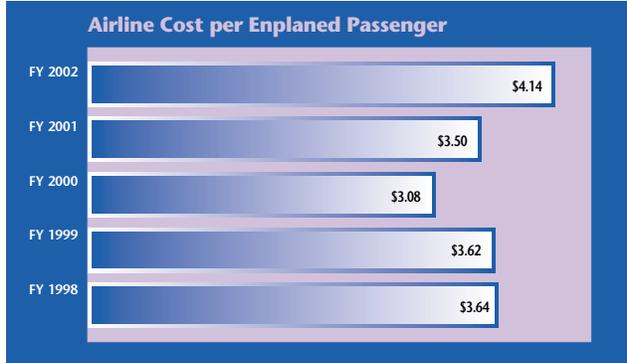
* Net revenues are utilized to pay debt service and fund airport capital projects.



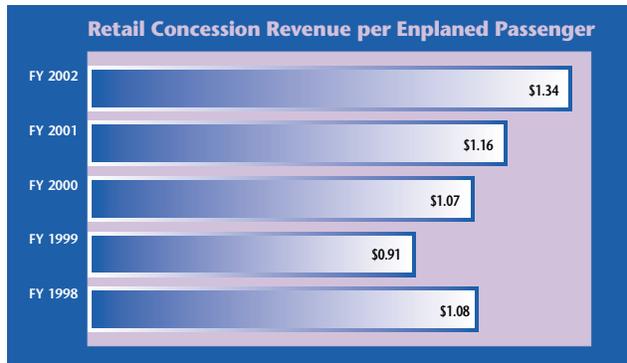
Key Financial Measures



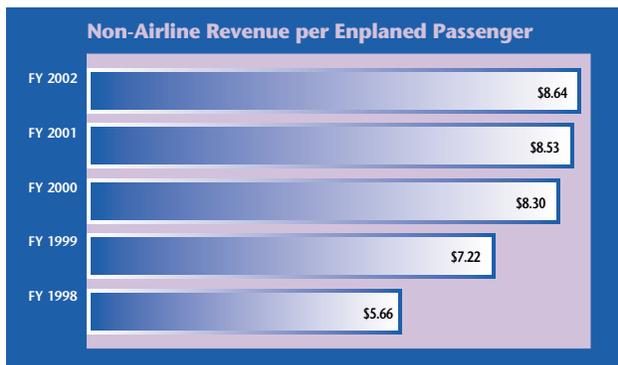
epicted on this page are some of the Airport System's key financial measures, which cover the periods from FY 1998 through FY 2002. Financial performance is measured by dividing significant airport fiscal operations by the number of enplaned passengers for a given year. The following are the components to the Airport System's revenue and expenditure categories:



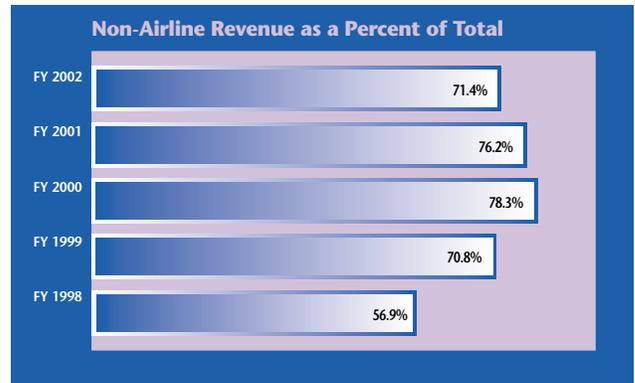
Airline cost includes aircraft landing fees, aircraft ramp parking fees, terminal building rentals and the international passenger-processing fees.



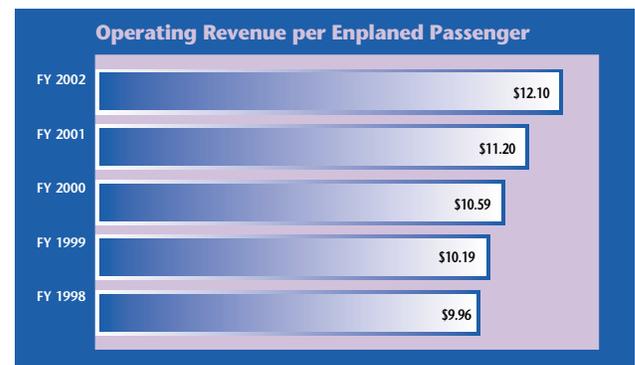
Retail concessions includes food and beverage outlets, gift and news shops, specialty retail shops and passenger services.



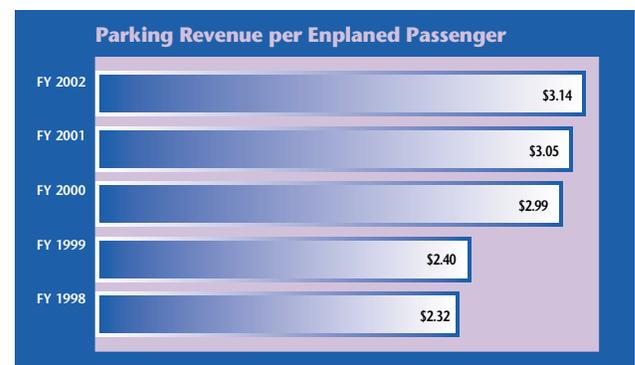
Non-Airline revenue includes retail concessions, airport parking, lease of City-owned land and hangars to aircraft service companies, lease rentals from air cargo operators, interest income and administrative fees.



Operating expense includes the cost of operating and maintaining City-owned airport property, excluding depreciation of assets and debt service expenses.



Operating revenue includes rentals and fees paid by the airlines, as well as all non-airline revenues such as concessions.



Parking revenue includes fees derived from employee and public parking facilities.



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