



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

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

SUBJECT: SEE BELOW

DATE: May 2, 2011

Approved

Date

5/10/11

Council District: City-Wide

SUBJECT: AIRPORT OPERATIONS PROGRAM AND FEE ADJUSTMENTS

RECOMMENDATION

(a) Adopt a resolution:

- (1) Revising General Aviation Fees, Ground Transportation Fees and charges, and Badging fees, rates, and charges effective July 1, 2011;
- (2) Revising Public Parking Fees and charges effective June 1, 2011;
- (3) Re-adopting all other Airport Rates and Charges; and
- (4) Repealing Resolution No. 74875.

(b) Approve an ordinance amending Chapter 25.08 of the San Jose Municipal Code requiring all providers of taxicab services at the Airport to obtain an Airport ground transportation permit and requiring that parking shuttle operations be conducted in a separate vehicle from any other ground transportation services at the Airport.

OUTCOME

The proposed resolution will modify authorized Airport fees and charges so that the Airport may adjust fees and charges as required to maintain cost recovery or establish current market rates as appropriate for Airport programs.

BACKGROUND

Fees and charges for General Aviation were last recalculated for cost recovery in fiscal year 2001-02 in accordance with prior Resolution 70866 and received annual rate adjustments based on CPI for the following five (5) fiscal years. They have not been adjusted by CPI since fiscal year 2006-07. Airport parking rates and Airport Badging fees also have not been updated since fiscal year 2006-07. Permit fees and charges for ground transportation providers, permit fees and charges for off-Airport rental car companies, and rates and fares for the operation of taxicabs at the Airport were last modified in April 2009.

Modification of the Airport Badging, ground transportation and off-airport parking fees and charges is required to achieve cost recovery due to increased costs of providing services and simplify the collection of fees. Modifications to the general aviation fees are proposed to adjust them from below cost recovery to "market rates". Changes to Airport parking rates allow better differentiation of products and maintain market rates.

Additionally, the Airport occasionally receives requests from Airport tenants for use of Airport shuttle buses. New fees and charges need to be established in order to achieve cost recovery for providing shuttle bus services upon request to Airport tenants.

ANALYSIS

The Airport is proposing to revise its existing definitions and fees related to General Aviation, Badging, Ground Transportation and Parking Operations, as follows:

General Aviation

General Aviation (GA) tenants at the Airport pay monthly rental fees for hangars and tie-down spaces on the Southwest corner of the Airport. Currently, monthly rental fees for tail-in and taxi-in tie-down spaces range from \$153 to \$552 and are categorized based upon aircraft weight. Monthly rental fees for taxi-in tie-down spaces are higher than monthly rental fees for tail-in tie-down spaces, because taxi-in spaces allow the aircraft the ability to pull straight into the space there by eliminating the ability to utilize the spaces closest to it. Monthly hangar fees are currently set at \$381, without regard to aircraft weight. There is no provision in the current rate resolution for annual adjustment of GA monthly rental fees.

The proposed revised monthly rental fees will initially be based upon a determination of current market value. Current market value using the Airport's appraisal for light asphalt or hangar floor space in same age facilities will be used to calculate the GA space rate for tie-down and hangar space with a weighted value of 80% and fees charged by surrounding airports, adjusted for like facilities weighted 20%. The surrounding airports include South County Airport, Reid Hillview Airport, Palo Alto Airport, San Carlos Airport, Hayward Airport, Oakland International Airport, and Livermore Airport. The new fee structure will be a flat fee per space that is based on current market value of the space, rather than the current weight-based method, thereby simplifying the structure and ability to determine and assess rates. Monthly rental fees for hangars and tie-down spaces will be subject to increase effective July 1 of each year, based upon any increase in the Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose Metropolitan Area. Alternatively, the Director of Aviation shall have the discretion to adjust the monthly rental fees using the market value methodology described above for any year effective July 1, in the event that the Director determines that local real estate values are increasing at a greater rate than the CPI. The Director of Aviation shall also have the discretion to adjust the monthly rental fees upon not less than thirty (30) days written notice to GA tenants at any time by not more than 25 percent, in the event that the Director determines that the availability of vacant hangars and tie-down spaces and the demand for such hangars and tie-down spaces warrants an adjustment to the monthly rental fees.

The Airport currently charges daily parking fees for transient GA aircraft that are parked at common use aircraft ramp areas for any period in excess of eight (8) consecutive hours in any twenty-four (24) hour period. The method for calculating daily parking fees based upon the applicable monthly rental fees will remain unchanged. The proposed resolution deletes the current 8-hour grace period, and the Airport will assess the full daily parking fee for any portion of a day on which a GA aircraft is parked at a common use aircraft ramp area. Since this fee is based on space used, a grace period is not appropriate since the aircraft is utilizing the space as soon as it has parked.

In an effort to keep these facilities leased, the Airport will establish hangar and tie-down waiting lists. The Airport is proposing General Aviation waiting list fees. These will include a \$75 administration fee for initial placement on the list, and an annual maintenance fee of \$50 for every year thereafter to remain on the list.

Badging

The proposal modifies the fees charged by the Airport Badging Office for Security Identification badge services to maintain cost recovery, simplify categories, and include new costs associated with the Airport Cyber Key system. Additionally, in January, 2010, the Transportation Security Administration (TSA) implemented charges for the annual vetting of security threat assessments (STAs) of all employees, which has not been incorporated into the current badging rates. Additionally, the current rates are no longer sufficient to cover increased costs of supplies and materials required to create badges. This recommendation also standardizes costs for all badges, whether new or replacement, as costs to produce the badges are the same.

Ground Transportation

The proposals for ground transportation definition and fee changes are related to the current roadway configurations following completion of the roadway system at the Airport and further clarify the current rate structures and process for ground transportation activities at the Airport. Currently, ground transportation operators at the Airport pay fees that are calculated by reference to the number of "trips" logged at the Airport. "Trips" are defined as drop offs or pick ups of passengers, baggage or packages at the Airport. Under the proposed resolution, a "trip" is re-defined as each entry onto any Airport roadway by a ground transportation provider or courier that currently pays a trip fee to conduct commercial activities at the Airport. These businesses include bus and shuttle operators, limousine operators, hotel/motel courtesy van operators, off-Airport parking courtesy van operators, taxicab operators and commercial couriers. This change in definition clarifies when a trip fee will be charged and helps eliminate continued circles around the airport property and non-business related congestion on the Airport roadways. Per trip fees for all businesses other than off-Airport parking courtesy van operators will remain unchanged under the proposed resolution.

Currently, off-Airport parking courtesy van operators pay a \$1.50 per trip fee (\$1.00 per trip for clean fuel vehicles), plus a fee equal to eight percent (8%) of off-Airport parking gross revenues. In order to reduce Airport administrative costs to review and audit off-Airport parking gross revenues, the proposed resolution eliminates the percentage gross revenues fee for off-Airport

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parking operators and increases the per trip fee to \$7.00 (\$6.00 per trip for clean fuel vehicles). By changing the per trip fee to \$7.00, the Airport is able to eliminate the gross revenue portion of the calculation, maintain the revenue stream for the program and simplify the fees assessed to the operators.

Taxicab operators and door-to-door shuttle operators pay the cost for the On-Demand Ground Transportation Dispatch service at the Airport through a monthly program fee. These program fees are set by the Director of Aviation on an annual basis, with adjustments to be made as necessary to cover the cost of the On-Demand Ground Transportation Dispatch service at the Airport. The monthly program fee for taxicab operators can be adjusted by the Director within a range from \$220 to \$330. The monthly program fee for door-to-door shuttle operators can be adjusted by the Director within a range from \$100 to \$110. The proposed resolution would leave the taxicab program fee range as-is, but increase the maximum monthly program fee for door-to-door shuttle operators to \$130. This will allow for shuttle fees to properly cover the expenses of the services provided to them as the number of vehicles in the program changes.

The proposed resolution defines "infrequent operators" as any ground transportation provider or courier that makes ten or less trips per year, to or from the Airport. Infrequent operators generally do not want to obtain a full Ground Transportation Permit, which includes a \$200 annual Administrative Fee. Creation of the infrequent operator category allows these operators to pay a per-trip fee of \$5.00 to \$30.00 per trip and be permitted to operate for their infrequent operations. The per trip rate will encourage infrequent operators to obtain a GT Permit should they become a more than infrequent operator.

The Municipal Code currently requires only those taxicab operators that make passenger pickups at the Airport to obtain an Airport ground transportation permit. Consequently, taxicab operators that only drop passengers off at the Airport currently are not required to obtain an Airport ground transportation permit and therefore do not pay trip fees on account of the conduct of their operations at the Airport. Staff recommends amending the Municipal Code to require that all taxicab operators that do business at the Airport obtain an Airport ground transportation permit. This will bring the Ordinance in line with the Council action and rate resolution which establishes trip fees for both drop-off and pick-up activity by all GT operators. The taxis were excluded in the Ordinance previously due to the change in the taxi model when all companies were working at the Airport. They are not all working at the Airport through the on-Demand system and the Ordinance needs to be brought in line with the other GT industries and the rate resolution.

Currently, there are several business operators that operate off-airport parking services as well as other businesses (hotels, shuttle services, etc.). Because trip fees will be set at different rates for parking shuttle operators, hotel/motel courtesy van operators and door-to-door shuttle operators, the Airport will not be able to determine the portions of any such combined operations that are attributable to each trip fee category. (Trip fees are the same for each of these groups now – they will only change if this recommendation is approved.) Therefore, staff recommends amending the Municipal Code to require parking shuttle operations be conducted in a separate vehicle from any other ground transportation services at the Airport. To the extent that a permittee does not comply with the requirement for a separate parking shuttle vehicle, the City will assess trip fees for all shuttle services provided by the permittee at the rate for parking shuttle operators.

Parking

The parking definition and fee proposals address upcoming plans to change the descriptions of Airport public parking facility options to Hourly, Daily and Economy parking and creates a range for the Director to establish parking rates for areas of the Airport that could be used for infrequent, temporary parking operations until permanent uses for the facilities are developed and completed. Several tenants and neighboring businesses have requested the availability of such temporary parking rates.

Additionally, some updates to rate ranges are required to allow flexibility for fee changes due to future cost increases or needs to address capacity and service quality within the Airport's parking facilities. The Director will continue to have the authority to adjust the rates with proper analysis and notification.

Shuttle Bus Service Rates

On occasion, airlines, tenants or other entities request the use of our shuttle busses. The user fee for Airport shuttle bus service, will allow cost recovery of shuttle bus lease, maintenance, operator, fuel, insurance, and administrative costs associated with providing shuttle bus services as well as an opportunity for profit for conducting the operation.

POLICY ALTERNATIVES

Alternative #1: Maintain existing fee structure with no modifications to approved fees or language.

Pros: No change in future Airport practices regarding resolutions.

Cons: Reduces the ability to maintain effective market rate, cost recovery or service, capacity and revenue controls. Does not allow the Airport to clarify existing policies and programs.

Reason for recommending: To improve cost recovery, simplify fees, increase revenue, capacity and service controls.

PUBLIC OUTREACH

- 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 May 24, 2011, City Council Meeting.

COORDINATION

This effort was coordinated with the City Attorney's Office and the City Manager's Budget Office. The proposed rate changes have been discussed with Airport airlines with no objections noted. The Airport Commission has been briefed on the proposal on two previous occasions and the final proposal will be discussed at the Airport Commission meeting scheduled for Monday, May 23. Staff will provide verbal updates on Commission actions regarding the proposal if necessary.

Fiscal/Policy Alignment

This recommendation provides to opportunity for the Airport to establish rates and fees that attain cost recovery and to bring fees in line with current market value where appropriate.

Budget Reference

The Airport Program rates identified are set at levels that are not currently cost-recovery or current market value. The increases recommended in this memo will help to achieve the 100% cost-recovery goal or establish rates at current market value as appropriate for the identified program. Council approval of the new fee rates will allow the Airport to incorporate the new rates into the Rates and Charges April 1, 2011 and incorporate additional fee revenue into the Airport Revenue Fund to offset program costs.

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CEQA

Statutorily Exempt, File No. PP10-067(a), CEQA Guidelines Section 15273,
Rates/Tolls/Fares/Charges.

/s/

William F. Sherry, A.A.E.

Director of Aviation

For questions, please contact William F. Sherry, A.A.E., Director of Aviation, at (408) 392-3611.