



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Vilcia Rodriguez

SUBJECT: SEE BELOW

DATE: August 20, 2008

Approved *Deanna Jahn*

Date *8/20/08*

**SUBJECT: EXTENDING LIVING WAGE TO AIRLINES AT THE MINETA SAN JOSÉ
INTERNATIONAL AIRPORT
[Transportation and Environment Committee Referral – Item d]**

On August 18, 2008 staff presented a report on Extending Living Wage to Airlines at the Mineta San José International Airport to the Transportation and Environment Committee.

Upon the motion of Councilmember Judy Chiro, and seconded by Councilmember Nora Campos, the Committee voted to accept the progress report on data gathered thus far from airlines operating at the Mineta San José Airport and their subcontractors and requested that the item be cross-referenced for full Council consideration.

Attached is the report that was presented to the Transportation and Environment Committee.

Vilcia Rodriguez
VILCIA RODRIGUEZ
Senior Executive Analyst

Memorandum



TO: Transportation & Environment Committee

FROM: Councilmember Forrest Williams

SUBJECT: Airport Living Wage Ordinance

DATE: August 15, 2008

Approved

Forrest Williams

Date

8/15/08

RECOMMENDATION

After reviewing staff's report on extending living wages to airlines at Mineta San Jose International Airport (SJC), I met with staff to better understand some details of the report. As the result of the review and meeting, I am recommending the following actions to the T&E Committee for discussion and consideration. The intent is to focus on essential items from the report. Recommendation's are as follow:

Accept staff's report of August 4, 2008, with the following changes:

- 1.) In response to the assumptions under which staff hopes to proceed:
 - a.) Amend assumptions 1 and 2; the policy should include all employees on the airport campus.
 - b.) Confirm assumptions 3 and 5 and incorporate the amendments listed below to assumptions 4.
- 2.) Direct staff to continue developing options for improved job training standards at San Jose Airport. Options should be discussed with Airport stakeholders and community groups prior to presentation to the Transportation & Environment Committee. Staff will submit a progress report at the September 8th Transportation & Environment Committee meeting and recommended actions at the October 6th Transportation and Environment Committee meeting.
- 3.) Direct staff to drafty a Living Wage Ordinance for the San Jose Airport that will be modeled after the current City's Living Wage Policy and include worker retention, third tier review, labor peace and enforcement. To maximize public safety and security at the Airport, the living wage ordinance should also include the following additions:
 - a.) Increase opportunities that seek to attract and retain the highest quality employees:
 - i.) Worker Retention:
 - 1.) Increase noticing requirements to employees to alert workers when a service provider contract has been terminated and a new vendor has been selected.

- 2.) Require that each successor service provider, prior to contract termination, hand delivers written information regarding the change to make certain that all workers are adequately informed
 - ii.) Grievance procedure:
 - 1.) Codify in the ordinance the existing question in the City's Employee Worker Environment Questionnaire inquiring whether a bidder maintains a grievance procedure.
 - b.) Increase security and oversight of Airport operations:
 - i.) Responsible contractors:
 - 1.) Incorporate information in the Third Tier Review section of the ordinance on a firm's previous contract violations, and the firm's track record on keeping commitments to government and employees.
 - ii.) Stability of Airport Operations:
 - 1.) Enact a blanket determination that service disruptions at the Airport will lead to unacceptable consequences and labor peace provisions should therefore apply to all airport operators.
 - iii.) Airport Oversight:
 - 1.) Establish economic penalties for firms which fail to meet their contractual obligations in an effort to avoid any negative consequences of such a failure, which could be extremely detrimental to Airport operations, the City and general public. These penalties should be more stringent than those in the current policy.
- 4.) Direct staff to present for action the Draft Living Wage Ordinance for the San Jose Airport at the September 8th Transportation and Environment Committee meeting. The ordinance should be discussed with Airport stakeholders and community groups prior to presentation to the Transportation and Environment Committee.

BACKGROUND

San Jose International Airport serves two critical civic needs: providing safe travel to our citizens and acting as an economic engine for our community, in that order. We must ensure that we are able to provide both while maintaining a commitment to the standards our community holds.

After considering the input of the community, the report from Working Partnerships USA and that from City staff, the above recommended course of action seems the best means to attain the results we seek from our Airport.

Conversation with representatives from our competing regional airports, SFO and OAK, indicated that their implementing a living wage policy met exactly the goal we sought: decreased turn-over, allowing for better, standardized training. Both airports face similar challenges to SJC, but neither expressed concerns over their living wage policies. This is noteworthy, as is the long-term cost savings their carriers enjoyed.

Our citizens deserve employees who are committed to their work and universally trained to do it. Despite the staff's determination that some employees don't need emergency training, we must assure that, in the extremely unfortunate event of emergency at the facility, every worker knows

how best to proceed and can contribute to a safe resolution for our residents. Once trained, we owe it to our citizens and our carriers to assure that those employees have the resources they need to be able to stay in those jobs.

Ultimately, it is urgent that the living wage ordinance be implemented as soon as possible. This will enhance economic competitiveness of SJC.



Memorandum

TO: TRANSPORTATION AND
ENVIRONMENT COMMITTEE

FROM: RICHARD DOYLE
City Attorney

SUBJECT: Airport Living Wage

DATE: August 6, 2008

BACKGROUND AND INTRODUCTION

At the Transportation and Environment Committee meeting of June 2, 2008, the Committee directed staff to evaluate moving forward with proposals by Working Partnerships USA to adopt a living wage ordinance expanding the City's living wage policy to apply to all employees at the Norman Y. Mineta San Jose International Airport, including employees of airline service contractors. From a legal perspective, we believe that generally the City can accomplish the goal of expanding the scope of application of living wage at the Airport. However, in determining how to accomplish this goal, the Council must consider the following legal issues raised by the proposals.

DISCUSSION

Market participant versus regulator

Because the existing living wage policy ("LWP") applies only to certain City labor and service contractors who provide direct services to the City, and the living wage requirements are incorporated as terms of those City contracts, we have construed the implementation and enforcement of the LWP as acts of market participation by the City. The City is a market participant where it acts as a proprietor engaged in commerce, procuring goods and services much like private actors in the marketplace. When acting as a market participant, the City has greater freedom from the limits of federal and state laws that would otherwise prohibit or preempt local regulation. Preemption applies only to regulatory actions of the City under its governmental authority or police power.

The City's lease and operating agreements with the airlines do not expire for another four years. To contractually require compliance with living wage provisions, the City would have to obtain the airlines' consent to amend the existing agreements or wait until new agreements are negotiated. In order to immediately require payment of the living wage by the airlines and their service contractors (the latter with whom the City has no contractual relationship), the City would have to impose the living wage under its police power, the inherent power vested in government to establish reasonable regulations for the general welfare, health, order and security. With certain constitutional limitations, the City under its regulatory authority can impose new laws whose impacts are felt

during the term of existing contracts. In recognition, City contracts regularly include a provision that states that the agreement is subject to applicable law, including existing laws, amendments and new enactments. If the City proceeds under its police power, however, the Council must consider whether provisions it proposes to include in a new Living Wage Ordinance ("LWO") potentially conflict with federal law. The principal federal statute to consider is the National Labor Relations Act ("NLRA").

Federal labor law preemption

The NLRA is a federal labor law that protects employers' and workers' rights to collectively bargain to negotiate the terms and conditions of employment. State and local laws are preempted by the NLRA if they regulate areas covered by the NLRA or areas that Congress intended to be left to the free play of market forces. State and local governments, however, may enact minimum substantive labor standards, like minimum wage laws, that form the backdrop for negotiations. The compensation, worker retention and training portions of the LWO proposal appear either to be permissible minimum labor standards or otherwise outside the scope of the NLRA. The labor peace provision, however, is potentially problematic, and its viability depends on what kind of requirement would be imposed and how it would be implemented. Currently, consideration of labor peace is incorporated during the request for proposals ("RFP") process for contracts for City services, but that would not translate to lessees and permittees who do not undergo the RFP process. A labor peace provision is much more vulnerable to legal challenge when imposed under the City's police power because it could be preempted by the NLRA.

Contract impairment

If the new LWO contains provisions different from those in the LWP, then applying the new provisions to City service contractors whose contracts incorporate the LWP could constitute an impairment of contract and create a potential violation of the Contract Clause of the State and federal Constitutions. If the new provision is a matter not addressed by the terms already incorporated through the LWP or other contract terms, then there would be no contract impairment in applying the new provision. But even a substantial contract impairment will not violate the Contract Clause if the City can show that the regulation is justified by a significant and legitimate public purpose such as remedying a broad and general social or economic problem. The City might attempt to avoid the contract impairment issue altogether by phasing in or deferring application of the new LWO for current contractors following the LWP until those contracts are renewed.

Equal protection

The City may limit the expanded application of the LWO to the Airport (as opposed to more general application to other areas of the City), so long as the City has a rational

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basis for doing so. We believe a rational basis for limiting the application of the LWO to the Airport can be established. A question remains though as to which Airport employers the Council intends to bring under the living wage umbrella.

Working Partnerships' report recommended that the living wage apply to all employees at the Airport but focused on employees of airline service contractors in particular and on impacts on passenger safety. From the discussion thus far, it is unclear whether the Council's direction is to apply the living wage obligations to all employers on the Airport premises, including for example fixed based operators ("FBOs") such as the San Jose Jet Center that do not directly deal with the general traveling public, or a subset of Airport employers. In determining the scope of employers at the Airport to be covered by the LWO, that choice also must be supported by a rational basis.

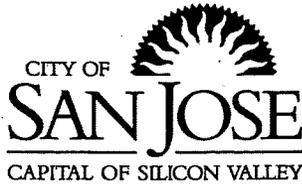
CONCLUSION

Bearing in mind the legal issues briefly addressed in this memorandum, it appears the City can expand the application of living wage at the Airport. The specific elements to be incorporated in the LWO, other than the wage component, have not been fully developed at this point. As the LWO proposal is fleshed out, with the benefit of further Council direction on the scope of employers to be covered by the LWO and the substantive elements to be included, this Office will be able to provide a more complete legal review and analysis.

RICHARD DOYLE
City Attorney

By *Sandra Lee*
SANDRA LEE
Deputy City Attorney

Cc: Honorable Mayor and City Council
Debra Figone
William Sherry
Katy Allen



T & E AGENDA: 08-18-08

ITEM: d

Memorandum

TO: TRANSPORTATION &
ENVIRONMENT COMMITTEE

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

SUBJECT: EXTENDING LIVING WAGE TO
AIRLINES @ SJC

DATE: 08-04-08

Approved

Date

8/11/08

RECOMMENDATION

1. Accept this progress report on data gathered thus far from airlines operating at Mineta San Jose International Airport ("SJC" or "Airport") and their subcontractors;
2. Direct staff to return to the Transportation & Environment Committee in October 2008 with additional data, analysis and policy recommendations.

BACKGROUND

Working Partnerships USA, a local labor-based policy research and advocacy organization, issued a report "Building a Better Airport: Expanding a Living Wage and Job Training to Workers at San Jose International Airport" on April 24. This report followed the launch of a statewide effort by the Service Employees International Union to focus public and policy attention on jobs, wages and training for contract workers at California's major airports.

The Working Partnerships report recommended that:

- San Jose's living wage policy be expanded to include all workers at the Airport, including employees of subcontractors to airlines;
- Oversight of subcontractors at SJC be increased; and
- Opportunities be explored to improve employee productivity and retention that could also improve customer service and security for Airport and airline operations.

The Report stated that SJC is served by approximately 500 passenger service workers employed by subcontractors for the airlines. In December 2007/January 2008, Working Partnerships surveyed 48 passenger service workers and found that most are paid no more than minimum wage (\$8); receive no health coverage; no sick leave; paid vacation; holidays or unpaid time off; have worked at SJC for less than 12 months; and have received no training on how to evacuate an airline terminal or how to identify suspicious behavior.

Working Partnerships suggests expanding the scope of the City's living wage policy to include contract employees working for private employers at the Airport would provide a number of benefits. According to the report, these would include: livable wages and fairness to all airport workers; improved security for the airport and airlines; lower employee turnover rates leading to cost savings for employers; more efficient airport and airline operations; better customer service; and increased competitiveness with other California airports.

In response to Working Partnerships, on June 2, 2008, the Transportation and Environment Committee directed staff to prepare a report to bring to the Transportation & Environment Committee at its August meeting that would include a proposal to extend the City's Living Wage Policy to SJC.

Although staff approached this task with a high priority, the complexity of this issue and the limited amount of time available presented a challenge to gather and analyze information from a variety of employers and other sources that have no history of supplying information to the City. For this reason, staff is unable to provide policy recommendations at this time due to the limited data received to date. Staff therefore recommends that the Committee accept this progress report and direct staff to bring forward recommendations for the October meeting.

ANALYSIS

SJC is a self-supporting enterprise of the City that depends on revenues generated by airport operations, including landing fees, parking and concession revenues, rents and other permit revenue. The Airport hosts a wide range of services and businesses operating on airport property or entering Airport property to conduct business. Currently more than 1,000 businesses operate at the Airport under permits, licenses, concession agreements, lease agreements or other operating agreements. There are approximately 5,000 badge holders who are primarily employees of businesses located on the Airport or service providers who support the Airport.

These businesses include airlines; cargo carriers; fixed-based operators; food and beverage concessionaires; rental car companies; general aviation; ground support services; taxi, shuttles; and other ground transportation; communications services; banking and financial services; retail services; terminal services; and other governmental agencies. Although these businesses operate on City-owned property at the Airport, the City does not control or influence their operations, and they have no obligation to provide employment information to the City.

Given the number of businesses operating on Airport property and the short timeline, staff concentrated its efforts, for the purposes of this report, on gathering information and data from the airlines and their direct vendors/subcontractors.

Thirteen passenger airlines currently operate at SJC:

- | | | | |
|---------------------------|------------|-------------|----------------------|
| ▪ Alaska | ▪ Frontier | ▪ jetBlue | ▪ Southwest |
| ▪ Continental | ▪ Hawaiian | ▪ Mexicana | ▪ US Airways |
| ▪ Delta | ▪ Horizon | ▪ Northwest | ▪ United/United West |
| ▪ American/American Eagle | | | |

Data Received

Staff met with SJC airline station managers and the Airport Airlines Affairs Committee in early June to discuss Council's direction regarding extending the Living Wage Policy and to request their assistance in providing the information needed for analysis. Attachment I is the Airline Station Manager Survey requesting the following information:

- What services are contracted out and what services are performed by airline employees;
- Who are the contractors and vendors and what are the criteria for selecting them;
- How many workers in each classification;
- Compensation and benefits for contract workers, including hourly rates of pay from entry to top step;
- Which classifications are represented by recognized unions;
- What types of training and frequency of training are provided; and
- What changes might occur if living wage requirements were extended to airlines/airport operations.

Ten of the thirteen airlines responded. See Attachment II for Contractor Matrix. The airlines contract for a variety of services: ground handling; security; skycap; wheelchair escort; in plane fueling; in flight catering; aircraft cleaning; aircraft maintenance; cargo/belly freight handling; and ticketing.

The airlines contract with the following eleven vendors/contractors:

- | | | |
|-----------------------------------|-------------------------------|---------------------------|
| ▪ Airport Terminal Services (ATS) | ▪ G2 Secure Staff | ▪ TransPacific |
| ▪ Atlantic San Jose | ▪ Menzies | ▪ Quantem |
| ▪ Aviation Safeguards | ▪ Jett Pro | ▪ Trend Building Services |
| ▪ LSG Skychefs | ▪ OneSource Facility Services | |

Individual contact was made with each of the eleven contractors requesting specific information and to date just five contractors have responded: Aviation Safeguards; ATS; G2 Secure Staff, Trend Building Services; and Atlantic San Jose. These five companies report that they have a total of 217 employees currently providing contract services to the airlines. Although this is fewer than the 500 passenger services workers cited in the Working Partnerships report, six firms have not yet responded to the City's request for information.

The following chart shows the total number of workers in each work classification and their rate of pay (see Attachment III for Contractor Employee Matrix). Only 37 of the 217 employees earn

more than the City's living wage rate and receive medical benefits. 180 workers earn between \$3.83 and \$6.08 per hour less than the living wage rate of \$14.08.

Work Classification	Number of Workers	Hourly Rate of Pay
Skycap	18	\$8.00
Wheelchair Escort/Wing Guards	88	\$8.00
Bag Mover	2	\$8.00
Passenger Service Agent	9	\$10.25
Ramp Agent	36	\$9.25
Cargo Agent	5	\$10.25
Baggage Service	9	\$9.00
Cabin Cleaners	9	\$8.00
Catering Security	4	\$8.00
Airline Fuel Technician	37	\$15.98
TOTAL	217	

Bay Area Airports

San Jose, San Francisco and Oakland airports all have wage requirements, but their coverage and wage rates vary. The chart below summarizes coverage and wage rates among the Bay Area's three airports.

Airport	Instrument	Coverage	Wage Rate
SJC	Resolution – Nov 1998 & Aug 2005	City Direct Service Contracts + Rental Cars	\$12.83/hr if health provided, or \$14.08/hr if health not provided
	Resolution – Nov 1989	Food & Beverage Concession covered under prevailing wage	\$12.83 - \$26.54/hr
SFO	Minimum Compensation Ordinance (MCO)	All commercial businesses & nonprofit organizations that contract w/City of SF or lease property @ SFO & contractors doing work for Airport tenants	\$11.03/hr 12 paid days off & 10 days off without pay

Airport	Instrument	Coverage	Wage Rate
OAK	Charter Amendment	Any business involved in Port of Oakland aviation or maritime business that: <ol style="list-style-type: none"> 1. Pays Port \$50k or more by means of contract or lease; 2. Holds service contract w/Port & Port pays \$50k or more over term of contract; 3. Holds subcontract, sublease, sublicense, management agreement; 4. Receives \$50k or more in financial assistance from Port; 5. Has more than 20 employees spending more than 25% of their work time working on Port-related work. 	\$10.39/hr if health provided, or \$11.95/hr if health not provided

OAK: In March 2002, Oakland voters passed a Charter Amendment to require living wage and labor standards for businesses operating at the Port of Oakland and Oakland Airport. Businesses covered by the amendment are those businesses involved in the Port's aviation or maritime operations that have contracts or leases valued at more than \$50,000 or are paid \$50,000 or more by the Port over the term of the contract; subcontractors to these businesses; and have more than 20 employees spending more than 25% of their work time working on Port-related activity. Oakland's current living wage rate is \$10.39 if health benefits are provided and \$11.95 per hour if health benefits are not provided.

Oakland generally reports that turnover has been reduced as a result of the application of living wage and employees are receiving more consistent training.

SFO: After more than two years of study and debate, San Francisco's Minimum Compensation Ordinance (MCO) became effective in October 2000 and applies to employees of commercial businesses and non-profit organizations that contract with San Francisco or lease property at SFO. The MCO requires contractors to provide a minimum hourly gross compensation wage rate, 12 days paid time off per year and 10 days unpaid time off per year. Covered employees are those who work at least 10 hours per week during a 2-week pay period. San Francisco's current minimum compensation is \$11.03 per hour.

San Francisco also generally reports that turnover has been significantly reduced and the subcontracted employees are performing their responsibilities better as a result of receiving more training.

SJC: San Jose's Living Wage Policy, adopted in November 1998, applies to 18 types of direct service or labor contracts with an expenditure of \$20,000 or more. Covered employees are those who spend at least 50% of their time on the City contract. Firms that receive \$100,000 or more per year in direct financial assistance are also subject to the Policy. In 2005, living wage requirements were extended to rental car companies effective January 1, 2006. San Jose's current living wage is \$12.83 per hour if health benefits are provided and \$14.08 per hour if health benefits are not provided.

Current State of Airline Industry

Over the past year, the airline industry has been facing its worst financial crisis in its history as a result of record high fuel costs. Airlines have reported losses in the billions, and they have responded by reducing capacity, eliminating routes, parking aircraft and laying off tens of thousands of airline employees across the nation. Since the end of 2007, eight U.S. carriers have gone out of business and two additional carriers are currently operating under Chapter 11 bankruptcy. The City Council received a fuller update on the status of the airline industry from the Airport Director at its meeting on August 5.

In San Jose, United Airlines is cutting nearly half of its mainline seats by November and American is cutting 18%, Continental 37%, Delta 36% and US Airways 37%. Passenger traffic at SJC for Fiscal Year 2007-08 was 2.6 percent lower than the previous year, and the Airport estimates that it will lose about 14 percent of its airline capacity serving San Jose by November compared to a year ago. Based on projected traffic reductions, Airport revenues for the current fiscal year are estimated to be about \$8 million lower than in the adopted budget. Announced reductions at Oakland amount to about 25% and about 5% at San Francisco.

As air carriers reduce capacity and cut less productive flights, San Jose will focus on retaining domestic service, continuing efforts to launch international service and will work to provide the best and most efficient business environment possible. The Airport has implemented a hiring freeze on select positions that are not safety or security related, capital projects will be deferred where practical, but the Terminal Area Improvement Program will continue as planned and staff will maintain its focus on safety and efficiency while continuing to keep the Airport competitive.

Potential Cost Impacts from Extending Living Wage

Considering potential impacts of extending living wage requirements to the airlines and their subcontractors, staff investigated several different dimensions of the issues as well as the timing of any policy change to better understand how it might affect the Airport's competitiveness in the Bay Area. Especially in the current economic environment for the airlines, they are acutely sensitive about all cost and non-cost factors that affect their ability to reduce losses or stay profitable.

The most obvious direct impact of increasing pay under the living wage policy would be that the lowest paid workers would be paid more. Payroll costs of increasing wage rates could be

mitigated by higher employee productivity, reduced absenteeism, lower turnover rates and better labor relations in general. In the case of SFO's MCO, efficiency benefits eventually decreased the higher cost over the past eight years since its adoption in 2000. And to the extent that higher wages allow some households to move up the economic ladder, their needs for public assistance could be reduced creating benefits to other levels of government and to the San Jose community at large.

The Working Partnerships report estimated 500 passenger service workers employed by contractors hired by the airlines would be affected by extending the living wage policy. This figure does not include fueling, catering, maintenance or airline employees. In addition, some airline employees earn less than the City's living wage rate (see Attachment IV for Airline Employee Wage Rate Matrix).

To date, staff has received data for only 217 contractor employees of which 179 receive under \$12.83 per hour, the City's living wage rate. The cost to bring just these employees to the living wage standard would total approximately \$2 million to the airlines. If the pool of covered employees is higher and closer to the Working Partnerships estimate, costs could climb to \$5 million annually and potentially higher by "ripple effects" as described below. The airlines have indicated that if \$2 million or more is added to their annual operating costs at SJC, they would have to consider terminating contracts and performing those services with airline employees. This action could lead to potential layoffs of contractor employees amounting to approximately 40 percent of the covered workforce that living wage is intended to benefit.

An impact that is less obvious is the "ripple effect" found by analysts who have studied the Los Angeles living wage ordinance. There it was found that employers cannot stop at merely raising the wages of the lowest paid workers. In order to prevent salary compaction, provide incentives and maintain morale for employees with more seniority and skill, their wage rates would be raised as well, further increasing labor costs by more than 30 percent. There is also the potential to create a "ripple-across effect" caused by pressure on an employer to increase wages for their other lower-wage who are not working at SJC. The extension of health insurance benefits, either through direct provision of insurance or through higher hourly wages and leave benefits also would increase costs to private businesses.

In the short term, imposing living wage requirements may have adverse effects. The airlines would have higher costs in San Jose, but they are far less able to absorb this increase or pass it on to the customer in the current severe economic and competitive environment. Increased operational costs at SJC also could result in the Airport losing additional airline capacity or service if carriers find it to their advantage to operate at either Oakland or San Francisco airports.

At both SFO and Oakland, airlines can operate 24 hours a day and their operating costs can be spread throughout the entire period. Because of the SJC curfew, most commercial flights operate in a 17-hour window between 6:30 a.m. and 11:30 p.m. This constrains the ability of airlines to recover cost increases, as additional operating hours provide greater flexibility for airlines operating at SFO and Oakland to realize operational efficiencies and economies of scale. If airlines do decide to cut labor or services, it could negatively affect the quality of customer

service, unless the airlines can benefit from long-term efficiencies and productivity. Consequently, it also would undermine SJC's competitive position and potentially push passengers and airlines to the other Bay Area airports.

There are also unintended consequences, which San Jose has found when living wage requirements were extended to rental car operations in January 2006.

Employees of the rental car companies, including shuttlers, transporters, rental representatives, instant return representatives, clerks, vehicle service attendants and car cleaners voted to have their collective bargaining agreement supersede the City's living wage policy and requirements, which is allowed under the policy and labor law. The union's negotiated wage and benefit rates prevailed, and the City consequently has no ability or authority to enforce its living wage provisions on the contracts where the employees have voted to have their collective bargaining agreement supersede the City's living wage policy and requirements. As a result, some employees' wage rates are less than the City's stipulated living wage rates. Additionally, some rental car agencies significantly changed their operations to avoid having to pay the City's living wage rates by shifting employees to other jurisdictions, and reducing the employees' work time at the Airport to avoid the higher wage requirement. Because of all of these factors, the only rental car company employees currently covered under the City's living wage policy are security guards.

Training

One component of the Working Partnerships proposal is to provide appropriate training for contract staff to help them work more efficiently and effectively. The end result of an adequately trained workforce would be a more stable employee group with lower turnover, better skills and improved customer service. The Working Partnerships report cites that 80% of the 48 workers surveyed were not trained on how to evacuate a terminal and 64% never received "formal" training on how to identify suspicious behavior. However, those responsibilities are not in the job description for most passenger service contract employees, and not every employee working at the Airport needs to be trained on every aspect of Airport operations. It is important to note that the Airport is staffed with the right employees with the appropriate training in specific areas to address the normal operations and the range of incidents an airport can encounter. Training requirements are dependent upon an individual's appropriate role.

The Airport provides training and issues security badges to employees on Airport property following standards established by the Transportation Security Administration. The level of training required to receive a badge is determined by specific job duties. Badge holders with access to the most secure areas of the Airport receive a higher level of training detail than others with limited access to the restricted areas of the Airport. The Airport also provides customer service training to all new employees to improve the traveling experience, and it recently conducted training for employees, including Airport tenants and subcontractors who work directly with our guests with disabilities.

In an effort to improve the level of training required for badge holders at the Airport, staff is in the process of reviewing current training standards in place at the Airport, as well as training standards implemented by each of our tenants and service providers. A needs assessment will identify the types of training that will continue the Airport's efforts to improve efficiency, effectiveness, customer service and productivity. While recognizing that there is a relationship between training, retention and wages, the goal of this work effort will be to establish training standards for employees of the Airport, their tenants and subcontractors so that a standard level of quality and effectiveness is established for all training efforts across the Airport campus. This work effort will include participation from City staff, airline and non-airline tenants as well as other stakeholders.

Potential City and Airport Costs

For a living wage policy to be effective, it must be monitored and enforced. The City's Office of Equality Assurance (OEA), a division of the Public Works Department, is currently responsible for implementation, monitoring and enforcement of the City's wage policies.

The additional workload that would be created by extending living wage to SJC cannot be absorbed by the current OEA staffing levels. In order to implement, monitor and enforce these new wage requirements, OEA would require two to three new positions, depending on the numbers of vendors/contractors covered. These positions would include one Senior Office Specialist or one Contract Compliance Assistant and one or two Contract Compliance Specialists. Total costs of additional OEA staffing and related support would be over \$300,000 annually, which would be a new charge to the Airport's budget and would contribute to the increase in the cost of business to airlines through the Airport's rates and charges.

Next Steps

Given the limited data provided to date, true financial impacts are incomplete. Additional time is needed for businesses at the Airport to provide data about their operations and personnel, classifications and wages so that staff can develop a fuller proposal about the kinds of services, employees and contractors that would be appropriately covered; the likely costs of the program to the Airport and to airlines; an administrative and enforcement model; and a training component that could provide better results for the increased labor costs.

Nevertheless, as staff continues our analysis of policy options, the work completed to date has identified several areas in which setting policy priorities may streamline the work ahead. In order to ensure that staff's work is consistent with discussion at the June Transportation and Environment Committee, staff will request confirmation of the following assumptions at the August 18 Transportation and Environment Committee meeting:

1. To extend the City's current Living Wage Policy to scheduled passenger airlines and cargo operators and their subcontractors;
2. To not necessarily extend the City's current Living Wage Policy to other lessees or permittees at the Airport such as San Jose State University; fixed-based operators (San

Jose Jet Center, ACM Aviation and AVBase); general aviation; and taxis and shuttle companies;

3. The definition of a "covered employee" in the City's current Living Wage Policy would not change. To be subject to the Policy, one would need to expend at least half of his/her time on work at the Airport and must be at least 18 years of age;
4. Maintain the current application of employee retention requirements and labor peace provisions – retention would not be extended to the airlines or cargo operations;
5. An Airport training program would be developed as a separate work effort.

COORDINATION

This report has been coordinated with the City Attorney's Office, the City Manager's Office, the Department of Public Works/Office of Equality Assurance and the Airport. Staff has met with Working Partnerships USA, SJC airline station managers and the SJC Airport Airlines Affairs Committee.

Kimberly J Becker

fn William F. Sherry, A.A.E.
Director of Aviation

Katy Allen

Katy Allen
Director, Public Works Department

Please direct questions about the living wage policy to Nina Grayson, Office of Equality Assurance, at (408) 535-8430 and questions about the Airport to Kim Becker, Assistant Director of Aviation, at (408) 501-7600

Attachments

- Attachment I: Airline Station Manager Survey
- Attachment II: Airline Contractor Matrix
- Attachment III: Airline Contractor Employee Matrix
- Attachment IV: Airline Employee Wage Rate Matrix





Department of Public Works
OFFICE of EQUALITY ASSURANCE

Airline Station Manager Survey

Indicate which services are contracted out by your company and which services are performed by airline employees.

Service	Contracted Out	Performed by Airline Employees
Skycap		
Custodial/Aircraft Cleaning		
Ground Handling		
Security		
Aircraft Maintenance		
Into Plane Fueling		
Ticketing		
Cargo/Belly Freight Handling		
In Flight Catering		

For each service identified as "Contracted Out", provide name of contracted service, contractor name, contact person, phone number and e-mail address.

Contracted Service: _____
 Contractor: _____
 Contact Person: _____
 Phone Number: _____
 E-Mail Address: _____

Contracted Service: _____
 Contractor: _____
 Contact Person: _____
 Phone Number: _____
 E-Mail Address: _____

Contracted Service: _____
 Contractor: _____
 Contact Person: _____
 Phone Number: _____
 E-Mail Address: _____

Contracted Service: _____
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 Contractor: _____
 Contact Person: _____
 Phone Number: _____
 E-Mail Address: _____

Contracted Service: _____
 Contractor: _____
 Contact Person: _____
 Phone Number: _____
 E-Mail Address: _____

For each service identified as "Performed By Airline Employees", indicate the number of employees in each classification and hourly rate of pay range from entry level to top step.

Classification	Number of Employees	Hourly Rate of Pay Range
Skycap		
Ramp Agent		
Operations Agent		
Ticket Verification Agent		
Passenger Service Agent/Ticket Agent		
Baggage Service Agent		
Refueling Agent		
Grooming Agent		

Indicate which fringe benefits are offered or provided to your airline employees.

Fringe Benefit	Offered/Provided
Health	
Dental	
Eye	
Paid Sick Leave	
Paid Vacation	
Pension	

What percentage of the employees' health premium is paid by the company?

Employer Pays _____ %
Employee Pays _____ %

Indicate which classifications have a collective bargaining agreement with a recognized union and indicate Union & Local.

Classification	Collective Bargaining Agreement Union & Local
Skycap	
Ramp Agent	
Operations Agent	
Ticket Verification Agent	
Passenger Service Agent/Ticket Agent	
Baggage Service Agent	
Refueling Agent	
Grooming Agent	

What is your company's criterion for selecting contractors?

Indicate the type of formal training and frequency of training your company provides to its employees and your contractor's employees. Is the training mandatory?

Type of Training	Training Provided & Frequency	Is Training Mandatory? Yes/No
First Aid/CPR		
Lifting/Moving Elderly or Disabled Passengers		
Assisting Disabled Passengers		
Evacuation Procedures		
Spotting Fake IDs		
Identifying Suspicious Behaviors		
Security		
Other		

What types of changes will your company possibly make if the City Council extends living wage requirements to your contractors?

What types of changes will your company possibly make if the City Council extends living wage requirements to all airline operations?

Other Comments

Please return completed survey by June 12 to:

Nina Grayson
City of San Jose
Office of Equality Assurance
200 East Santa Clara Street
Fifth Floor
San Jose CA 95113
E-Mail: nina.grayson@sanjoseca.gov
Fax: 408-292-6270

AIRLINE CONTRACTOR MATRIX

Airline	Ground Handling	Security/Skycap/Wheelchair	Fueling	Catering	Aircraft Cleaning	Maintenance	Cargo	Ticketing
American		G2	Atlantic SJ	LSG Skychefs	G2			
United		Aviation Safeguard	Atlantic SJ	LSG Skychefs	Trend Bldg Services	JettPro	Quantem	
US Airways		G2 As of 7/6/08 Skycap services will be performed with US Airways employees	Atlantic SJ			JettPro	Delta	
Southwest		Aviation Safeguards	Atlantic SJ		OneSource Facility Services	JettPro		
Continental	Menzies	Aviation Safeguards	Atlantic SJ	LSG Skychefs	Aviation Safeguards	JettPro TransPacific	Delta Menzies (Belly Freight)	
Northwest	ATS	Aviation Safeguards	Atlantic SJ	LSG Skychefs	ATS	TransPacific	Quantem	ATS
Delta	ATS	Aviation Safeguards	Atlantic SJ	LSG Skychefs	ATS	JettPro	ATS	
Alaska	Menzies	Aviation Safeguards (wheelchair)	Atlantic SJ		Menzies		Quantem (Belly Freight)	
Frontier								
Hawaiian								
Horizon								
JetBlue	Menzies	G2	Atlantic SJ			TransPacific		
Mexicana	Menzies	Menzies	Atlantic SJ	LSG Skychefs	Menzies			Menzies

CONTRACTOR EMPLOYEE MATRIX

Contractor	Skycap	Wheelchair & Wing Guards	Bag Mover	Passenger Service Agent	Ramp Agent	Cargo Agent	Baggage Service Agent	Cabin Cleaner	Catering Security	Airline Fuel Technician
Aviation Safeguards	9 @ \$8.00	68 @ \$8.00								
ATS				9 @ \$10.25	29 - 36 @ \$9.25	5 @ \$10.25				
G2	9 @ \$8.00	20 @ \$8.00	2 @ 8.00				9 @ \$9.00	9 @ \$8.00	4 @ \$8.00	
Menzies										
LSG Skychefs										
JettPro										
Quantem										
TransPacific										
Trend Bldg Services*								Subs out to Klean Way Janitorial Services		
OneSource Facility Services										
Atlantic SJ										37 @ \$15.98 (average)
TOTALS	18	88	2	9	36	5	9	9	4	37

AIRLINE EMPLOYEE WAGE RATE MATRIX

Classification	Number of Employees	Wage Rate
Skycap	13	\$8.09 - \$13.58
Ramp Agent	208	\$9.09 - \$24.19
Operations Agent	48	\$9.09 - \$24.35
Ticket Verification Agent	19	\$11.00 - \$20.00
Passenger Service Agent/Ticket Agent	150	\$8.72 - \$24.35
Baggage Service Agent	19	\$8.72 - \$20.00
Refueling Agent	1	
Grooming Agent	3	
Aircraft Maintenance	3	\$19.94 - \$28.48
TOTALS	464	