



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

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

SUBJECT: ADOPTION OF AIRPORT
CONSOLIDATED RATE RESOLUTION
AND CITY TAXICAB RESOLUTION

DATE: June 4, 2007

Approved

Date

6/8/07

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Adoption of two resolutions:

- (a) Establishing fees, rental rates and charges for use of land, paved areas and structures at the Norman Y. Mineta San Jose International Airport, Airport parking rates, permit fees and charges for ground transportation providers, permit fees and charges for off-Airport rental car companies, fees and charges for technology services provided by the City to tenants at the Airport, and rates and fares for the operation of taxicabs at the Airport, and repealing Resolution Nos. 59614, 59857, 59988, 60081, 62781, 62790, 63461, 65335, 69512, 70866, 71251, 71336, 71647, 71746, 72250, 72687 and the new Airport Parking resolution.
- (b) Establishing rates and fares for the operation of taxicabs in all areas in the City of San Jose outside the Airport.

CEQA

Resolutions No. 67380 and 71451, PP 07-052.

OUTCOME

The proposed resolution will combine all existing Airport fee-related resolutions into a single document, enhancing clarity, simplicity, and usability, and will assist the Airport in streamlining its contracting processes. The second resolution will allow continuation of the rates and fares for the operation of taxicabs in San Jose outside the Airport, separate and distinct from taxicabs at the Airport.

BACKGROUND

The Airport has, for many years, submitted City Council resolutions for approval on an as-needed basis for various Airport-related contracts, functions and related fees. While this method has served the needs of the City and the Airport in the past, it has resulted in an abundance of resolutions. The proposed consolidated resolution will eliminate duplication and discrepancies between rates and charges included in prior Airport resolutions and various Airport agreements and will allow the Airport to make technical adjustments that update language and reinstate Airport fees that had previously been omitted. The resolution also introduces new fees for services provided by Airport Technology Services, increases off-Airport rental car gross revenue fees, includes a fee structure for non-Airline terminal tenants, consolidates the various airline support service categories into a single Ground Handling/Support category, and provides a general ten percent (10%) administrative fee for tenant services provided by the City. Finally, the consolidated resolution provides Airport terminology that is consistent with the Airport's new Airline-Airport Lease and Operating Agreements.

ANALYSIS

Two new Airport fee areas are included with the proposed consolidated resolution. The first is for Airport Technology Services, which will allow the Airport to recoup costs related to expansion of tenant and customer use of the Airport's technology infrastructure, including Airport-provided phones, flight information display systems and remote check-in-kiosks ("e-ticketing"). The second new fee allows the Airport to recover costs from situations that arise at the Airport which require immediate attention, repair and/or replacement. (Attachment A provides the proposed text of both new fees.)

The Airport is also proposing to revise three of its existing fees. (Attachment B provides the recommended new language for revision to these fees):

- Increase the monthly gross revenue fee for off-Airport rental car companies coming onto the Airport from 8% to 10% of the rental car company's monthly gross revenues in excess of \$20,000; off-Airport rental car companies would continue to pay no fees on monthly gross revenues under \$20,000.
- Effective January 1, 2008, the Airport proposes that permit fees for Airline Support Services be changed from \$100/month or ten percent (10%) of all monthly gross revenue to \$200/month and ten percent (10%) of all monthly gross revenue. In addition, Airport staff is recommending that Ground Handling/Support related services be broadened to include passenger courtesy services (e.g. skycap, wheelchair service), security services, contracted or on-call aircraft maintenance, custodial services in the terminals and other support services as they become needed.
- Recommend several modifications to reflect terminology associated with the Airport's compressed natural gas (CNG) fueling facility and minor changes to pricing methodology. In particular, it is recommended that the frequency of CNG fuel street-pricing surveys be completed monthly rather than quarterly to reflect the current realities of fluctuating fuel

prices. The revised methodology will afford the Director of Aviation greater flexibility to establish market rate pricing, while concurrently serving Airport tenants by maintaining competitive pricing levels and encouraging CNG vehicle usage at the Airport.

The remainder of the fees included in the proposed Consolidated Rate Resolution have been previously approved by the City Council and have been inserted into the new Consolidated Rate Resolution without change with the exception of the following situations:

- Changes to formatting where Airport fees have been incorporated into a “table” to allow enhanced clarity of fee structure;
- Reinstatement of fees that were inadvertently omitted from prior resolutions (Attachment C); and
- Existing Airport fees that are not addressed in prior resolutions (Attachment D).

The second resolution recommended is to re-establish rates and fares for the operation of taxicabs in all areas in the City of San Jose outside the Airport. The rates for the operation of taxicabs in the City of San Jose are currently established by Resolution 71336, pursuant to San Jose Municipal Code Chapter 6.64, and include rates for the operation of taxicabs on the Airport and outside the Airport. In repealing Resolution 71336, it is necessary to establish a separate resolution to continue the rates for taxicabs operating in the City of San Jose outside of the Airport. Rates for operation of taxicabs at the Airport are incorporated into the proposed consolidated Airport rate resolution. Taxi fees and language remain unchanged.

POLICY ALTERNATIVES

Alternative #1: Continue pursuing future fee resolutions on an as-needed basis.

Pros: No change in future Airport practices regarding resolutions.

Cons: If the proposed consolidation is not approved, it would increase the possibility of additional instances of redundancies, omissions and overlaps. In addition, it would further hamper the City’s ability to make future adjustments and additions to fees in an expeditious manner.

Reason for recommending: The existing “system” of submitted Airport fee resolutions has proven to be inefficient. The City benefits from a consolidation of all Airport fees and fee methodologies into a single document.

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 item does not meet the above criteria requiring additional notification; however, it will be posted on the City's Council Agenda Website for the June 26, 2007 City Council Meeting.

Airport tenants have been sent letters to inform them of rate changes relevant to their activity at the Airport. The proposed Airport Technology Services' fees for off-Airport services including telecommunication telephony services, remote check-in kiosk and remote flight information displays (FIDS) are new service opportunities which will be made available as optional services, thus the outreach is limited to the future marketing of these new services. Outreach to airline tenants has taken place on the Ground Handling and Support Fee scheduled to begin on January 1, 2008. Current rental car companies have been notified of the proposed increase to the percentage fee for off-Airport rental cars from 8% to 10%, however this was a courtesy notification as there are no off-Airport rental car companies currently doing business at the Airport. This item was also presented to the Airport Commission on June 4, 2007.

COORDINATION

This effort was coordinated with the City Attorney's Office and the City Manager's Budget Office.

FISCAL/POLICY ALIGNMENT

The Agreement is consistent with the Economic Development Strategy adopted by Council in November 2003. The proposed Resolution will streamline and optimize Airport rates and charges' review, development and approval.

HONORABLE MAYOR AND CITY COUNCIL

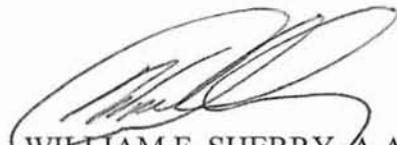
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COST SUMMARY/IMPLICATIONS

Consolidation of all Airport fee structures into a single document provides a global, concise view of Airport fees as well as a clear and simplified tool for researching and comparing Airport fees and charges. The adjustments proposed to Airport fees and charges identified in this memo, are anticipated to result in approximately \$100,000 in additional revenue on an annual basis.



WILLIAM F. SHERRY, A.A.E
Director, Department of Aviation

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

ATTACHMENT A

Proposed New Airport Fees

1. Airport Technology Services (ATS)

The Director shall be authorized to determine cost recovery fees for providing Airport Technology Services such as those identified below. The Director shall have the discretion to include an Airport return on investment of up to 25% on the computed cost for these services. This return on investment will be determined during the annual development of rental rates for airline tenants and will facilitate the optimum use of services and infrastructure. The determination of the return on investment will consider and maximize the highest and best use of Airport technology.

Examples of New ATS optional services:

A. Shared Tenant Services (STS) – Telecommunications

STS is where two (2) or more separate entities utilize and/or share the same technology for the purpose of increasing productivity and lowering costs. This service provides optional telephony services to Airport tenants including circuit extensions, voice services, telephone instruments, wiring and on-site maintenance.

- STS – Telephony Services

For both analog and digital port/phone options, expansion modules, as well as specific standard telephone handsets, the price charged will vary depending on options selected.

B. Off-Airport Services

These are business offerings related to services for Airport passengers:

- Remote Check-In Kiosks

Remote Check-In Kiosks are kiosks owned by the Airport and are provisioned at remote locations to facilitate passenger check-in. These kiosks allow passengers to check-in to a flight from 2 – 24 hours prior to departure time.

- Remote Flight Information Displays (FIDS)

Remote Flight Information Display (FIDS) are LCD displays provisioned at remote locations to provide real-time information regarding airline arrivals and departures at the Airport.

2. Cost Recovery

From time to time the Airport incurs costs for services from certain circumstances and/or incidents requiring cleaning, maintenance or repairs on behalf of the Airport's tenants. The Airport and its tenants may find it expedient and/or economical for the Airport to perform such services to remedy the circumstance. The Director is authorized to charge an administrative fee equal to ten percent (10%) of the costs of any such services provided by the Airport to a tenant.

ATTACHMENT B

Proposed Changes to Existing Airport Fees

- Fees, Rates and Charges for Off-Airport Rental Car Companies Coming onto Airport**
Increase monthly Gross Revenue Fee from 8% to 10% of the off-Airport rental car company's Gross Revenue, subject to a minimum monthly threshold of \$20,000. Off-Airport rental car companies would continue to pay no fees on any monthly gross revenues under \$20,000. This change brings off-Airport rental car fees into parity with on-Airport rental car fees, consistent with industry standards. At this time there are no off-Airport rental car operators doing business at the Airport, so there is no short-term impact from this change.
- Ground Handling/Support Services – Air Transportation Companies**
Deletion of the single-activity ground handling/support service category is recommended effective January 1, 2008. Permittees have previously paid a monthly fee of \$100 or 10% of gross revenues. This fee is recommended for elimination since the Airport is rarely approached by single-activity permittee applicants and ground handling/support service companies invariably offer multiple services to their contract airlines.

Several commercial air carrier support activities that are routinely conducted on the Airport have been added. These fees have not been included in prior fee resolutions, e.g. passenger courtesy ("Skycap"-type) services, on-call aircraft maintenance, custodial services, security services, etc. Staff recommends January 1, 2008 for implementation of this new fee. The recommended timing of implementation of the changes in this section is in recognition of the realities of calendar budgeting, so as not to place an unnecessary, unbudgeted burden on the airlines and their support service providers.

The existing monthly permit fee of \$200.00 plus 10% of gross revenues, previously approved by Council, remains unchanged.

Proposed new language:

Ground Handling/Support Services – Air Transportation Companies

Performance of one or more ground handling/support services to Air Transportation Companies, including but not limited to interior or exterior washing/cleaning, aircraft tow-in and push-back, baggage and cargo handling, passenger courtesy services (including but not limited to wheelchair service, "Skycap" services, etc.) aircraft engine oil servicing, contracted or on-call aircraft maintenance, security related services, holdroom/gate area(s) and/or operational area(s) custodial services, aircraft water and lavatory servicing, aircraft electrical and air power boost servicing, ground support equipment repair, maintenance, and washing/cleaning, and any other commercial operating services, the following fee shall apply:

Ground Handling Services/Support – Air Transportation Companies	\$200.00/month AND 10% of monthly gross revenue
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The Ground Handling Services/Support – Air Transportation Companies Fee is calculated on Gross Revenues exclusive of monthly permit fees (\$200 and 10%) paid to the Airport.

3. **Compressed Natural Gas (CNG) Fuel – Operations, Pricing, etc.**

Several language modifications are recommended to reflect current usage of the Airport's compressed natural gas fueling facility, and minor changes to pricing methodology are proposed. In particular, the frequency of CNG fuel street-pricing surveys has changed from quarterly to monthly to reflect the current realities of fluctuating fuel prices. The revised methodology will afford the Director of Aviation greater flexibility to establish market pricing and to guarantee a continued revenue stream to the City, while concurrently serving Airport tenants by maintaining competitive pricing levels and encouraging CNG vehicle usage at the Airport.

Proposed new language:

The Director of Aviation shall set a price per Gasoline Gallon Equivalent (GGE) for the sale of CNG Fuel at the City owned CNG fueling facility at the Airport (Airport's CNG fueling station), taking into account the following factors:

- a. All costs (including applicable taxes) incurred by the City to provide CNG fuel at the Airport's CNG fueling station, including but not limited to the City's amortized costs to design and build the Airport's CNG fueling station, any fees payable by the City to operate and maintain the Airport's CNG fueling station, and the City's costs for natural gas and electricity to the Airport's CNG fueling station.
- b. The local CNG Fuel price per GGE charged to Privately Owned Vehicles (POVs) that are operated on CNG, as determined by a monthly survey of any three (3) CNG fueling stations located in Santa Clara, San Mateo, San Francisco, or Alameda Counties.

The Director shall have the discretion to set the price per GGE, expressed as \$/GGE, for the sale of CNG Fuel at Airport's CNG fueling station at a level that best serves the interests of the Airport and the community. The Director is authorized to increase or decrease fueling rates to facilitate the optimum use of the Airport's CNG fueling station in a cost and revenue efficient manner, considering both volume demand and benefits to the City, Airport and the general public.

ATTACHMENT C

Reinstated Fees

1. **Ramp Fees - All-Cargo Air Transportation Companies** Reinstates the \$0.20 per 1,000 pounds Maximum Gross Landed Weight (“MGLW”) fee for air cargo use of the ramp which was inadvertently omitted from Resolution No. 72250.

Utilization of the ramp by All-Cargo Air Transportation Companies for aircraft parking, loading and unloading, refueling, minor aircraft maintenance and ground transportation to or from aircraft is authorized only on the ramp. Applicable ramp fees will be charged for ramp use as follows:

Ramp Fee	\$.20 per one thousand pounds (1,000 lbs.) of certified MGLW.
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2. **Non-Airline Terminal Space** Effective each July 1, the annual rental rate for non-airline tenant use of terminal space will be set using a Commercial Compensatory Rate Structure, calculated as follows:

Sum of:

- a) Debt Service allocable to Terminal capital projects funded from Bonds or Subordinated Indebtedness, *plus*
- b) The Coverage Amount applicable to the Debt Service amount calculated pursuant to the terms of the Airline-Airport Lease and Operating Agreement; *plus*
- c) The annual Operating Expenses allocable to the Terminal, *plus*
- d) An amount equal to (i) the total deposits needed to replenish the Bond Reserve Fund to required levels times (ii) a fraction, the numerator of which is the total amount of Net Bond Proceeds allocable to the Terminal and the denominator of which is the total amount of Net Bond Proceeds, *plus*
- e) The share of annual costs for renewal and replacement allocable to the Terminal, *less*
- f) The Coverage Amount for the immediately preceding Fiscal Year calculated pursuant to the terms of the Airline-Airport Lease and Operation Agreement.

Divided by:

- g) The total Rental Terminal Square Footage.

The Director shall have the discretion to include an Airport return on investment of up to 25% on the above computed cost for rental of non-airline terminal space. This return on investment will be determined during the annual development of rental rates for airline tenants and will facilitate the optimum use of the terminal space in a cost and revenue efficient manner. The determination of the return on investment will consider and maximize the highest and best use of limited Airport property.

ATTACHMENT D

Existing Airport Fees Not Included in Prior Resolutions

1. **Ground Transportation Operator Fees** The fee structure for all ground transportation operators "dwell fees" (the amount of time operators remain in the ground transportation pick-up areas waiting for their passengers) of 0-30 minutes = free, 31+ minutes = \$0.75 per 30 minutes is proposed to be included in the consolidated resolution.
2. **Ground Vehicle Fuel** Diesel and propane fuel have been added to existing language regarding purchase of unleaded fuel, as the purchase of diesel and propane fuel have not been addressed in prior resolutions.