SAN FRANCISCO AIRPORT COMMISSION



May 19, 2014 Special Meeting 9:00 A.M.

Room 416 - City Hall #1 Dr. Carlton B. Goodlett Place (400 Van Ness Avenue) City and County of San Francisco

EDWIN M. LEE, MAYOR

COMMISSIONERS

LARRY MAZZOLA

President

LINDA S. CRAYTON

Vice President

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

JOHN L. MARTIN Airport Director

SAN FRANCISCO INTERNATIONAL AIRPORT SAN FRANCISCO, CALIFORNIA 94128

Minutes of the Airport Commission Special Meeting of May 19, 2014

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AIRPORT COMMISSION SPECIAL MEETING MINUTES May 19, 2014

A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 416, City Hall, San Francisco, CA.

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B. ROLL CALL:

Present: Hon. Larry Mazzola, President

Hon. Richard J. Guggenhime

Hon. Peter A. Stern

Absent: Hon. Linda S. Crayton, Vice President

Hon. Eleanor Johns

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C. ADOPTION OF MINUTES:

The minutes of the regular meeting of May 6, 2014 were adopted unanimously.

No. 14-0091

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D. SPECIAL ITEM:

Item No. 1 was moved by Commissioner Stern and seconded by Commissioner Guggenhime. The vote to approve was unanimous.

1. Retirement Resolution for Tryg McCoy

No. 14-0092 Resolution thanking Tryg McCoy for his 18 years of

service to the City and County of San Francisco and San Francisco International Airport and offering him

best wishes for a long and fruitful retirement.

Mr. John Martin, Airport Director said Tryg worked for many years with American and AirCal, retiring as Station Manager for American. He then came to the Airport where he has worked for 18 years. He began his career as a Duty Manager and quickly moved up the ranks to Chief of the Duty Managers, then Deputy Director for Operations and Security in 2004 and Chief Operating Officer in 2011. I could not have asked for a stronger COO. He modeled a commitment to excellence and was a model employee, reaching out, promoting good will and high standards. He is a true leader who came through for the Airport with our Reaching for No. 1 program, elevating our performance, and the way he responded as a leader in the Asiana crash, taking on the situation and managing it so incredibly effectively, following through in Washington with the NTSB and handling those hearings. I'm personally very grateful to Tryg for his outstanding work and commitment to the Airport over the years. We're all going to miss him.

Mr. Tryg McCoy said you reach a point in your career where this happens and it's embarrassing, frankly. I've loved everyday I worked at the Airport. It's been a fabulous career and I'm very grateful. And the people I'm most grateful to are everybody here in this room, to John, to Sheryl, to you Commissioners, to Jean, to everyone behind me, to the other Deputy Directors, all the Staff here at the Airport. It's a wonderful group of people running a really complex organization. The Airport is a tough place. There's a lot going on everyday, lots of challenges, and a lot of opportunity for failure and opportunity for success. We've been successful and we'll continue to be successful because the people that will be here long after me are the right people. They have the skills, the talent, and most importantly they have the commitment to the Airport to make it truly successful. As John said I've had two careers. I worked for airlines for 23 years and the Airport Commission for 18 years. I've been fortunate to have people who have trusted me and given me opportunity to grow and lead the organization at different levels. No one has done more for me than John Martin. I've had his trust and his support, and he's given me opportunities ... and I think I've done okay with those opportunities. I'm grateful to John and the Commission for giving me those opportunities. It's been great. I've loved every day. I truly care about the people I've worked with and I think that's really the secret. It's no secret to care about people, to support them and find ways to lift obstacles from people that kept them from being successful, to try to find ways to lead them, to follow our Reaching for No. 1 goals and objectives ... they truly are a great set of principles that help guide us all. To the extent that I've done that, I'm happy. Now it's time for me to step aside and let Ivar have the opportunity to be COO. He'll be successful, and likely more successful than I've been. It's a nice transition; I couldn't be happier. I'm going to have a good time doing something completely unknown. Whatever it is, it'll be fun. I thank everybody for the opportunity. Thank you very much.

Commissioner Stern said I hope retirement means that you'll return to the Airport to work on projects from time to time. You're going to be missed.

Commissioner Guggenhime said I want you to tell me what retirement is like on a daily basis ... I want to hear from you.

Commissioner Mazzola said I'm sure you'll have a third career. I don't know what that will be, but I wish you a lot of luck in it.

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E. ITEMS INITIATED BY COMMISSIONERS:
There were no items initiated by Commissioners.

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- F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE: Item Nos. 2 and 3 were called together. They were moved by Commissioner Guggenhime, seconded by Commissioner Stern. The vote to approve was unanimous.
 - 2. <u>Designation of \$62,550,000 of Passenger Facility Charge (PFC) Funds as</u>
 Revenues for Payment of Debt Service in Fiscal Year 2014/15 and Authorization

to Apply Such Amount to Airline Rates and Charges, As Needed, and to Request an Appropriation of an Additional \$47,000,000 of PFC Funds for Capital Projects

No. 14-0093

Resolution (1) designate \$62,550,000 of PFC funds as revenues for payment of debt service in FY 2014/15, (2) authorize such amount to be applied to airline rates and charges, as needed and (3) authorize a request for an appropriation of \$47,000,000 of PFC funds for capital projects

3. <u>Fiscal Year 2014/15 Airport Rates and Charges</u>

No. 14-0094 Resolution establishing Airport Rates and Charges for FY 2014/15.

Mr. Leo Fermin, Chief Business & Finance Officer said these agenda items are related in that we collect Passenger Facility Charges of \$4.50 per enplanement then use the amounts designated as revenue to pay debt service in our operating budget. This, together with non-airline revenues, affects the amount we need to collect from the airlines through rates and charges. It helps to moderate increases in airline rates and charges. We've reviewed next year's proposed rates and charges with the airlines and the Airport's Financial Advisory Committee. Next year our enplanement forecast is 23.1 million, an increase of 2.9% from the current year's budget. We propose to increase landing fees by 6 1/2%, from \$4.29 per 1,000 lbs. to \$4.57. In comparison, one year ago the increase was 7%. The average annual increase in landing fee rates since 2008, when the financial crisis hit, was 6.1%. Next year's landing fee rate of \$4.57 is the same as Boston's rate this year, and is close to LAX's \$4.60. Chicago's landing fee rate is \$7.30. Newark is \$8.26. We also proposed increasing the average terminal rental rate by 6 \(\frac{1}{2}\)%, from \$140.85 per sq. ft. to \$149.98. One year ago the increase was 7.1%. The annual average increase in terminal rates since 2008 is 7.3%. Bottom line, the cost per enplanement will increase by 2.9%, from \$14.22 to \$14.63, well below the target ceiling of \$18.90 agreed to with the airlines for the first five years of the 2011 Lease and Use Agreement.

Item Nos. 4 and 5 were called together. They were moved by Commissioner Stern seconded by Commissioner Guggenhime. The vote to approve was unanimous.

4. Adopt Findings Under CEQA and Authorization to Proceed with Implementation of the On-Airport Hotel and AirTrain Station Project

No. 14-0095

Resolution adopting findings under the California Environmental Quality Act (CEQA) and authorizing implementation of the On-Airport Hotel and AirTrain Station project as provided in the Airport's approved FY 2014/15 Five-Year Capital Plan; and related actions.

This activity is within the scope of the San Francisco International Airport Master Plan Program approved by the Airport Commission on November 3, 1992. The Master Plan EIR prepared for the Master Plan Program, including addenda thereto, adequately described this activity and its potential environmental effects for the purposes of the California Environmental Quality Act (CEQA).

Mr. Fermin said this past February the San Francisco Planning Department issued an addendum for the Hotel project to the final Environmental Impact Report for the previous Master Plan. In March, staff sent you the addendum itself with a 4-page CEQA Review Summary. The resolution before you adopts the CEQA findings and authorizes staff to proceed with the Hotel project.

5. <u>Authorization to Issue a Request for Proposals to Select a Branded Hotel</u> <u>Operator</u>

No. 14-0096

Resolution authorizing the issuance of a Request for Proposals to select a branded Hotel Operator.

Item 5 authorizes staff to issue a RFP for a branded hotel operator. So far, a total of nine brands have met with staff and expressed interest in the operator contract. Currently, we are contemplating a 10 year management agreement with one, five year option. With your approval, we will distribute the RFP tomorrow and hold a pre-proposal conference on June 3rd to go over the RFP document, answer questions, and receive comments and suggestions from interested parties. We will return on June 17 to report on the pre-proposal conference and request your authorization to receive proposals which will be due on August 8. It should take the selection panel about a month to evaluate proposals and interview firms

Commissioner Stern asked Mr. Fermin what his thoughts are on the RFP criteria.

Mr. Fermin said Attachment A shows the selection and evaluation criteria, but what's important is a true understanding by the operator of what the Airport wants to achieve. It's important that the operator is consistent with our expectations and matches our vision of what we want the hotel to be, and more importantly, the operator also has to tie into the Airport's values and the values of the CCSF, and really endorse those values. That's going to be very important criteria.

Commissioner Guggenhime said the only reason you've got a tentative 5 year, which in my view is not that long, is that has to be done to get a qualified management agreement for tax reasons.

Mr. Fermin replied correct. The maximum term is 15 years allowable by tax law.

Item No. 6 was moved by Commissioner Guggenhime seconded by Commissioner Stern. The vote to approve was unanimous

6. Award Four New Commercial Paper Deal Agreements for Dealer Services to Citigroup Global Markets, Inc., J.P. Morgan Securities, LLC; Morgan Stanley & Co., and RBC Capital Markets, LLC, in Connection with the Airport's Commercial Paper Program

No. 14-0097	Resolutions awarding four new Commercial Paper
No. 14-0098	deals and approve the execution of new dealer
No. 14-0099	agreements with Citigroup Global Markets, Inc., J.P.
No. 14-0100	Morgan Securities, LLC, Morgan Stanley & Co., and
	RBC Capital Markets, LLC, each with a five-year
	term

Mr. Fermin said commercial paper is an excellent very low cost way for us to finance projects on an interim basis when construction work is underway. Currently, commercial paper costs us between 0.07% and .09%, less than 1% in interest annually. Our current commercial paper dealer agreements expire on June 30. In March we issued an RFP to firms in the pre-qualified underwriting pool and proposals were received from eight of the 10 firms in the pool. Our evaluation criteria included competitiveness of fees, the ability to work with the Airport's form of the dealer agreement and suggested dealer counsel, prior experience with similar size commercial paper programs, and the proposed staff to be assigned to the Airport. We request awarding five year agreements to the best four of the eight firms which submitted proposals.

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- G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS: The Consent Calendar, Item Nos. 7 thru 12, was moved by Commissioner Guggenhime and seconded by Commissioner Stern. The vote to approve was unanimous.
 - 7. Modification No. 3 to Exercise the Second and Final One-Year Option to Extend the Arbitrage Rebate and Investment Advisory Professional Services Contract 9010 with Bond Logistix, LLC, and Authorize the Use of Previously Approved Compensation to Fund the Remainder of the Contract

No. 14-0101 Resolution approving Modification No. 3 to extend the Airport's Arbitrage Rebate and Investment Advisory Contract with Bond Logistix, LLC thru Sept. 30, 2015, and authorize the use of \$165,825 in previously approved compensation to fund services

over the second and final option year.

8. Modification No. 2 to Exercise the Second and Final One-Year Option to Extend the Term of Contract 9013 with Swap Financial Group, LLC thru Dec. 14, 2015 and Authorize Use of Previously Approved Compensation to Fund the Remainder of the Contract

No. 14-0102 Resolution approving Modification No. 2 to extend Professional Services Contract No. 9013 with Swap

Financial Group, LLC thru December 14, 2015 and authorize use of previously approved compensation to fund services for the second and final option year.

9. Execute Amendment to Letter of Credit and Reimbursement Agreement with Royal Bank of Canada to Increase the Existing Letter of Credit Supporting Subordinate Commercial Paper Notes from \$100 Million to \$200 Million, and Extend the Expiration Date for an Additional Year

No. 14-0103

Resolution authorizing an Amendment to the Letter of Credit and Reimbursement Agreement with Royal Bank of Canada to increase the existing Letter of Credit from \$100 million to \$200 million, to extend the expiration date for an additional year, and approve certain related actions.

10. <u>Modification No. 2. to Contract No. 8838 - AirTrain Operations and Maintenance Bombardier Transportation (Holdings) USA, Inc. - \$1,848,174</u>

No. 14-0104

Resolution approving Modification No. 2 to Contract 8838 with Bombardier Transportation (Holdings) USA, Inc. for AirTrain Operations and Maintenance Services in the amount of \$1,848,174 to cover the replacement of obsolete AirTrain equipment and to provide a contingency fund for replacement of any additional equipment over the three-year contract term, for a new total not to exceed contract amount of \$100,548,174.

Award Contract 10009.41 - Project Management Support Services for Security
 Access Office and Customs Badge Seal Office Relocations - Cambridge CM, Inc.
 - \$739,575

No. 14-0105

Resolution awarding Professional Service Contract 10009.41, Project Management Support Services for Security Access Office and Customs Badge Seal Office Relocations, to Cambridge CM, Inc., in an amount not to exceed \$739,575.

12. Modification No. 2 to Contract No. 9122 - Turbo Data Systems, Inc. - \$22,000

No. 14-0106

Resolution approving Modification No. 2 to Contract No. 9122 with Turbo Data Systems, Inc. to extend the current agreement for one additional year, and authorize a decrease in the processing fees.

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H. NEW BUSINESS:

Discussion only. This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone and submit it to the Commission Secretary.

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I. CORRESPONDENCE:

There was no discussion by the Commission.

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J. CLOSED SESSION:

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION/PROSPECTIVE SETTLEMENT

- (a) Public comment on all matters pertaining to this agenda item.
- (b) Discussion and vote in open session pursuant to the Brown Act (California Government Code §54956.9) and the Sunshine Ordinance (San Francisco Administrative Code §67.10(d)) on whether to invoke the attorney-client privilege and conduct a closed session to confer with legal counsel. ACTION ITEM.

(c) [PROSPECTIVE CLOSED SESSION]

CONFERENCE WITH LEGAL COUNSEL regarding existing litigation (Government Code §54956.9(a), Administrative Code §67.8(a)(3)): *Knudsen* v. *City and County of San Francisco*, et al., U.S. District Court (California Northern District), Case No. 4:12-cv-01944-DMR, filed April 19, 2012. Discussion of proposed settlement and resolution recommending approval by the Board of Supervisors. ACTION ITEM.

There are no other planned agenda items for the closed session. In the event of any urgent matter requiring immediate action which has come to the attention of the Airport Commission after the agenda was issued and which is an item appropriately addressed in closed session, the Airport Commission may discuss and vote whether to conduct a closed session under the Brown Act (Government Code §54954.2(b)(2) and §54954.5) and the Sunshine Ordinance (Administrative Code §67.11).)

(d) [RECONVENE IN OPEN SESSION]

- (i) [IF APPLICABLE] Report on action taken in closed session required by the Brown Act (Government Code §54957.1(a)) and the Sunshine Ordinance (San Francisco Administrative Code §67.12(b)).
- (ii) Discussion and vote whether to disclose any or all discussions held in closed session (San Francisco Administrative Code §67.12(a)). ACTION ITEM.

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K. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:27 AM.

Jean Caramatti Commission Secretary