



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** William F. Sherry, A.A.E.

**SUBJECT:** SEE BELOW

**DATE:** January 14, 2008

Approved

*Christine A. Shippin*

Date

*1/22/08*

**COUNCIL DISTRICT:** City-Wide

**SUBJECT: SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA) GRANT APPLICATION FOR COMPRESSED NATURAL GAS (CNG) VEHICLE CONVERSION AT MINETA SAN JOSE INTERNATIONAL AIRPORT**

## RECOMMENDATION

Adoption of a resolution authorizing the City Manager to execute a grant agreement with the Santa Clara Valley Transportation Authority (VTA) in the total amount of \$606,393 to: (a) provide funding to assist in the upgrade of the Airport's Compressed Natural Gas (CNG) fueling station; and (b) assist ground transportation operators (GTOs), permitted to work at the Mineta San Jose International Airport (SJC), to convert their gasoline powered vehicles to compressed natural gas (CNG).

## OUTCOME

Approval of this recommendation will increase the probability of SJC's success in its CNG conversion efforts with its ground transportation operators, via a unique grant funding program which is a first in the nation. The CNG conversion effort is an innovative extension of SJC's Alternative Fuels Program (AFP) approved by the City in 2000. Hence, approval of the recommendation will serve as a precedent for an innovative grant program that further supports and expands the Airport's AFP. In addition, this recommendation will allow the Airport to receive a grant to assist in increasing the utilization of the Airport's CNG station, which is an integral part of the AFP and the Airport's Clean Air Program (CAP)

## BACKGROUND

In 2000, SJC adopted the AFP which contains procedures and approaches to promote the use of vehicles with clean burning alternative fuel, such as compressed natural gas (CNG). The primary goals of SJC's AFP are to provide an alternative fueling infrastructure, including a CNG fueling station, and to implement a program to convert conventionally fueled vehicles operated by the Airport/City and privately owned vehicles (POVs) to alternative fuels.

In August 2003, SJC opened its CNG fueling station at a cost of \$3.3M, the first CNG station owned by a major metropolitan airport in the United States. SJC's CNG fueling station was initially designed for several purposes: 1) to provide enough fuel for its fleet of 20 new CNG shuttle buses; and, 2) to have CNG fuel available to sell to the POVs. Currently, SJC's CNG station only dispenses approximately 15% of its annual capacity; hence there is adequate capacity to promote increased utilization of the CNG station. Moreover, SJC's CNG station offers the lowest cost CNG fuel in the San Francisco bay area and California, at prices regularly \$1.00 to \$1.50 per gallon less than the price of a gallon of "regular" gasoline.

In 2005, SJC was successful in obtaining \$1,160,000 in grant funds to replace its last fleet of diesel buses with 14 new CNG buses, which are tentatively to be delivered to the Airport by late 2008. When these new CNG buses arrive, SJC will be the first Airport in California and probably the nation to have converted all of its diesel shuttle bus fleet to CNG.

In November 2006, to assist the POVs in embracing CNG conversion, the City Council adopted Resolution 73520, authorizing the use of \$75,000 of the Airport's curfew administrative fines toward the development of an Alternative Fuel Grant Program (AFGP). Under the Resolution, the AFGP is intended to assist ground transportation providers at the Airport to convert any combination of up to 37 sedans and or up to 18 vans that are powered by gasoline to CNG, with individual grants limited to \$2,000 per sedan and \$4,000 per van.

During prior outreach with POVs, SJC learned that the biggest impediment toward CNG conversion was the cost, which can be as high as \$12,000 for taxis to \$20,000 for vans for late model vehicles. In order to increase the success of CNG conversion, Airport staff believes it was essential to double the value of the initial AFGP approved by City Council to at least \$150,000, whereby grant funding for CNG vehicle conversion will be offered at a rate of \$4,000 per sedan and \$8,000 per van.

SJC submitted a grant application to VTA in March 2007 for conversion of conventionally fueled Airport ground transportation vehicles to alternative fuels in the amount of \$79,709. Acceptance and execution of this grant agreement is within the authority of the City Manager. However, another grant application was submitted to VTA in March 2007 in the amount of \$526,684 for the upgrade of the Airport's CNG Fueling Station. Acceptance and execution of this grant was approved by the City Council on November 6, 2007. On January 7, 2008, SJC received one grant agreement for the two grant applications in the amount of \$606,393.

## **ANALYSIS**

The grant agreement provides for the conversion of approximately 55 conventionally fueled Airport ground transportation vehicles to alternative fuels for an estimated cost of \$554,709. The grant funding will provide \$79,709 of the conversion costs and the remainder will be paid by the Airport (\$75,000 from the Airport curfew administrative fines) and the ground transportation operators (\$400,000). It is anticipated that the grant funding will facilitate the GTO's to embrace CNG conversion, will result in better utilization of the Airport CNG fueling station and will reduce exhaust emission.

The upgrade of the CNG station is estimated to cost \$726,684. The grant will provide \$526,684 of this cost, with the City providing \$200,000 in funds from Airport sources.

### **EVALUATION AND FOLLOW-UP**

As the AFGP Proceeds, the City may need to amend or adopt more incentives and policies.

### **POLICY ALTERNATIVES**

Not applicable.

### **PUBLIC OUTREACH/INTEREST**

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memo is posted on the City's website for the February 5, 2008 Council Agenda.

### **COORDINATION**

This memo has been coordinated with the City Attorney's Office, and the City Manager's Budget Office.

### **COST SUMMARY/IMPLICATIONS**

Grant funding in the amount of \$79,709 will be used to partially reimburse the Airport ground transportation operators for the costs of CNG vehicle conversion, and the remaining \$526,684 will be used to partially fund the upgrade of the Airport's Compressed Natural Gas (CNG) fueling station.

### **BUDGET REFERENCE**

A separate action to recognize the grant revenue and to appropriate the funds is being proposed at the mid-year budget process.

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Resolution Numbers 67380 and 71451, PP 08-005.

*Frank Kerklide*  
*for* WILLIAM F. SHERRY, A.A.E.  
Director of Aviation

Please direct questions to William Sherry, Director of Aviation, at (408) 501-7669.