

Ad Hoc Committee on Airport Competitiveness
Meeting Report
August 18, 2011

PRESENT: Mayor Reed, Councilmembers Liccardo, Pyle and Herrera

ABSENT: NA

STAFF: City Manager Debra Figone, Deputy City Attorney Kevin Fisher, Airport Director Bill Sherry, OED Director Kim Walesh, Sr. Deputy City Attorney Kevin Fisher, Airport Director of Governmental Relations Jim Webb, the Mayor's Economic Development Policy Advisor Ru Weerakoon and Deputy City Clerk Tamara Davis.

A. West Side Development Strategy

Director Sherry informed the committee that over the last four years all available Airport resources have been applied to the completion of the Terminal Airport Improvement Program. The terminal construction program came in \$140 million under budget and was completed early. Currently, staff is looking at development options for the West Side of the Airport. Staff has identified many possibilities on how to develop the Westside. However, there remains the question of the future of runway 11-29. If the 11-29 is still needed as a runway or taxiway, the airport will have approximately 40 acres of developable property. If not, there will be approximately 100 acres of developable property. Some analysis will need to be performed by the Airport administration and the FAA.

Airport administration is looking at capacity issues related to runway 11-29, and anticipates preliminary results next month. Staff is looking to start discussions in mid-September about taking steps to issue a RFP for another fixed based operator on the West Side.

The Airport Commission will be meeting Oct. 17, 2011 to discuss West Side Development issues. Staff anticipates bringing proposed minimum standards to Council in early November to review and adopt. The City Council will also need to approve land changes to the Airport Master Plan. The FAA will also need to review any proposed changes in Airport land use on the West Side.

Director Sherry believes that Airport has underserved the corporate community and is looking to reach out to the aviation development community on the availability of space to house corporate jets.

Director Sherry mentioned that the FAA will look out as far as 30 years in considering Airport development needs. Additionally, they will make sure any changes are compatible for emergency aviation.

Currently, the length of runway 11-29 limits its use to smaller general aviation aircraft.

Public Comments: Doug Rice discussed a report from Atlantic Aviation. The Airport (SJC) has not been competitive for many years. The general aviation population is one-tenth of what it used to be and CSJ costs are higher than any other airport except SFO. Currently, SJC receives \$1.7 million from Atlantic Aviation, while SFO gets a minimum annual guarantee \$11.6 million from Signature for fuel flowage fees revenue, yet SJC has the highest fuel costs in the Bay Area.

Eric Hietala, Regional VP from Signature, assured the Committee that his company wants to invest in the development of a general aviation facility at the Airport.

Tim Murray of Atlantic Aviation disputed the fact that Atlantic Aviation is the most expensive Fixed-Base Operation (FBO) in the Bay Area.

Action: No action taken

B. Airport Marketing Communications Consultant Contracts

The Committee deferred action for changes, since the item will be on the City Council agenda for August 23.

Documents Filed: Memorandum from Director William Sherry to the Mayor and Council dated August 11, 2011 regarding the Agreements for Air Service Development and Airport Marketing and Communications Consulting Services.

Action: No action taken

C. Application of Prevailing Wage Policy at the Airport

Airport staff requested this item be delayed. In the meantime, as a result of the delay in issuing the parking management and operations RFP, the Airport will need to extend AMPCO parking management agreement by six months.

Action: No action taken

D. Police Outsourcing/Fire Outsourcing

The Council passed the City budget, which included seven months for Airport operations funding at SJPD cost rates and five months funding at the Santa Clara County Sheriffs

Office cost rates. The Administration is currently looking at hybrid options and is analyzing the costs. Staff anticipates bringing recommendations back to Airport Commission and PSFSS in September to get the item on the City Council agenda in October or November.

Councilmember Herrera questioned how outsourcing relates to the SAFER grant. Staff informed the Committee that because the SAFER grant pays for fire services for two years, fire services are currently not being considered for outsourcing.

Action: No action taken

E. Business Engagement Strategy

Director of Economic Development Kim Welsh informed the Committee that her team is working with Silicon Valley CEOs to bring more business to the Airport. Silicon Valley companies are sharing travel data with airline carriers to help air carriers understand the market demands. Staff is working with 30 new Silicon Valley Chamber businesses to demonstrate market demand to ANA airlines.

OED Director Welsh provided highlights to the Committee of a survey issued to Silicon Valley business travelers. Survey results indicate that 98% of business travelers prefer to fly from SJC to China versus flying from SFO. Additionally, she mentioned that the U.S. Department of Commerce ranked San Jose as 20th in the nation for overseas visitors coming to the United States.

Airport Director Sherry discussed the 16 years of American Airlines' direct service from SJC to Tokyo and stated the service could only get better if ANA takes the service route. As of June 30, 2011, SJC added 50 new weekly flights.

The Mayor suggested putting together an aggregate buying program for small businesses.

Action: No action taken

F. Air Service Update

Airport administration staff reported making progress with ANA and Virgin Airlines. In October staff will be going to Berlin for the Routes International Carrier Conference. Staff reported that the partnership with the Office of Economic Development is working and the involvement of the Silicon Valley Leadership Group is phenomenal. Additionally, Aer Lingus has SJC on their radar and they have expressed an interest in air service between Silicon Valley and Ireland.

Action: No action taken

Follow-up Questions from the June 16th Committee Meeting

- Should the City consider sponsoring legislation to lower the state tax rate on general aviation aircraft to encourage more general aviation aircraft to be based at the airport? (Pyle)

Director Sherry suggested doing research before making a decision. He suggested going working through the California Airport Council, an organization he will lead as the new Board President in November.

Next Meeting Date & Time *(if needed/desired)*

Thursday, September 15, at 1:30 p.m. City Manager's Conference Room (CH – Tower 1734)

The meeting was adjourned at 2:23 pm



Mayor Chuck Reed

Ad Hoc Committee on Airport Competitiveness