SAN FRANCISCO AIRPORT COMMISSION



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September 9, 2014
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

JOHN L. MARTIN Airport Director

SAN FRANCISCO INTERNATIONAL AIRPORT SAN FRANCISCO, CALIFORNIA 94128

Minutes of the Airport Commission Special Meeting of September 9, 2014

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AIRPORT COMMISSION SPECIAL MEETING MINUTES September 9, 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

* * *

C. ADOPTION OF MINUTES:

The minutes of the regular meeting of August 19, 2014 were adopted unanimously.

No. 14-0173

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D. SPECIAL ITEM:

Item No. 1 was moved by Commissioner Johns and seconded by Commissioner Crayton. The vote to approve was unanimous.

1. Commendation for David Serrano Sewell

No. 14-0174

Resolution thanking David Serrano Sewell for his service to the Airport and offering best wishes in his new job as Regional Vice President, Hospital Council of Northern & Central California.

Mr. John Martin, Airport Director said that David is leaving, he's not retiring, he's way too young for that, he's leaving after 14 years of employment with the City. He started as an Assistant in Mayor Brown's Administration, working closely with Commissioner Johns. He then went to work for the Department of Building Inspection as an Assistant to the Director, and left the City to obtain his law degree. He returned to the City in the City Attorney's Office working at the Port Commission and transferred to the Airport in 2006. He has done an outstanding job for the Airport. David is a real team player, handling revenue and management issues, particularly concession leases. He handled all the concession leases for Terminal 2, something to be very proud of. On a personal level, I thank David for his creative approach in problem solving. It's always easy for a City Attorney to say, "no, that's not possible," but David, like Sheryl, takes the attitude of let's find a solution to this problem and that's what we really look for ... a great attorney. So, we thank David for his commitment to the Airport and the City and wish him well in his new job as

Regional Vice President for the Hospital Council of Northern and Central California. It's a great new job.

Commissioners congratulated Mr. Serrano Sewell.

Mr. David Serrano Sewell thanked the Commission. General Counsel. Director Martin. I'll be very brief but I do want to thank a few people, starting with the Director. He is a strong visionary leader. It's a complicated organization but he leads everyone in finding a solution. There have been challenges but we have always found a way. I think what separates Director Martin from other department heads is his insistence to integrate the Legal department from beginning, middle and end, and I do believe that results in a stronger outcome for everyone and for the City. Also, I want to thank my boss, the General Counsel, Sheryl Bregman. The department has been blessed with good General Counsels but I would say Sheryl is a special General Counsel. There were a lot of challenges and incidents when she came on board and she had to come up to speed and did so, and I think with excellence. I also want to acknowledge working with your staff Director Martin. They are dedicated and hard working, and want a good result, and they have helped in my development as an Attorney and I'm appreciative of staff. I've worked with many in this room, in particular Deputy Director Leo Fermin, he's been a pleasure to work with. I'll be leaving you after almost 15 years. I'll be going to the Hospital Counsel, a trade and advocacy organization that works closely with the hospitals in Northern California. I'll be their person in San Francisco working with the 10 hospital CEOs and I'm very excited about it, but it's a little bitter sweet. So thank you for this recognition and I wish you continued success.

Commissioner Johns said "David, I just am so proud of you." It's been 19 years since I first met you and I've seen such a great development in your personality and I'm so happy to know you and to know your wife and your daughter, and your mom and dad. And I just think this is going to be a wonderful position for you and I know you've had a good solid background here in the City and County of San Francisco. Both in the Mayor's Office and at the Airport and I just wish you the best.

Commissioner Guggenhime said and I also want to say it's a credit to you as a lawyer ... to find a lawyer who says to his client, we can do this, not why we can't do it. And I think that shows something about you. Congratulations.

Commissioner Crayton said that in your advocacy and the way that you approach things, as Director Martin stated, I'm going to miss that and hopefully we would continue in another level at some point in time on the hospital path. I know you're going on to greatness. It's our loss and their gain. Clearly, you'll take good thoughts with you as you approach your other job. Thank you so much.

Mr. Serrano Sewell said I'm sorry Commissioner, not to take up more time but, I do want to acknowledge my mother and father who are here. Sandy and Mario Serrano Sewell ... they just celebrated their 45th Wedding Anniversary. Thank you Commissioners.

Commissioner Mazzola said I also want to thank you for your hard work at the Airport and I hope you can get those hospitals to lower their rates. Congratulations.

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E. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

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F. POLICY ITEMS:

Item No. 2 was moved by Commissioner Mazzola and seconded by Commissioner Stern. The vote to approve was unanimous.

2. Amendment to the Airport Debt Policy

No. 14-0175

Resolution amending and revising of the Airport Debt Policy, including the Associated Credit and Investment Policies and the addition of new disclosure Policies and Procedures to reflect current conditions in the financial markets and ensure compliance with all applicable Federal securities laws.

Mr. Leo Fermin, Chief Business & Finance Officer said I apologize, I inadvertently sent you the red line version of the changes from 2010, the last time you approved the revisions to the Policy, not from 2013. This item amends the Debt Policy, including its Appendix B, the Credit Policy and Appendix C, the Investment Policy. We are also adding a new Appendix D, the Disclosure Policy. These amendments are needed to meet new regulatory requirements and to account for developments in the financial markets. The Credit Policy changes removed out of date passenger enplanement and debt numbers. The Investment Policy is being amended to remove the student loan marketing association from the list of permitted investments. The new Appendix D, the Disclosure Policy, formalizes our current practices regarding disclosure to bond investors and establishes procedures for us to follow. You last amended the Debt Policy a year ago and we will again return to you in the future if there are additional changes in securities law or if there are changes in the financial markets that require further amendments to a Debt Policy.

G. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE: Item No. 3 was moved by Commissioner Crayton and seconded by Commissioner Guggenhime. The vote to approve was unanimous.

3. <u>Modification No. 1 to The Fixed Base Operator Lease and Operating Agreement No.</u> L07-0106 with Signature Flight Support Corporation

No. 14-0176

Resolution approving Modification No. 1 to Signature Flight Support Corporation's Fixed Base Operator Lease and Operating Agreement No. L07-0106, which extends the term for five years and requires renovations to the Executive Air Terminal, and

directing the Commission Secretary to request Board of Supervisors' approval of the Agreement modification.

Mr. Fermin said this Item is a win for us and for Signature, our Fixed Base Operator or FBO. Signature operates an executive air terminal used for private jets. The minimum annual guarantee on their lease is \$12.5 million. The highest of 14 major airports we've contacted. With a five year lease extension, we get to lock in the above market mag for another five years, through September 2022. In turn, Signature gets more time to amortize their investment of approximately \$10 million in building a new hangar. Attachment A of your memorandum shows the FBO mags at 14 major airports around the country. If we do an RFP for a new lease in 2017, we risk receiving a much lower mag. Recently this year Laguardia's FBO RFP resulted in a \$3.5 million mag. Last year, Washington's Ronald Regan Airport's FBO RFP resulted in a \$1 million mag and prior to that, San Jose Airport's mag was \$2.1 million and before that, Tampa was bid at \$2.6 million. With your approval, we will go to the Board of Supervisors to seek their approval of the lease extension.

Commissioner Guggenhime said great job.

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

4. Approval of an Early Termination and Buyout of Baysubway Airport's Domestic Terminal Food and Beverage Lease No. 03-0185 in an Amount Not to Exceed \$1,200,000

No. 14-0177

Resolution approving an early termination and buyout of Baysubway Airport's Domestic Terminal Food and Beverage Program Lease No. 03-0185 in an amount not to exceed \$1,200,000, and direct the Commission Secretary to seek approval of the Board of Supervisors.

Mr. Fermin said at the beginning of the Boarding Area E Renovation Program, we shut down all of the concessions in that area from April 2011 to the end of January 2014, a period of two years and nine months, and we negotiated a business deal which included a promise to give these tenants replacement spaces and a 10 year term to amortize replacement construction build outs. All of these tenants were given replacement spaces and reopened when Boarding Area E reopened, except for Subway. The area where Subway was planned to be was swallowed up by the footprint needed for a new United Club. For two years we have been searching for an alternative location for Subway. Unfortunately, other alternative locations had issues such as the prohibitive cost of venting through the Terminal roof or too narrow a depth to position ovens and the need to eventually relocate Subway because of the various Terminal Renovation projects in the Capital Plan. At this point, we recommend the Buyout of the Subway Lease and a closure to this. With your approval, we will next take this to the Board of Supervisors for their approval.

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H. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 5 through 9, was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

5. Request for Proposals for Contract No. 8768.41 - Airport Hotel Program Project Management Support Services

No. 14-0178

Resolution authorizing the Director to issue a Request for Proposals for Contract No. 8768.41, Airport Hotel Program Project Management Support Services.

6. Modification No. 1 to Contract No. 9263 - Airport Security Consultant Services with Ross and Baruzzini - \$125,610

No. 14-0179

Resolution approving Modification No. 1 to Contract No. 9263, Airport Security Consultant Services with Ross and Baruzzini to add scope of work and additional funding of \$125,610 for a new contract amount of \$781,450.

7. Modification No. 2 to Contract 8840, Acoustical Engineering Service with BridgeNet International, to Increase the Contract Amount by \$100,000 for a New Total Contract Amount not-to-exceed \$700,000 and Extend the Contract Term to December 31, 2015

No. 14-0180

Resolution approving Modification No. 2 to Contract No. 8840, Acoustical Engineering Services, with BridgeNet International, to increase the contract amount by \$100,000 for a new total contract amount not-to-exceed \$700,000 and extend the contract term to December 31, 2015 through exercise of the second of three one-year contract renewal options.

8. <u>Bid Call - Contract 9059 - Domestic Parking Garage Elevator Modernization Project</u>

No. 14-0181

Resolution approving the scope, budget and schedule for Contract No. 9059, Domestic Garage Elevator Modernization Project and authorizing the Director to call bids when ready.

9. Reimbursement to Virgin America, Inc. for the Cost of Designing, Producing, and Installing Sunscreens for Curbside Check-in Podiums in Terminal 2

No. 14-0182

Resolution authorizing the issuance of a one-time rent

credit to Virgin America, Inc., in an amount not-toexceed \$12,500 for the design, production, and installation of sunscreens for its curbside check-in podiums at Terminal 2.

Commissioner Johns asked why we didn't realize we had an issue in Terminal 2 since we had the same problem in Terminals 1 and 3. It's a small thing right outside, correct? And it's some portable sunscreen that they roll out and put away?

Mr. Fermin said frankly, I think it was an oversight. We just didn't think of it at the time.

Commissioner Johns asked if this solves the problem for everyone.

Mr. Fermin replied that it does.

Commissioner Johns asked if Terminal 1 is okay with its sunscreen.

Mr. Fermin said he did not think the renovations in Terminal 1 will impact the front of the building where the curb is as far as the sunscreens are concerned. I think we'll be okay in that regard.

* * *

I. 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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J. CORRESPONDENCE:

There was no discussion by the Commission.

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K. CLOSED SESSION:

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION/ PROSPECTIVE SETTLEMENT

The Airport Commission voted unanimously to go into closes session at 9:19 AM. The public meeting was reconvened at 9:45 AM and the Commission disclosed the approval of a proposed settlement with the Internal Revenue Service in the amount not to exceed \$75,000.

- (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 anticipated litigation as defendant and proposed settlement. Significant exposure to litigation pursuant to California Government Code §54956.9(d)(2), and San Francisco Administrative Code §67.10(d)(2)): Internal Revenue Service, claimant, against the San Francisco Airport Commission. Proposed settlement in an amount not to exceed \$75,000. ACTION ITEM.

CONFERENCE WITH LEGAL COUNSEL regarding existing litigation (Government Code §54956.9(a), Administrative Code §67.8(a)(3)): Gan Ye and Xiao Yun Zheng v. City and County of San Francisco, et al., California Superior Court, County of San Mateo, Case No. CIV 530008, filed August 13, 2014. DISCUSSION ONLY.

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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L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:46 AM.

Original signed by Jean Caramatti

Jean Caramatti
Commission Secretary