



Airport Competitiveness Committee

Committee Members

- Mayor Reed
- Councilmember Liccardo
- Councilmember Pyle
- Councilmember Herrera

Staff

- Debra Figone, City Manager
- Bill Sherry, Airport Director
- Ru Weerakoon, Mayor's Office
- Ed Shikada, Assistant City Manager
- Kim Welsh, OED
- Kevin Fisher, City Attorney's Office
- Jim Webb, Airport

Objectives

To ensure the success of the Airport by: 1) retaining current commercial air service; and 2) attracting new commercial and other aviation services to SJC.

Agenda for Friday, April 13th, 2012 at 3:00 p.m. The City Manager's Conference Room 17th floor of the City Hall Tower (T-1734)

- A. The Airport's FY 12-13 Budget** – An update on the Airport's FY 12-13 budget and the revised forecasts on growth and enplanements

Documents filed: Airport Competitiveness Committee, April 13, 2012, PowerPoint Presentation FY 12-13 Operating Budget, CPE Status, and 2007 Unspent Bond Proceeds

Airport Director William Sherry updated the Committee on the status of the Airport. Director Sherry discussed the decline in air service, which began in 2008. The airport has been able to maintain the \$12 CPE, set by the City Council, because of Southwest Airlines' \$6 CPE, and that it accounts for 50 % of the airport's business. Airport administration would like to see growth from air carriers that are in higher CPE ranges.

Director Sherry highlighted the three items that are impediments to the Airport's growth:

- Airport construction
- The 2008 Recession
- The market share war with SFO

Unlike the City's annual budget, the Airport has a five-year budget. The Airport will end the fiscal year with a surplus. However, the Airport will not make the target 2%

growth because it did not see growth between August – September 2011, and has since, been below the growth target. Director Sherry informed the Committee that the Airport expects FY 2013-2014 to be flat.

The Budget impacts are as followed:

- FY 11-12 decreases in landing fees and parking revenues offset by increases in common use space rents and rental care revenues. Expense savings anticipated.
- FY 12-13 decrease in revenues offset by expense saving from FY 10-11 and FY 11-12.
- CPE estimated at \$11.95 for FY 12-13.
- FY 12-13 ending surplus less than anticipated.

The CPE at SFO is increasing, while SCJ is decreasing. The cost of doing business at SJC is 75% of the cost of SFO. Ideally, SJC would like to be below \$10 CPE. However, the Airport is currently not in the position to do so.

The airport's CPE is kept low because of bond proceeds. The status of unspent bond proceeds is as followed:

- Current amount of 2007 bond proceeds available - \$115 million; \$40 million estimated for project closeout/deferred projects and \$75 million estimated for CPE reduction.
- \$26 million held in Airport reserve for CPE reduction.
- Based on current projections of (1.5%) in FY 12, 0% in FY 13, and 2.2%-2.5% in FY 14 through FY 17, approximately \$63 million is needed for CPE reduction through 2017 to achieve \$12 CPE.

The Airport will need to use \$63 million over the next five years to keep the CPE at \$12.

Director Sherry informed the committee that any further cuts to the Airport will create a dire situation. All rates and services are at market value, and there are no more areas to get revenue. The only options are generating new flights and the new Westside development.

- B. Status of the Cost Per Enplaned Passenger (CPE) –** A status report on the Airport's efforts to maintain a CPE below \$12 per passenger

See Item A

- C. Status of Unspent Bond Proceeds –** A report on the status of unspent bond proceeds

See Item A

D. Next Meeting Date, Time and Draft Agenda:

- *Thursday, May 18, 2012 at 4:00 p.m. in the City Manager's Conference Room (City Hall Tower – Room 1734)*

- **Draft Agenda: West Side Development**, including:
 1. Draft West Side RFP Terms and Conditions
 2. Basic Analysis of the Economic Benefits of Other Aviation Uses
 3. Potential Revenue Sources to Help Maintain a Competitive Cost Per Enplaned Passenger

E. Adjournment 3:53



Mayor Chuck Reed
Committee on Airport Competitiveness