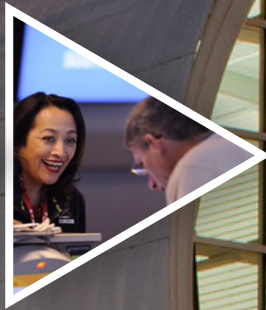


NORMAN Y. MINETA
SAN JOSE
INTERNATIONAL
AIRPORT



STRATEGIC PLAN



SJC



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A Message from the Director



I am proud to introduce the Strategic Plan for Norman Y. Mineta San Jose International Airport (SJC). The Strategic Plan calls on our organization to work toward ambitious but achievable goals related to growth, innovation, financial strength and organizational efficiency. Most important of all, this is a Plan developed by SJC staff, for SJC staff, to guide and direct collaborative efforts to achieve an exciting future Vision for our Airport.

Development of the Plan was coordinated by the Strategic Plan Design Team, comprised of 15 SJC staff, representing all functions and all levels within our organization. The Design Team considered input received from our key stakeholder groups, and worked with staff Focus Groups to test ideas and to develop priorities which reflect the collective needs of our organization.

Our Strategic Plan includes six key elements. Our **Mission** describes our core purpose. Our **Vision** defines what we aspire to achieve over the next ten years. Our **Strategic Goals** and **Objectives** define our key priorities, and **Action Plans** define how we will achieve our goals and objectives. Finally, **Performance Measures** establish targets for attainment and a means to measure progress.

With our Strategic Plan now developed, we turn our attention to its implementation. Executing the initiatives we have defined will require a great deal of organizational focus and teamwork, but I am confident that the results will deliver important benefits – to the service we deliver to our customers and our community, to the competitive and financial strength of our enterprise, and to our working environment and culture.

I am personally committed to the successful implementation of our Strategic Plan. I look forward to actively engaging with all of you as we work together ***“to transform how Silicon Valley travels!”***

Kim Becker
Director of Aviation





Strategic Context – Overcoming Challenges. Planning for Opportunities

Our Starting Point — SJC Today

Norman Y. Mineta San Jose International Airport (“SJC”, or “the Airport”) is operated by the City of San Jose, Airport Department. The Airport consistently ranks among the top 50 busiest airports in North America, and (as of August 2016) offers nonstop service to 40 domestic and international destinations.

SJC’s primary service area includes the southern end of the San Francisco Bay Area, known as Silicon Valley, and extends southward into Santa Cruz and Monterey counties, and eastward towards Fresno and Yosemite Valley.

Key features of SJC and the Silicon Valley region include:

Airport

- An ultra-modern airport
- High-touch and high-tech services to elevate the passenger experience
- The best on-time record of all California airports due to predictably sunny skies

Business

- Located within an 18-mile radius of 6,600 technology companies. These employees, including those of Fortune 500 companies such as Apple, Google, Intel and Facebook, use SJC.

- A local workforce that is wealthy, educated and diverse with business, family and leisure interests throughout the world.

Leisure and Entertainment

- A primary gateway to Northern California’s most popular tourist destinations:
 - Monterey/Carmel/Pebble Beach
 - San Francisco
 - Napa Valley
 - Yosemite
- A sports entertainment mecca with SJC as the closest airport to teams and season ticket-holding fans of the:
 - Major League Soccer’s San Jose Earthquakes and their new home at Avaya Stadium
 - National Football League’s San Francisco 49ers and their new home at Levi’s Stadium
 - National Hockey League’s San Jose Sharks

During the fiscal year ended June 30, 2016, 5.1 million passengers were enplaned at SJC, of which almost 90% were carried by four airlines: Southwest (with 49%), followed by Alaska, American and Delta. Passenger enplanements increased by almost 7% in Fiscal Year 2015-16, and continue to show strong potential for growth, driven by a resurgent economy, new markets and increased frequencies on domestic routes, and new international flights to London, Frankfurt, Vancouver, Beijing and Shanghai.

Recent Challenges Robustly Addressed

Notwithstanding these advantages, SJC has faced significant business challenges during the last 10 years. These obstacles were primarily due to the global recession which resulted in an overall reduction in air travelers leading to a nationwide shift by airlines away from medium-sized airports such as SJC to major hub airports across the country.

Airport management responded to these challenges robustly, with a broad range of initiatives:

- A reduction in operating costs
- Emphasis on non-airline revenue generation
- An aggressive air service development program

These initiatives, together with a recovering economy, have established a strong and stable operational and financial foundation from which to build. Passenger traffic is increasing again, and SJC's airline costs remain competitive within the Bay Area.

A Strategic Plan to Address Exciting Opportunities Ahead

With recent challenges resolved, SJC is now positioned to commence a new chapter in its evolution – to increase the Airport's contribution to the local economy, to set a new standard for passenger convenience and to strengthen the business foundation of the Airport enterprise. Particular opportunities include:

- Additional direct service to new destinations with proven strong local demand, particularly to US East Coast locations, as well as service to additional international destinations, and increased capacity and frequency on routes to existing destinations.
- Closer partnerships with high-visibility local businesses, both to support air service development and apply leading edge technology.
- Development of new facilities not included in the recent terminal area improvement program, for example, upgraded international arrivals facilities, additional and flexible boarding gates to serve both domestic and international flights, and new and expanded air cargo facilities.
- Leveraging technology and innovation, both to benefit the customer experience and reflect a key element of regional culture.

Key Elements of our Strategic Plan

Our Strategic Plan defines a common purpose for our organization, an ambitious 10-year future vision, and a structure of goals, objectives, action plans and performance measures to engage and galvanize the whole organization to achieve the full potential of the Airport — both as a primary economic driver of the Silicon Valley economy, and as a valued community asset representing the best of our local culture and lifestyle.

Mission page 5

Vision page 5

Strategic Goals, Objectives and Action Plans pages 6-9

Performance Measures page 10



Our Mission

Our Mission – our core purpose and reason for existence – is:

“To connect, serve, and inspire”

This Mission, to which we all contribute daily, embraces three fundamental commitments, to:

- **Connect** – global destinations, people, stakeholders, technology
- **Serve** – our customers, our stakeholders and our community
- **Inspire** – our customers and our staff, to go “above and beyond”

Our Vision

Our Vision – our collective ambition for the next 10 years – is to work together

“To transform how Silicon Valley travels”

Our Vision includes three key elements:

- Direct air service to the places people want to go – no-one needs to use another airport
- Unique, innovative and convenient customer experience
- A showcase for the best of Silicon Valley

Our Vision embraces transformative change to the choices Silicon Valley residents and businesses make about which airport to use, to the experience of using the Airport, to the economic contribution the Airport makes to the region it serves, and to the Airport’s role as a showcase for the very best of Silicon Valley.

Strategic Goals, Objectives and Action Plans

To achieve our Vision “**To transform how Silicon Valley travels,**” the Strategic Plan includes a comprehensive program of Strategic Goals, Strategic Objectives and Action Plans, aimed to unify the organization, to engage and galvanize staff at all levels, and to coordinate effort toward the achievement of the common priorities required to deliver our Vision.

The Strategic Plan is structured around the following key elements:

- **Strategic Goals** – are specific statements of the key drivers that will achieve attainment of our Vision
- **Strategic Objectives** – are key priorities which, taken together, build toward realization of Strategic Goals
- **Action Plans** – outline the detailed steps that must be taken to achieve Strategic Objectives.

Strategic Goals and Strategic Objectives, developed by staff from throughout the Airport are outlined in the following pages.

Detailed Action Plans have been prepared to support each Strategic Objective, and are documented in an Action Plan Summary, maintained by Airport staff, and used as a guide to direct and coordinate effort across the Airport organization.

STRATEGIC GOAL 1

“Drive Growth”

“Growth” of our Airport and the route network it serves will more than any other factor contribute to our Vision **“To transform how Silicon Valley travels.”** Growth of the domestic and international route network from SJC will offer Silicon Valley residents and businesses new travel choices and will stimulate travel to and from the region. Additional passenger traffic will also boost the local economy, and generate additional revenue to fund future Airport facility improvements.

Strategic Objectives

Two Strategic Objectives have been defined to achieve Goal 1 – **“Drive Growth,”** as follows:

1A — Increase direct service to under-served markets

The primary driver of the growth at our Airport will be the addition of new direct routes to key domestic and international markets and increased frequency and seat capacity on existing routes.

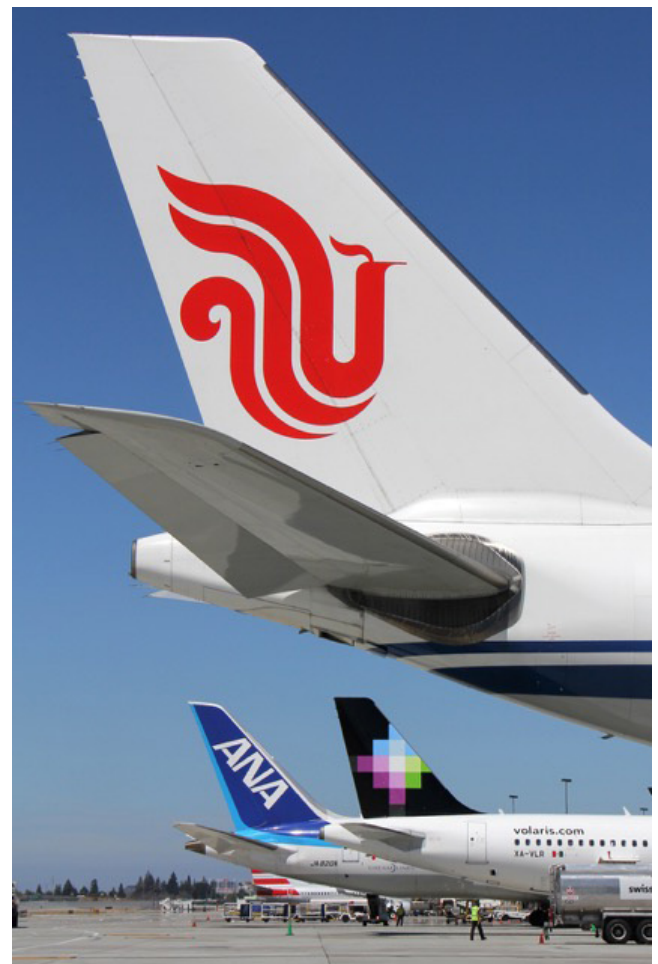
Strong demand has been identified for improved service to East Coast US destinations, including Boston, New York and Washington, D.C. Surveys have consistently shown that Silicon Valley travelers would prefer to use SJC, but use other Bay Area airports that offer direct service to desired destinations at the times people want to travel. Initiatives are planned to implement an aggressive program of air service development, (including both new routes and increased frequency and capacity on existing routes) aimed to provide direct access to destinations with proven demand, improve the competitive position of the Airport, and progressively stimulate SJC passenger traffic.

1B — Provide infrastructure to meet demand

As Airport activity grows, it is imperative to ensure that terminal, airfield, and landside capacity at no time constrains the Airport’s ability to accommodate demand. Therefore, a key element of the Airport’s growth strategy is the timely provision of facilities and infrastructure to accommodate increased activity levels.

In this context, planning and delivery of airport facilities and infrastructure will be carefully coordinated with forecast demand, but also directly with tenants and other airport user groups to ensure that specific needs are anticipated and met. For example, particular consideration will be given, but not limited to:

- Gate capacity to accommodate both domestic and international carriers
- Terminal capacity “pinch points” (e.g., security processing) to optimize passenger flows
- International arrivals capacity, both to accommodate increased activity levels and improve meter/greeter facilities
- Air cargo and ARFF facilities, to accommodate the needs of both passenger and cargo airlines
- Airport access, working with other agencies to optimize multi-modal connectivity



STRATEGIC GOAL 2

“Innovate”

Innovation has been, and continues to be, the core driver of the Silicon Valley economy, and defines its global identity and its local culture. So too has innovation been a defining feature of SJC’s development, as evidenced by its award winning new terminal and the implementation of creative strategies to adapt the Airport enterprise to challenging market conditions over recent years.

Going forward, innovation will be a key element of our strategy **“To transform how Silicon Valley travels”** – to stimulate growth, to transform the airport experience for passengers and visitors, to differentiate the Airport from its local competitors, and to reflect the best of the innovation-driven community we serve.

Strategic Objectives:

Two Strategic Objectives have been defined to achieve Goal 2 – **“Innovate”** as follows:

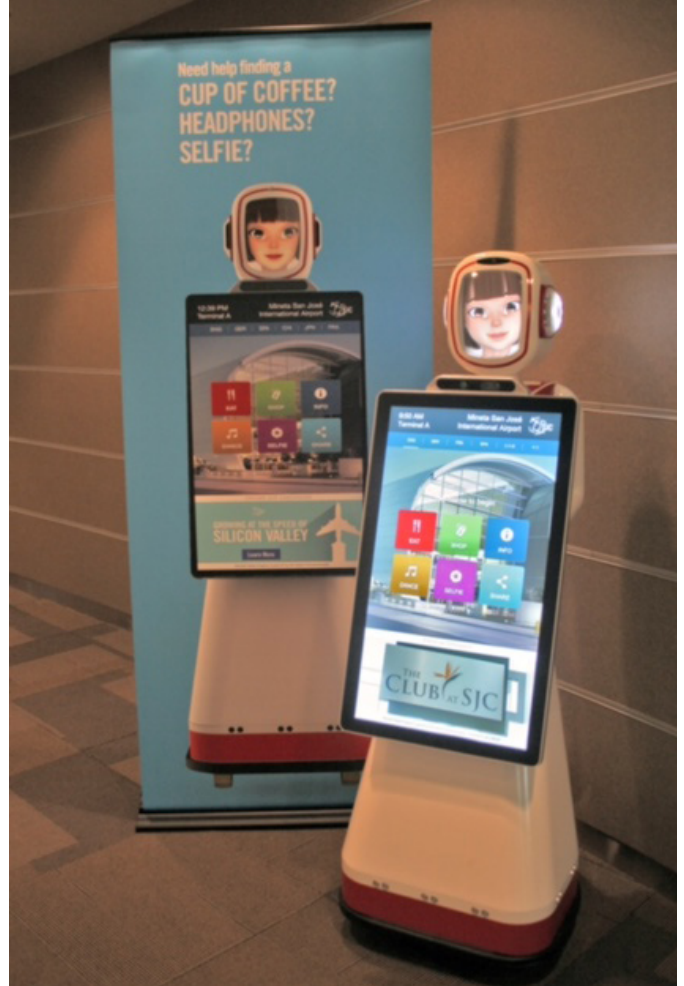
2A — Leverage technology

Technology offers potential to enhance Airport operations in multiple ways. Initiatives are planned to investigate and apply technology to enhance business efficiency, reduce operation and maintenance costs, optimize the utilization of existing facilities, maximize revenue generation, and to connect more effectively with passengers, airport users and stakeholders.

2B — Reimagine the customer experience

The SJC customer experience is recognized as a strength on which to build, and a powerful competitive factor in relation to other Bay Area airports. Innovation will be the defining feature of an initiative to examine and improve every aspect of the SJC customer experience – for departing passengers from before they arrive at the airport, to the time they board their aircraft, and for arriving passengers from the time they exit their aircraft until they reach their home or destination.

The initiative will include consideration of pre-arrival customer information and communication, wayfinding, minimizing wait times, optimizing the predictability of airline



check-in and security screening (in partnership with airlines and other agencies), interactive information about airport retail, food/beverage options and other terminal services, as well as innovative customer experiences which reflect the dynamic culture of Silicon Valley. SJC aims to deliver a reimagined customer experience, which positions SJC as an industry leader in innovation, service and quality.

2C – Foster a Culture of Innovation

Every member of the SJC Team has a critically important role in delivering our Vision – but it is only by encouraging and harnessing the creative and innovative spirit of all our staff that transformational change to our culture and our organization will occur.

The sparks of innovation and ingenuity that have defined Silicon Valley should also define our airport organization, and the service that we deliver to our airport users. Therefore, initiatives are planned to foster a true culture of innovation across all parts of the SJC organization – where all staff are challenged to think of new and better ways to do their daily jobs, and to develop and apply technology and creativity to serve our customers and stakeholders even better.

STRATEGIC GOAL 3

“Fund the Future”

Achievement of our Vision **“To transform how Silicon Valley travels”** also depends directly on sustaining a strong financial foundation, supported by diverse revenue sources, with the capacity for timely investment in high-quality facilities, while at the same time offering these facilities and services at competitive costs.

Strategic Objectives

Three Strategic Objectives have been defined to achieve Goal 3 – **“Fund the Future”** as follows:

3A — Increase non-airline revenues

Non-airline revenues are a key driver of the enduring financial strength of our Airport enterprise, especially given the increased emphasis on financial self-reliance, in the broader context of declining Federal funding for airport infrastructure. Growing non-airline revenues diversifies and strengthens the Airport revenue base, which increases resilience, and provides an opportunity to reduce airline costs, which increases competitiveness.

Non-airline revenues currently account for 62% of total Airport revenues. Initiatives are planned which aim to increase revenues from parking and ground transportation, terminal retail and food/beverage, general aviation, and property development, among others.

3B — Develop innovative funding solutions

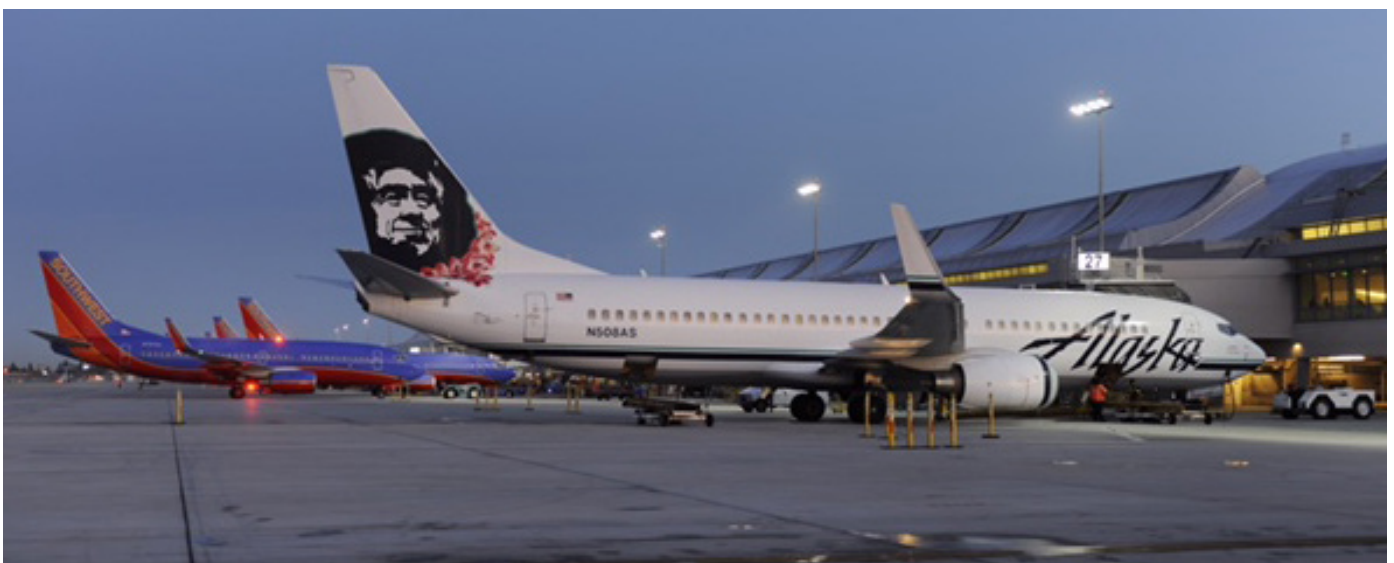
Currently the Airport has a relatively high debt per enplaned passenger. In this context, it is important to ensure that existing debt is proactively managed – to preserve debt capacity for future infrastructure development and to maintain competitive airline costs.

Initiatives are planned to optimize debt service costs via debt structuring strategies, and to explore innovative funding sources to deliver future capital programs, while minimizing their impact on the airline rate base.

3C — Maintain a competitive cost per enplaned passenger

Airline cost per enplaned passenger is an important metric considered by airlines when making route and service decisions, along with numerous other factors. It is therefore imperative that SJC’s airline cost per enplaned passenger remain both nationally and locally competitive.

In addition to managing the impact of non-airline revenue and capital program funding on airline costs, initiatives are planned to manage CPE strategically via operation and maintenance cost control, airline lease provisions, and rate base cost allocations, among other initiatives.





STRATEGIC GOAL 4

“Reinvent the Organization”

To achieve our Vision **“To transform how Silicon Valley travels”**, we must first transform our own organization into a truly high-performance organization, capable of providing regional leadership, and delivering results in an increasingly competitive marketplace. Airports increasingly need to operate as dynamic commercial businesses, able to shape their future proactively, respond to opportunities rapidly, and deliver outcomes efficiently. In this context, a key foundation for SJC’s success is evolving the Airport Department to maximize its efficiency, effectiveness and productivity.

Strategic Objectives

Three Strategic Objectives have been defined to achieve Goal 4 – **“Reinvent the Organization”** as follows:

4A — Find a better way

In a competitive, cost-conscious operating environment, efficiency and productivity are essential in all aspects of the Airport’s business and operational activities.

Initiatives are planned to review and refine operational and administrative policies and procedures – to “find a better way” to do all the things we have to do to develop, manage, and operate the Airport. All these initiatives are aimed to optimize efficiency, flexibility, and timeliness, and to reduce administrative cost, consistent with the highest standards of accountability and transparency.

4B — Organize to deliver success

Like any organization, the success of SJC is most of all a function of its people. In addition to efficient policies and procedures, the success of the Airport depends on an effective organization, configured with the leadership, management and specialized skills required to excel, and supported by a well-trained, engaged and motivated staff.

With this in view, initiatives are planned to address staff development and training, staff retention, succession planning, organization structure, and programs to ensure that staff at all levels are fully informed, engaged and empowered to contribute to the Airport’s Vision.



Performance Management Dashboard

The performance management dashboard includes the most important metrics that should be actively managed to ensure that the Airport achieves its goals, while also remaining a globally competitive airport, offering first class facilities at reasonable cost to users, and maximizing its economic contribution to the local community.

Measures

DRIVE GROWTH

- Annual passenger volume
- Airline requirements and market changes

INNOVATE

- Passenger satisfaction rating
- Engagement survey Grand Mean

FUND THE FUTURE

- Cost per enplanement (CPE)
- Annual capital program fully funded

REINVENT THE ORGANIZATION

- Engagement survey Grand Mean

Note: Targets for each measure to be established annually.



For questions or comments about the
SJC Strategic Plan,
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