



**COUNCIL AGENDA:  
ITEM:**

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**Ad Hoc Committee on Airport Competitiveness  
Meeting Report  
April 8, 2011**

**PRESENT:** Mayor Reed, Councilmembers Liccardo, Pyle and Herrera

**ABSENT:** NA

**STAFF:** City Manager Debra Figone, City Attorney Rick Doyle, Airport Director Bill Sherry, Director of Economic Development Walesh, Sr. Deputy Attorney Kevin Fisher, Airport Director of Governmental Relations Jim Webb, Economic Development Policy Advisor, Ru Weerakoon and Deputy City Clerk Tamara Davis.

**A. Police Outsourcing/Fire Outsourcing**

Documents Filed: Memorandum from William Sherry, Director of Aviation to Mayor Reed and Council dated March 28, 2011 regarding Airport Public Safety Outsourcing Update: RFP Selected Vendors and Start of Negotiations.

Airport staff updated the Committee about the status of the Police/Fire Outsourcing. The Airport is moving forward with the RFP. They received nine responses and six were deemed acceptable. The Airport has selected the County of Santa Clara Sheriff's Office to negotiate with to take over the police functions. Their proposal was for an annual cost of \$4.1 million. The airport will make a full business base presentation to Council on May 3, 2011. Additionally, the airport has selected Wackenhut Services, Inc. (WSI) from FL to negotiate with to take over the fire functions. Their proposal was for \$1.5 million a year for services. The airport is also working with SJFD to reduce cost. The City's target for reductions was \$10-\$12 million. The current proposals achieve \$9.5 million of savings. The Airport will present both options to Council: 1) SJPD and SJFD proposed cost reductions and 2) the County Sheriff's Office and WSI proposals for taking over public safety operations.

The City will still have local law enforcement responding to police-related issues. Fire training and services are specified by FAA and must be reviewed every 12 months. WSI currently has contracts at Moffett Field, Kennedy Space Center, and other federal air facilities. The Airport will own the fire equipment and WSI will supply staff.

The State charges counties for ALS medical services, which they contract to private companies or cities. The County will take over responsibility for medical responses and meeting the required seven-minute response time. The County does not have the expectation that the private vendor will assume this role.

Action: The Committee did not take any action.

**B. West Side Development Strategy**

Documents Filed: Issue Document: Westside Development Strategy and Westside Development Strategy PowerPoint.

Airport Staff updated the Committee on the status of the West Side Development Strategy. The new parking facilities will open in April 2011. Staff is evaluating three development options: 1) Runway 11/29 to remain in service (not used for commercial aircraft); this option will allow for 50 acres of developable land (no master plan development amendment – does require some runway upgrades); 2) Convert Runway 11-29 to a taxiway with extensions. This would close taxiway Victor (this option require a master plan amendment) and create an additional 39 acres of developable land (for a total of 89 acres); and Option 3 would close Runway 11-29 and taxiway Victor and create an additional 90 acres of developable land for a total of 142 acres of developable land (this option requires a master plan amendment). The Airport would have to test models of options 2 & 3 to make sure the existing runways could handle current jet traffic.

It is anticipated that the majority of new development will accommodate the demand for larger, corporate jet aircraft. Activity on runway 11-29 is 10% of the airports current traffic. Runway 11-29 will require \$2 million dollars to get it back to standards for operation. Increased development would create additional revenue for the Airport, tax revenue for the City, and support economic development. The closure of Runway 11-29 will require approval from the FAA.

The Airport will need to complete a study to determine the airfield capacity impact of closing Runway 11-29.

Action: The Committee did not take any action.

**C. Implementation of SB 1192 for Daily CFC Rental Car Rate**

Documents Filed: Issue Document: Implementation of SB 1192 daily CFC Rental Car Fee

Previous state law authorized rental car companies to collect a Customer Facility Charge (CFC), which is a fee that is required by an airport to be collected to assist in paying for the cost of building rental car facilities and operating common-use transportation systems. By state law, rental car companies are authorized to collect a maximum CFC of \$10 per contract. In September 2010, Governor Schwarzenegger signed Senate Bill 1192 into law, which revised state law, to provide an alternative of collecting CFCs per day rather than on a per contract basis. The bill allows for a per day CFC of \$6 per day for maximum of five days. Because of the recession, the current per contract CFC revenue is falling far short of projection. For that reason, the Airport is interested in pursuing a per day CFC. The Airport anticipates a public hearing about a per day CFCs in June.

Action: The Committee did not take any action.

**D. Airport Bond Issue**

Documents Filed: Issue Document: Airport Bond Issues

Airport staff provided the Committee with an update on the Airports Bond Issues. The \$1.3 billion Terminal Area Improvement Program was funded from a combination of general Airport Revenue Bonds, commercial paper notes, passenger facility charges, federal grants and Airport funds. The Airport's commercial paper program has been expanded to \$600 million, to allow for development of the airports expansion and to refinance the 2004 Airport auction rate securities

It is very likely that the long-term bond issue will have two closing dates in mid-2011. As noted, the bonds will be issued to refinance commercial paper associated with the ConRac and the 2004 auction rate securities. Staff is now pursuing implementing an increase to the Customer Facility Charge (CFC – a fee for rental car facility capital costs paid by rental car customers as part of their contract) authorized under new state legislation passed in September 2010. the Airport needs the CFC increase to provide additional funding to pay debt service on the ConRac. However, an increase in the CFC must be reviewed and approved by the State Controller's Office and at a City public hearing it can be implemented. If approval of the increased CFC takes longer than expected, the Airport will move forward first with refinancing the commercial paper associated with the auction rate securities and terminate the Lloyds letter of credit prior to the extended expiration date.

Fixed rate bonds will be issued to refinance approximately \$363 million of existing commercial paper associated with the Consolidated Rental Car Facility and the 2004 auction rate securities. The anticipated issuance date is July 2011.

Action: The Committee did not take any action.

**E. Establishing Airport-Specific Classifications**

Documents Filed: Issue Document: Establishing Airport-Specific Classifications

Airport staff is currently working with HR to exempt some classifications from the City civil service bumping process. The airport has specialized operations and the positions do not have an overlap of skills. Airport staffing is currently at a minimum level; there a number of positions where there is only one person with the knowledge, skills, and/or experience necessary to perform core functions that are critical to the Airport. For that reason, the Airport needs some flexibility in retaining critical staff experience and knowledge to remain competitive and efficient.

Action: The Committee did not take any action.

**F. Regional Airport Study**

Documents Filed: Issue Document: Regional Airport Study

The City is interested in re-balancing air service more equitably among the three major Bay Area airports. The Metropolitan Transportation Commission (MTC), the Association of Bay Area Governments (ABAG), and the Bay Conservation and Development Commission (BCDC) are conducting a study through the Regional Airport Planning Committee (RAPC) to determine how to handle growth in long-term commercial aviation demand short of constructing new runways and airports. The Committee is exploring the option how domestic flight activity can be re-distributed among San José, San Francisco and Oakland to the benefit of all three airports. Airport staff report that an increase as a result of re-distributed air service will increase passenger activity at SJC and passenger and airline-generated revenues that will help improve the Airport's financial condition.

Action: The Committee did not take any action.

**G. Business Engagement Strategy**

Mayor Reed and Airport Director Sherry met with Silicon Valley Leadership Group. SVLG very interested in partnering with SJ. Some businesses take 1,000 trips a week. Many have contracts with airlines. Most companies would like to fly out of an airport closer to work. Corporate partnership can be very beneficial to SJ. The top destinations for businesses are the East Coast domestically and Tokyo and London internationally. Mr. Sherry said that the Airport must be strategic and identify the most advantageous markets.

**H. Air Service update**

Airport staff reported a seven percent increase in air traffic in Feb 2011 over the same time in 2010. Staff attended a meeting in Austin with European and Asian airlines to discuss San Jose as a travel destination. Staff also reported that ANA has not made a decision on San Jose routes. San Jose is pursuing an aggressive outreach strategy for international carriers.

**Follow-up Questions from February 24 committee meeting**

Discussion ensued about the name change of the San Jose Airport. Staff commented that adding Silicon Valley to the name would help with links like Travelocity, Expedia, and Orbitz etc. It could also help with search engines. Staff also mentioned there are ways to work with airline partners to increase recognition. Furthermore, staff suggested increasing recognition by incorporating it in news releases, logs, and advertisement. Airport staff will be issuing an RFP for a new, tech savvy marketing firm to help with re-imagining the airport. This will be brought to the Council in June.

The current recommended name for the airport is San Jose-Silicon Valley Mineta International Airport. Councilmember Herrera asked staff to bring all new name options to the May 5, 2011 meeting, including names that do not contain the Mineta name.

**I. Open Forum**

**J. Adjournment**

The meeting was adjourned at 4:43 p.m.



Mayor Chuck Reed

Ad Hoc Committee on Airport Competitiveness