



COUNCIL AGENDA: 6/21/05

ITEM: 8.1

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

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

**SUBJECT:** PASSENGER FACILITY CHARGE  
APPLICATION AMENDMENTS

**DATE:** June 13, 2005

Approved

Date

6/14/05

Council District: Citywide

## RECOMMENDATION

Adoption of a resolution authorizing the City Manager to submit applications to the Federal Aviation Administration (FAA) and to execute any documents necessary to amend the scope of the City's authority to collect and expend passenger facility charges (PFCs) for the Runway 12/30L Reconstruction, Runway 12/30L Extension, Expanded Noise Attenuation, and Taxiway Y Reconstruction projects with a net reduction in the total PFC collection authority in the amount of \$76,674,000.

## BACKGROUND

The Aviation Safety and Capacity Expansion Act of 1990 authorizes the FAA to grant airport operators the authority to fund eligible airport capital projects with PFC's. The intent of the legislation was to mitigate the shortfall of federal funds available for airport projects by providing a local funding source. Airports must apply to the FAA for approval before imposing or using PFC's and must meet all requirements included in the PFC legislation and regulations. PFC revenues are collected by the airlines and remitted to the airport imposing the charge.

On April 5, 2000, the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21) was signed into law. AIR-21 enables public agencies to collect a PFC of \$4.00 or \$4.50 per enplaned passenger, whereas prior to AIR-21 the highest collection level was \$3.00. To be eligible for the higher PFC level, AIR-21 requires that projects make a significant contribution to: (1) improving air safety and security; (2) increasing competition among air carriers; (3) reducing current or anticipated congestion; or (4) reducing the impact of aviation noise on people living near the airport.

Since inception of PFCs at Norman Y. Mineta San José International Airport in 1992, through an estimated expiration date of 2014, the Airport has approval to impose and use a total of

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\$547,300,355 in PFC revenue and all outstanding PFC authorizations have been approved at the \$4.50 PFC collection level.

### ANALYSIS

The proposed amendments to the following previously approved PFC projects will result in a net reduction in the PFC authority in the amount of \$76,674,000.

Runway 12/30L Reconstruction and Runway 12/30L Extension Projects — The PFC Application completed for these projects in January 2001 was submitted prior to the completion of the debt financing done for these projects and the finalization of the ultimate project phasing. Financing costs included in the original application were based on the net amount of the estimated construction cost and the anticipated grant funding to be received from the Letter of Intent. However, the grant funding was approved over a period of ten years and beyond the construction period of the project. It was therefore necessary to issue bonds based on the total estimated construction cost of the projects in order to provide full funding during the construction period. The proposed amendment to increase the PFC authority for these projects by \$66,288,000 will provide full funding for the actual construction and financing costs of the projects.

Expanded Noise Attenuation Project - The PFC Application submitted and approved for this project in March 2002 included financing costs in order to provide flexibility to fund potential critical eligible PFC projects. The positive cash flow in the PFC Fund has allowed the City to fund this project with available monies in this fund. This amendment will reduce the PFC authority for this project in the amount of \$84,896,000. This amount represents the financing costs included in the original PFC application and the subsequent Airport Improvement Program grant receipts for this project.

Taxiway Y Reconstruction Project - The PFC Application submitted and approved for this project in January 2004 included financing costs in order to provide flexibility to fund potential critical eligible PFC projects. The current fund balance in the PFC Fund is sufficient to fund this project and it will no longer be necessary to issue a bond; therefore, no financing costs will be incurred. This amendment will reduce the PFC authority for this project in the amount of \$58,066,000. This amount represents the estimated financing costs included in the original PFC application

These projects were presented to the air carriers during the required consultation meeting on April 13, 2005. These amendments would reduce the Airport's total approved collection authority to \$470,626,355, through an estimated charge expiration date of July 1, 2014.

**OUTCOMES**

Approval of the PFC application amendments will provide full funding for the Runway 12/30L Reconstruction and Runway 12/30L Extension projects and eliminate unnecessary cost components of the Expanded Noise Attenuation and Taxiway Y Reconstruction projects in order to make available future PFC revenues for critical eligible PFC projects.

**PUBLIC OUTREACH AND CONSULTATION**

As required by the PFC legislation and FAA regulations, airlines operating at Norman Y. Mineta San José International Airport (SJC) were provided written notice of this proposed amendment in March 2005 and a project consultation meeting with the airlines was held on April 13, 2005. The airlines have up to 30 days after that consultation meeting in which to provide written comments on the application amendment. All comments received will be included in the submission to the FAA. In addition, the notice of intent to amend these projects and invitation for public comments was posted on the SJC website on April 8, 2005. The public was given until May 23, 2005 to submit comments to SJC.

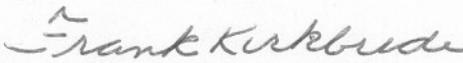
Comments on the application amendment were received from American Airlines and Southwest Airlines; both comments were supportive of the proposed amendments. No comments were received from the public.

**COORDINATION**

This item has been coordinated with the City Attorney's Office.

**CEQA**

Resolution Nos. 67380 and 71451, PP 05-110.

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