

# **SAN FRANCISCO AIRPORT COMMISSION**



## **MINUTES**

**August 9, 2016  
Special Meeting  
9:00 A.M.**

**Room 400 - 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**

**IVAR C. SATERO**

**Airport Director**

**SAN FRANCISCO INTERNATIONAL AIRPORT  
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Special Meeting of  
August 9, 2016

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AIRPORT COMMISSION SPECIAL MEETING MINUTES  
August 9, 2016

A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

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B. ROLL CALL:

Present: Hon. Larry Mazzola, President  
Hon. Eleanor Johns  
Hon. Richard J. Guggenhime  
Hon. Peter A. Stern

Absent: Hon. Linda S. Crayton, Vice President

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C. ADOPTION OF MINUTES:

The minutes of the regular meeting of July 19, 2016 were adopted unanimously.

No. 16-0216

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D. DIRECTOR'S REPORTS:

1. Report on Airline Traffic for Fiscal Year 2015/2016

Mr. Mike Nakornkhet, Airport Economic Planner ... in FY 2016 we reached 51,421,348 total airport passengers. This number includes enplanements, deplanements, and passengers in transit from one flight to the next, and establishes a record for SFO for the fifth consecutive year. Compared to the prior year, SFO's enplanements grew by 6.7% overall, 5.8% in the domestic sector and 9.5% in the international sector. The strong growth was due to two primary reasons. First, airlines increased aircraft size, commonly known in the industry as up-gauging. The average aircraft size at SFO increased from 143 seats, on average, to 153 seats. Second, we had many service additions, especially in the international sector as shown on the following page. New services that were added during the fiscal year included five destinations by United, those included Xi'an, Singapore, Auckland, and Tel Aviv. COPA added flights to Panama City. Qantas returned with service to Sydney, Australia. Air India added service to Delhi. Air Berlin added service to Dusseldorf. WOW, an international low cost carrier, added service to Reykjavik. Lastly, Fiji Airways added service to Fiji in the South Pacific. The Airport continues to maintain a diverse mix of carriers. Our hub carrier, United, even with their growth, continues to have a market share below 45%. American is currently our second largest airline at a 9% share. Virgin America and Alaska's merger is pending regulatory approval. Once that happens, they will become the second largest airline at a 12% share. Delta has 8%, and Southwest has 7% of passenger market share. Jet Blue was actually the fastest

growing airline at SFO last year with 25% year over year enplanement growth, although their volume of passengers is still relatively low at only 3%.

Other Bay Area airports are also experiencing strong growth, although their passenger volumes are much lower than SFO's. Oakland increased by 8.1%, primarily from short and medium-haul domestic traffic. San Jose increased by 6.8% from a combination of domestic and international traffic. Other international gateways in the U.S. are also growing. A number of these airports have started or plan to start large capital plans to keep pace with passenger demand. If we compare passenger levels today to a forecast that was done one year ago, we are already experiencing traffic levels expected in 2019. If we compare passenger levels today to a forecast that was done two years ago, we're experiencing passenger levels predicted in FY 2021, so we are five years ahead of the curve. This rapid growth highlights the need for our recent capital plan and adds a moderate growth rate at about 2% annually. We expect to be at 29 million enplanements, or more than 58 million total passengers by FY 2021. SFO's economic footprint on the Bay Area is also increasing. SFO recently completed a new Economic Impact study which shows increases in both employment and business activity. The Airport's direct economic contribution to the Bay Area is more than \$34 billion in business sales and 158,000 jobs. These are increases of \$2.5 billion in business sales and 10,000 jobs compared to the prior year.

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E. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

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F. ACTION ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 2 was moved by Commissioner Johns and seconded by Commissioner Guggenheimer. The vote to approve was unanimous.

2. Modification No. 1 to Contract 8768.66 - Design-Build Services for the Airport Hotel Project - Webcor Construction LP dba Webcor Builders - \$10,000,000

No. 16-0217

Resolution approving Modification No. 1 to Contract 8768.66, Design-Build Services for the Airport Hotel Project, with Webcor Construction LP dba Webcor Builders, in an amount not to exceed \$10,000,000 for a new contract amount not to exceed \$24,829,493, and increasing the contract duration by 986 consecutive calendar days for a total contract duration of 1,226 consecutive calendar days.

Ms. Judy Mosqueda, Director of Project Management ... Modification No. 1 to Contract 8768.66, Design Build Services for the Airport Hotel with Webcor Construction, LP doing business as Webcor Builders, increases the contract amount by \$10 million to establish a new not to exceed contract amount of \$24.8 million. It also increases contract duration by 986 consecutive calendar days for a

total contract duration of 1,226 consecutive calendar days. This contract provides for the design and construction of a new approximately 350 room hotel which includes meeting spaces, all rooms, dining facilities and other amenities including a health club and retail shops. The project also includes construction of a bridge connecting the hotel to the new AirTrain Station which will be delivered through a separate contract. This modification provides for schematic design services, early design and construction activities such as hazardous materials investigations and mitigation, geotechnical investigations and early procurements. At this time there is no change to the \$1.1 million in Type 1 contingency. When the project scope, cost and schedule are defined, staff will return to the Commission to authorize the full design build contract value as a not to exceed amount.

The City's Contract Monitoring Division has approved a 20% LBE subcontracting goal for design services and a 25% LBE subcontracting goal for construction services. Webcor Builders is committed to meeting these contract goals.

Commissioner Johns ... since this is a brand new project for us and it is a design build, each time it comes to us there is a phrase that says we're approving a not-to-exceed and then it comes to us again and we add on and it's not to exceed. I think some of us in the past have asked if it wasn't to exceed, why is it back to us again. I know there are various stages, but I'm thinking that we do need to clarify. We had talked about some language that might be included so that we realize that you can't bill against it, but it was planned from the beginning that it would come back to us and there would be more days added and more dollars added.

Ms. Mosqueda ... we can discuss language about what that might be for future Commission packages.

Mr. Satero ...we'll add that clarity Commissioner. I understand the concern there.

Commissioner Johns ... I know other Commissioners have asked that question in the past and I think it's because it's this design build. It's not a one time thing and sometimes we forget. When we see "not to exceed" we need to clarify that.

Ms. Mosqueda ... yes.

Commissioner Guggenhime ... it's confusing because we don't know if it's a change order, or if it's simply expanding the scope. If you come back with a not to exceed, do we still have things that will come back going forward. We need to have a better idea of the scope.

Commissioner Johns ... exactly, because it does appear that it's a change order and I know it isn't, correct?

Commissioner Mazzola ... even though it's design build, isn't it the same thing, Phase I, Phase II? In each one you can say not to exceed in Phase I, not to exceed in Phase II, etc.

Ms. Mosqueda ... I think that makes a lot of sense and we can clean this up.

Item No. 3 was moved by Commissioner Johns and seconded by Commissioner Guggenlime. The vote to approve was unanimous.

3. Authorization to Issue a Request for Qualifications/Proposals for Contract No. 11055.66, Design-Build Services for the Gate Enhancements Project

No. 16-0218

Resolution authorizing the Director to Issue a RFQ/P for Contract No. 11055.66, Design-Build Services for the Gate Enhancements Project.

Ms. Mosqueda ... this item authorizes issuance of a RRFQ/P for the Boarding Area A Gate Enhancements project. Due to consistently increasing passenger growth at SFO and airlines up-gauging their fleet mix to accommodate this growth, modifications are needed in Boarding Area A to maintain flexibility for the future. This project addresses the increasing passenger load and changing their fleet mix by modifying aircraft parking positions to accommodate larger aircraft at the gates, installing or replacing aging passenger boarding bridges, and relocating fuel pits as needed. It also includes upgrading infrastructure such as 400Hz, PC air systems, and fueling systems to support the aircraft and constructing infrastructure to accommodate busing operations in the Boarding Area. Staff recommends that the design build delivery method is appropriate to make the most of Airport staff and stakeholder resources as well as to achieve cost efficiencies and time savings through early engagement of the design builder. The duration of the contract is 34 months with an estimated total cost of \$84 million. Staff will convene a selection panel to evaluate and score the technical content of the accepted proposals and establish a ranking. The Airport will shortlist up to four of the highest ranking teams to participate in an oral interview. Based on the results of the oral interview and cost evaluations, staff will rank proposals and negotiate with the highest ranking proposer. Upon successful negotiations, staff will recommend award of the contract for design build services for this project. Staff is proposing for the selection process to allow the Airport to consider other key elements of the proposer's qualifications including LBE participation plan, strategies for schedule expediency, and commitment to meet the City's hiring goals, as well as design qualifications. Staff will work with the City's Contract Monitoring Division to develop the LBE subcontracting participation goals for this contract.

Item No. 4 was moved by Commissioner Johns and seconded by Commissioner Mazzola. The vote to approve was unanimous.

4. Authorization to Issue a Request for Qualifications/Proposals for Contract No. 10515.71, Construction Manager/General Contractor Services for the Plot 2 Aircraft Parking Reconfiguration and South McDonnell Road Realignment Project

No. 16-0219

Resolution authorizing the Director to issue a RFQ/P for Contract 10515.71, Construction Manager/ General Contractor Services for the Plot 2 Aircraft Parking Reconfiguration and South McDonnell Road Realignment Project.

Ms. Mosqueda ... authorization is requested issue a RFQ/P for Contract 10515.71. The project would realign a segment of So. McDonnell Road westward to capture additional aircraft or air operations area (AOA) space to allow for larger aircraft parking at two existing terminal gates and provide additional remote aircraft parking spots. The flexibility of allowing larger aircraft at the gates and providing additional remote parking spaces would greatly enhance airline operation efficiency and safety. The board in the front of the room shows their locations and activities, if you would like to review it after the meeting.

The selected CM/GC for this project will provide construction management and construction services to relocate utilities, construct interim and permanent roadways, install new AOA jet blast security fencing, and construct new AOA pavements specific to FAA standards. Staff recommends the CM/GC approach in order to expedite the work and achieve anticipated cost savings and time efficiencies. Contract duration is 20 months at an estimated total cost of \$40 million. A selection panel will be convened to evaluate and score the technical content of the accepted proposals and establish a ranking. We will then shortlist up to four of the highest ranked teams to participate in an oral interview. Based on the results of the oral interviews and cost evaluations, staff will rank proposers and negotiate with the highest ranked proposer. Upon completion of successful negotiations, staff will recommend award of the contract for CM/GC services for the project. Staff is proposing for the selection process to allow the Airport to consider other key elements of the proposer's qualifications, including LBE participation plan, strategies for scheduling expediency, and commitment to meeting the City's hiring goals and design qualifications. Staff will work with the City's Contract Monitoring Division to develop an LBE subcontracting participation goal for the contract.

Commissioner Johns ... what does remote parking mean?

Ms. Mosqueda ... these are parking positions for aircraft that aren't adjacent to a Boarding Area. Aircraft are not hooked up to a jetway allowing passengers to walk from a plane into the Boarding Area. Primarily, it allows aircraft to remain in the vicinity when they're not hooked up to a gate. They don't have to travel as far.

Commissioner Johns ... like a staging area. If no gate is available upon landing the aircraft would wait there.

Ms. Mosqueda ... often they will park there overnight so they have hook ups for power and things that the aircraft needs so that they don't use so much energy upon startup.

Commissioner Johns ... are many of these are remote?

Ms. Mosqueda ... there are three remote parking positions for wide body aircraft or five for narrow body. They fit in the same footprint.

Item No. 5 was moved by Commissioner Guggenhime and seconded by Commissioner Stern. The vote to approve was unanimous.



5. Authorization to Issue Request for Qualifications for Contract 50094 to Establish a Pool of Firms to Provide Letters of Credit and Other Types of Liquidity and Credit Facilities to Support the Airport Commission's Bonds and Commercial Paper Notes, on an As-Needed Basis

No. 16-0220

Resolution authorizing the Director to issue a RFQ to establish a pool of firms to provide letters of credit and other types of liquidity and credit facilities to support the Airport Commission's Bonds and Commercial Paper Notes, on an as-needed basis.

Mr. Leo Fermin, Chief, Business & Finance Officer ... we use credit providers for our variable rate bonds and our commercial paper program. The credit facilities provided include Letters of Credit, Standby Bond Purchase Agreements, Direct Purchase of Airport Notes or Bonds, and Commercial Paper Line of Credit.

The credit facilities support \$478 million of variable rate bonds that are outstanding and a \$400 million commercial paper program. We use these financing structures because we can get very low interest rates. Our variable rate bonds and commercial paper are under 0.49%, that's less than 1/2% on average compared to an average of 4.25% on our fixed rate long term debt.

The current pool of providers expire on February 3, 2017 and we need to conduct a new RFQ process to go for a new pool of providers. To support our commercial paper program, this new pool will be needed to replace or extend letters of credit that expire in 2017 for \$200 million, and in 2019 for another \$200 million. To support our variable rate bonds, we need to replace or extend credit facilities that expire in 2018 for \$177 million, and in 2019 for \$89 million.

We will return to you for approval to add firms into this new pool and to seek approval to enter into any new credit agreements.

Commissioner Gunggehime ...you're coming back with specific names?

Mr. Fermin ... yes sir.

Commissioner Guggenhime ... then this is essential?

Mr. Fermin ... yes, to create a pool that would last for two years and then we would come back again for specific credit agreements.

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G. **CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:**

The Consent Calendar, Item Nos. 6 through 8, was moved by Commissioner Stern and seconded by Commission Guggenhime. The vote to approve was unanimous.

6. Modification No. 8 to Contract 9024.9 - Construction Management Services for the International Terminal Checked Baggage Inspection System Modernization Program and Baggage Handling System Improvements Project - CAGE Professional Services, Inc. dba CAGE, Inc. - No increase to contract value

No. 16-0221 Resolution approving Modification No. 8 to Contract 9024.9, Construction Management Services for the International Terminal Checked Baggage Inspection System Modernization Program and Baggage Handling System Improvements Projects with CAGE Professional Services, Inc. dba CAGE, Inc. to extend the contract duration by 12 months for services through September 30, 2017.

7. Amend Effective Date of Contract No. 50030.01 - Operate, Maintain and Repair Airport-Owned Passenger Boarding Bridges and Baggage Handling Systems in the Domestic Terminals to Begin Sept. 1, 2016 - Vanderlande Industries, Inc.

No. 16-0222 Resolution amending the effective date of Contract No. 50030.01 with Vanderlande Industries, Inc. to operate, maintain, and repair airport-owned passenger boarding bridges and baggage handling systems in the Domestic Terminals to begin September 1, 2016.

8. FasTrak® License and Electronic Identification Billing Agreement - Exercise the Option to Extend Term

No. 16-0223 Resolution exercising the three-year option to extend the term of the FasTrak® License and Electronic Identification Billing Agreement with the Transportation Corridor agencies.

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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 two (2) 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.

There were no requests to speak..

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I. CORRESPONDENCE:

There was no discussion by the Commission.

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J. CLOSED SESSION:

There are no planned agenda items for a Closed Session for the current meeting.

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 Brown Act (California Government Code Sections 54954.2(b)(2) and 54954.5) and Sunshine Ordinance (San Francisco Administrative Code Section 67.11).

If the Airport Commission enters Closed Session under such circumstances, the Airport Commission will discuss and vote whether to disclose action taken or discussions held in Closed Session under the Brown Act (California Government Code Section 54957.1) and Sunshine Ordinance (San Francisco Administrative Code Section 67.12).

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K. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:22 AM.

***(Original signed by: Jean Caramatti)***

Jean Caramatti

Commission Secretary