SAN FRANCISCO AIRPORT COMMISSION



August 19, 2014

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

> JOHN L. MARTIN Airport Director

SAN FRANCISCO INTERNATIONAL AIRPORT SAN FRANCISCO, CALIFORNIA 94128

Minutes of the Airport Commission Meeting of August 19, 2014

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AIRPORT COMMISSION MEETING MINUTES August 19, 2014

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. Linda S. Crayton, Vice President Hon. Eleanor Johns Hon. Richard J. Guggenhime Hon. Peter A. Stern

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C. ADOPTION OF MINUTES: The minutes of the regular meeting of August 5, 2014 were adopted unanimously.

No. 14-0165

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D. DIRECTOR'S REPORTS:

1. Director's Report - Analysis of Airline Traffic for Fiscal Year 2013/2014

Mr. Mike Nakornkhet, Financial Planning/Analysis Manager, Business and Finance said I am presenting the traffic results for FY2013/14. If you divide the passenger growth into segments, as you can see, we started out rather slowly. Quarter 1 growth actually declined by 1% and that's partly because of the Asiana incident which resulted in a decline in air traffic and also because we had a high comparison base last summer. Airline growth began to come back in the 2nd, 3rd, and 4th quarters. We had a number of domestic service increases from Delta and United and in the 3rd and 4th quarters we had international growth from United, Aer Lingus, Aero Mexico, and also some service to Asia. The end result for FY2014, is 23 million enplanements ... 18 million domestic and 5 million international enplanements, representing an all time high for SFO. We reached 46.2 million passengers ... that's enplanements, deplanements, and in-transit passengers and that also represents an all time high. Year over year, we grew by 3.2% and it's important to point out that the international growth, which was 5.3%, exceeded the domestic growth for the first time since FY 2011. We are slightly behind other airports in terms of overall growth and that's because a year ago our growth was the highest in the nation, so we had a high comparison base. Other airports had a relatively low comparison base to grow against, so a 3.2% growth is not a bad comparison to other airports. There have been a number of domestic service increases. In the next six months, we project a 3.6% increase in domestic traffic, but the real story is international growth. There have been several increases to international destinations. The ones highlighted in green are the result of SFO's

Air Carrier Incentive Program which provides a 100% discount on landing fees up to 24 months for airlines starting new international service to new international destinations. So far, it's attracted Aer Lingus with service to Dublin and United to Chengdu. Etihad will begin service in November, and Turkish Airlines will begin service to Istanbul in April 2015 as a result of the Program. In the next six months international growth is again expected to exceed domestic at a rate of 5.3%.

We have a relatively stable market share compared to other Bay Area airports, remaining at approximately 71%. San Jose has grown this year, taking market share away from Oakland, but SFO has remained relatively stable at 71%. SFO has never been known as a high volume cargo market. Oakland has the majority of the cargo volume in the Bay Area, however, we have been known as a high value cargo market. According to recent Department of Transportation statistics, SFO has ranked 5th in the United States in terms of the value of shipments going out of airports, with a total cargo tonnage value of \$39.8 billion annually.

We've remained at a relatively competitive percentage in terms of having low cost carrier competition at SFO at approximately 24%, and we remain stable at just under 12% of passengers boarding regional affiliate airlines such as SkyWest and Compass, and those remain also stable at just under 12%.

Airline passenger growth results in spending at the Airport. Spending results in non-airline revenue and in every major category of non-airline revenue, excluding landing fees and terminal rent, we've increased above the FY13/14 budget.

High non-airline revenue results in moderating cost per enplaned passenger, an important metric at the Airport. We project FY14 cost per enplaned passenger to be at \$16.01 and growing to \$16.79. Last year, when we adjust that for inflation back to 2008, we remain in the \$14.00 range and that's important because it's well below the \$18.90 ceiling we established with airlines through FY2016. We'll work closely with airlines to establish a new ceiling for fiscal years going forward.

Commissioner Guggenhime said he thought Aer Lingus had operated to Ireland in the past so they started and they stopped. Did they get another freebie?

Mr. Nakornkhet replied that they did operate out of SFO a few years ago and when they returned they qualified for the Air Carrier Incentive Program.

Commissioner Guggenhime asked why.

Mr. Martin said if they stopped service within a certain amount of time they have to pay us back the differential.

Commissioner Guggenhime asked Mr. Martin if he was okay with that.

Mr. Leo Fermin, Chief Business & Finance Officer said they had to reimburse us for the landing fees we waived when they stopped their service.

Commissioner Crayton asked Mr. Nakornkhet to explain the enplanements ... domestic versus international.

Mr. Nakornkhet said that first chart showed actual growth in 2014 and then the second chart showed projected growth based on airline schedules, and that's expected to be higher.

2. Director's Report - SFO Clean Vehicle Policy Update

Ms. Eva Cheong, Associate Deputy Airport Director, Airport Services said in February 2000 this Airport Commission adopted a landmark Clean Vehicle Policy for SFO. While these policies are commonplace now, back in 2000 there were no regulatory mandates so it's almost a one of a kind. Regardless, SFO set a goal to achieve 100% clean fuel usage in as many vehicles as practicable. Over the past 14 years, the original policy has evolved to include many different facets - and some of those are:

- State of the art CNG fueling facilities
- Addition of BART and AirTrain at the Airport
- Installation of electrical charging units on the airfield, in garages and in parking lots, including high speed EV Chargers and soon to include Level 3 superchargers in the cell phone lots
- Incentives and requirements for various modes of commercial ground transportation operators and tenants
- Assistance with grant funding to help operators to convert/purchase clean fuel vehicles, which later became requirements

To date, 100% of our courtesy shuttles and shared-ride vans operate with CNG and clean fuel standards. Additionally, the Airport's diesel fuel bus fleet has been completely converted to CNG to reduce our emissions. Taking into account our City vehicles, tenant vehicles and various vehicles for our ground transportation operators, there are currently over 4,000 clean fuel vehicles in operation at SFO. A true example of the diversity we've come to expect in San Francisco, those include CNG, electrical vehicles, bio-fuels, and advanced diesel and hydrogen.

As a result of SFO's efforts to work with tenants and ground transportation operators, we estimate that we have saved 10 to 15 thousand tons of greenhouse gas emissions and while not 100% contributable to SFO, that helps the region to meet its goals as well.

Looking to the future, we will continue to explore opportunities to improve greenhouse gas emissions with the remaining fleets that show low numbers of clean fuel vehicles and also investigate and embrace new technologies.

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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 No. 3 was moved by Commissioner Crayton and seconded by Commissioner Stern. The vote to approve was unanimous.

3. <u>Modification No. 1 to Contract No. 8841R - Ground Transportation & Taxi</u> <u>Management System - TransCore, LP - \$2,631,447</u>

No. 14-0166 Resolution approving Modification No. 1 to Contract No. 8841R with TransCore, LP to design, build, and maintain a new Ground Transportation & Taxi Management System in the amount of \$2,631,447 for a new total contract amount not to exceed \$10,892,674.

Mr. Jeff Littlefield, Deputy Director, Operations & Security said as you are aware, the Airport has been working to replace its current Automated Vehicle Identification system (AVI) and Taxi Revenue Systems (TRS), which have become outdated and expose the Airport to ground transportation disruption and potential revenue loss.

In August of 2012 this Commission approved Resolution No. 12-0188 awarding a contract to TransCore, LP to design, build and maintain a new Ground Transportation Management System (GTMS). This new system, which combines the AVI, GTIS and TRS, will provide accurate real-time tracking of all modes of ground transportation and will allow us to seamlessly interface with other authorized city agencies.

During the design process, Airport staff identified additional components necessary to implement a fully comprehensive GTMS. This scope includes:

- Additional hardware to monitor roadways

- Hardware/software changes to comply with updated Airport Security requirements

- Software development due to changes in external systems that will interface with GTMS.

In addition, the Airport has a limited supply of vehicle transponders needed for the current system's tracking and billing. These transponders need to be replenished during the interim period while the new GTMS is being built in order to avoid any revenue loss until the system goes live in July 2015.

Staff met with ground transportation operators to discuss the project and will continue to meet going forward to solicit input and ensure we satisfactorily meet the needs of ground transportation operators, the Airport and the traveling public. Once complete, this new GTMS will be industry leading among U.S. Airports.

Commissioner Johns noted that you said the last time you came to us on this issue was in 2012?

Mr. Littlefield replied that was for the actual system. I believe we came after that for the infrastructure portion.

Commissioners Johns thought it had been more recent than two years because she was concerned wanted to make sure it was all coordinated. Is there other money being expended on this? Mr. Littlefield said that more recently we came to you regarding the infrastructure.

Commissioners Johns asked if that money is in here.

Mr. Littlefield replied that it's separate from this.

Commissioner Johns asked if this is the software, or the total cost.

Mr. Littlefield said this is the total, part of the software and the integrator portion of it, and then there's the infrastructure portion of it, which is separate from this.

Commissioner Johns asked if we think it's going to be live and running in one more year.

Mr. Littlefield replied we do. We mapped out this modification, the cost associated, and incorporated contingency as well. So we think we're on the right path.

Commissioner Stern asked what's driving the change in terms of monitoring the Airport roadways ... can you expand on that a bit.

Mr. Littlefield said we want to make sure that there are enough readers throughout the Airport to ensure that there's no opportunity for operators to avert the system. We want to make sure there's full coverage, that there's camera coverage all over the Airport to ensure that we're able to monitor curbside activity, that there's license plate recognition. Cameras associated with this and the interface pieces of it are included in the cost of the modification.

Commissioner Stern asked what's the updated date to go into testing on the project prior to going live.

Mr. Littlefield said prior to going live, I believe January is when we do testing. That's partial activation of the system. We go live in July.

Commissioner Crayton said she is excited about some of the things that have been said because it takes our Airport to another level. The test period is January, is that correct?

Mr. Littlefield replied yes, there's a test period, where it goes partially live.

Commissioner Crayton asked if in that amount of time we will assess whether or not the system is running the way that we intended it to run.

Mr. Littlefield said in January they'll test it and it will go live in July. I believe the test period will last probably a couple of months. It's a period that certainly will give us an opportunity to ensure that the system is viable prior to going live.

Commissioner Crayton asked Mr. Littlefield if he knew of any other airports that are using this technology.

Mr. Littlefield said there are other airports that have similar systems but not as advanced.

Commissioner Crayton asked if we will be cutting edge.

Mr. Littlefield replied yes.

Item No. 4 was moved by Commissioner Crayton and seconded by Commissioner Guggenhime. The vote to approve was unanimous.

- 4. <u>Delegation of Authority to the Airport Director to Enter into a "Section 559"</u> <u>Reimbursable Fee Agreement with U.S. Customs and Border Protection - Not to</u> <u>Exceed \$1.48 Million for FY 2014/15</u>
 - No. 14-0167 Resolution delegating authority to the Airport Director to enter into a "Section 559" reimbursable fee agreement between U.S. Customs and Border Protection and the Airport to provide expanded services in the International Terminal in an amount not to exceed \$1.48 Million for FY2014/15.

Mr. Leo Fermin said Customs and Border Protection (CBP) currently operate the Immigration and Customs facility from 8:00am until the last arriving flight is cleared, usually between 1:30am to 2:00am.

On November 18, Etihad will begin daily service to SFO from Abu Dhabi, arriving at 6:30am, and Air New Zealand will be increasing their frequency from Auckland between December 12 and March 2015, arriving at 7:10am. In order to process these flights, we are requesting approval to enter into an agreement to reimburse CBP for overtime required to open earlier each day. For this fiscal year, we project that these costs will not exceed \$1.48 million, and we have provided for these costs in our approved Operating Budget. This will cover overtime for 26 CBP officers for the Boarding Area A arrivals and 22 officers for the G arrivals.

We think it's well worth it. These new air services provide more choices to consumers and strengthens SFO as a world class gateway, and the economic benefits to the Bay Area are significant. A study found that one daily international flight generates \$178 million annually in business revenue for on-Airport firms and the visitor industry, and 171 on-Airport jobs plus 1,500 in the visitor industry. For the Airport itself, these additional passengers will bring in \$7.8 million in gross concession sales, resulting in \$1.7 million in revenue to the Airport.

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

5. <u>Amendment No. 1 to the Domestic Terminal Food and Beverage Lease No. 03-0201</u>

No. 14-0168 Resolution approving Amendment No. 1 to the Domestic Terminal Food and Beverage Lease No. 03-0201 with Emporio Rulli, Inc. for additional premises, and to seek a waiver of the competitive leasing requirement under Administrative Code Section 2A.173, and Board of Supervisors' approval of the Lease Amendment.

Mr. Fermin said in Terminal 3, there are a group of gates which we call the "Thumb" which juts out from the Hub of Terminal 3. And the only food and beverage service in this area is Emporio Rulli's Grand Cafe, which serves items such as specialty coffee, sandwiches, pastries and desserts.

In September 2012, United Airlines moved most of its flights at these gates to Terminal 1 and other parts of Terminal 3 for operational reasons as well as to enable construction work on the ramp. And as a result, Emporio Rulli experienced sales decreases of about 39% to 69% each month.

Meanwhile, in the nearby Hub food court there is a Just Desserts kiosk whose lease will end in May of next year. This is a 405 sq. ft. space which we propose to add as a location, a second location to the Grand Cafe lease. Adding a kiosk to this second location would give Emporio Rulli an opportunity to re-coop and recover some of its loss that they've incurred since September, 2012.

With your approval we will go to the Board of Supervisors to seek their approval of this amendment to their lease.

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- G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS: The Consent Calendar, Item Nos. 6 through 9, was moved by Commissioner Crayton and seconded by Commissioner Guggenhime. The vote to approve was unanimous.
 - Modification No. 1 to Contract 9252 Monitor Dynamics, Inc. (MDI) Access Control System Software Maintenance and Support Agreement - LDM Engineering, Inc. -\$149,000

No. 14-0169 Resolution approving Modification No. 1 to Contract No. 9252 with LDM Engineering, Inc. for MDI Access Control System Software Maintenance and Support Services in the amount of \$149,000 for a new total contract amount not to exceed \$479,000.

7. <u>Modification No. 1 to Contract No. 9082 - Job Order Contracting (JOC)</u> <u>Implementation Services - The Gordian Group</u>

No. 14-0170 Resolution approving Modification No. 1 to the Professional Services Agreement, Contract No. 9082, Job Order Contracting (JOC) Implementation

Services, with The Gordian Group for a contract time extension of three years for a new total contract duration of five years, with no increase in the contract amount.

8. <u>Modification No. 1 to Contract No. 8519A - Boarding Area G A380 Improvements</u>, <u>Phase A - Golden Gate Constructors</u>, Joint Venture - \$84,216

No. 14-0171 Resolution approving Modification No. 1 to Contract 8519A, Boarding Area G A380 Improvements, Phase A with Golden Gate Constructors, Joint Venture, in an amount of \$84,216 for a new total contract amount of \$2,715.986.

9. <u>Authorization to Issue a Request for Proposals for Contract No. 10617, As</u> <u>Needed Engineering Support Services for Pavement Consulting</u>

No. 14-0172 Resolution authorizing the Director to issue a Request for Proposals for Contract No. 10617 for As-Needed Engineering Support Services for Pavement Consulting and to negotiate with the highest ranked proposer.

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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:

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 9:24 AM.

Original signed by

Jean Caramatti Commission Secretary