



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 Walesh, 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, May 18, 2012 at 4:00 p.m. The City Manager's Conference Room 17th floor of the City Hall Tower (T-1734)

- A. DRAFT West Side RFP Terms and Conditions** – Per Council direction of April 3, 2012, a draft of the West Side RFP and its terms and conditions.

Documents filed: Memorandum from Director of Aviation William Sherry to the Airport Competitiveness Committee dated May 18, 2012 regarding Proposed Terms and Conditions of the West Side Request for Proposal, and (2) West Side Development PowerPoint Presentation dated May 18, 2012.

Director of Aviation William Sherry updated the Committee on the West Side RFP process and provided a review of the West Side Development PowerPoint Presentation. The RFP process is two phases: the first phase is pass or fail and the second is a scoring phase. The scoring phase for commercial operators is based on revenue to the airport (40%), revenue to the City (20%), quality of proposed facilities and capital investment (15%), business and management plan (15%)¹, and benefits to the local community (10%). The scoring phase for non-commercial operators is based on revenue to the airport (47%), revenue to the City (24%), quality of proposed facilities and capital investment (17%), and benefits to the local community (12%).

Additional consideration will be given pertaining to Taxiway V. The Administration must consider the worst case scenario, which would require taking property from

¹ for non-commercial proposers these points will be re-allocated to the other scoring categories

Avbase and HP. If it is determined that Taxiway V needs to move west, Avbase and HP will be relocated to new space within the 44 acres available for West Side Development.

Director Sherry provided a summary of general aviation and economic benefits of the West Side Development proposal, which included:

- Direct Revenue to the Airport
 - Ground rent
 - Fuel flowage.
- Direct Revenue to the City
 - Use tax
 - Sales tax
- Indirect Impacts
 - Jobs on the development site
 - Secondary economic impacts

Additional general aviation economic benefits include:

- Uses that result in more fuel use generating more fuel flowage fees
- Increased based aircraft generating more property tax revenue
- High employment uses that will generate more secondary spending

- A large FBO provides all three benefits and is the great revenue generator

- An Original Equipment Manufacturer (OEM):
 - Can require a large site;
 - Looks for areas with low labor and energy costs;
 - May seek incentives to locate in San José;
 - Lots of good paying jobs; lots of secondary spending; but
 - Little fuel flow revenue to the Airport;
 - Little tax revenue to the City;
 - Not allowed under the current master plan; and
 - May have impacts of concern to community

- Dedicated Sports Charter terminal:
 - Seasonal and sporadic use; limited use of the land
 - Would not result in based aircraft, limiting tax generated to the City
 - Low number of Job
 - Can be accommodated by FBOs

Mayor Reed stated that he is looking to come up with \$12 million of savings or revenue increases by 2017 to cover the debt service.

Public comments: Ron Blake commented that he was unaware of the RFP bid or the vacant Spartan property. He mentioned that this was not discussed at the Airport Commission Meeting.

Thomas Poulter said the SFO fuel flowage fee shouldn't be used as a comparison because it is a very complex issue; the airport is largely owned by the City of San Francisco and the fees are an offset of facility fees.

David Wall expressed his concern about the RFP process because the Chamber of Commerce and The Silicon Valley Leadership Group are on the evaluation panel and he believes them to be biased. Mr. Wall does not believe that the \$12 CPE is reasonable or attainable. Mr. Wall questions how long the Airport will have money to pay for police and fire services.

Action: The Committee approved a Sunshine Waiver for the report.

- B. Analysis of Potential Economic Benefits** – Per Council direction of April 3, 2012, a presentation of basic analysis of potential economic benefits that could be generated by other aviation uses on available West side land.

Documents filed: Memorandum from Director of Aviation William Sherry to the Airport Competitiveness Committee dated May 18, 2012 regarding Evaluation of Various General Aviation Uses.

See Item A

- C. New/Additional Revenue Sources to Help Maintain a Competitive CPE** – Per Council direction of April 3, 2012, a report on potential West Side general aviation revenue sources that will help maintain a competitive Cost Per Enplanement Passenger (CPE) such as increasing flowage fees, adding landing fees, charging overnight fees, and raising based aircraft T-hanger rates, etc.

Documents filed: Memorandum from Director of Aviation William Sherry to the Airport Competitiveness Committee dated May 18, 2012 regarding Potential Revenue Sources and Revenue Rate Adjustments for General Aviation

Airport staff recommends the following revenue sources and revenue rate adjustments to maintain the CPE:

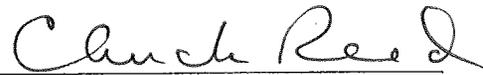
- Adjust the fuel flow fee to \$0.20 per gallon
- Do not implement a landed weight fee for general aviation
- Do not implement an overnight fee for itinerant general aviation operations

- Do not adjust T-hanger and tie-down rates at this time but continue to monitor the occupancy level and adjust the rates, as necessary, to maximize the revenue from these facilities while maintaining a high occupancy rate.

D. Next Meeting Date, Time and Draft Agenda:

- *Thursday, June 21, 2012 at 1:30 p.m. in the City Manager's Conference Room
(City Hall Tower – Room 1734)*

E. Adjournment 4:42 pm



Mayor Chuck Reed

Committee on Airport Competitiveness