

Comments to the Airport Director Report
San Jose Mineta International Airport
February 10, 2023

Members of the Airport Commission,

It has taken us almost a year to receive this report from the Airport Director (I first presented these questions to staff in February, 2022). It is unfortunate and disappointing that the director has chosen to avoid some of the questions or even misinform the commission with certain answers.

In order for the commission to become knowledgeable on the issues and provide accurate guidance to the City Council, I will attempt to provide sufficient information and background so that you meet your designated mandates.

My comments to the response are in Red.

TO: AIRPORT COMMISSION

FROM: Matthew Kazmierczak Division Manager

SUBJECT: Response to Items in Letter from Doug Rice

DATE: February 8, 2023

Dear Airport Commissioners,

Airport Commissioners received several letters from Doug Rice at their August 8, 2022 and November 14, 2022 Airport Commission meetings. Additionally, Mr. Rice provided oral comments at the November Airport Commission meeting. This memorandum is to provide the Airport Commission with some additional information for select items raised by Mr. Rice (The questions from Mr. Rice are in italics and blue. The Airport response is in black and not in italics.)

Q&A Item 1

Would you quantify the loss in revenue to the airport by operations moving to Moffett Field - tax, fuel flowage, delays, etc. - recognizing that 8,000 departures occur every year at Moffett and each departure causes the loss of the equivalent of 1.5 departures slots off of San Jose International.

Airport Response:

From publicly available documents, it seems that Moffett Field is limited to a total number of 24,000 operations a year in accordance with their approved environmental documents. It is the Airport's understanding that 8,000 of these operations are reserved for the federal government. Landing at Moffett Field requires prior coordination with their Airport management team, and only supports a limited number of based aircraft operations. Jet engine type aircraft may apply for a Landing Permit. General Aviation, avgas type aircraft operations, are not supported at this time.

Additional details about Moffett Field are available at: <https://sites.google.com/a/pv-nuq.com/nuq/home>.

As I suspected, the airport does not want to provide the information requested to the commission. So to assist the commission, allow me to provide the following information: Moffett Field allows 8,000 takeoffs and 8,000 landings annually for Turbine powered aircraft. Those aircraft pay a landing fee of \$5.60 per thousand pounds and a handling fee (which is waived by purchasing fuel). Their fuel prices are significantly less than those at SJC (I will address this later) and the airport is approaching (if they have not already reached) their capacity limit on operations.

More to the point, according to my phone conversation with the FBO, Moffett Field pumps approximately 3 million gallons of Jet Fuel per year - at current prices, that would be approximately \$20 million in revenue from fuel sales and almost \$2 million per year in sales tax revenue. Those sales most likely would have occurred at SJC prior to Moffett Field becoming available for civilian use. That also would have generated \$600,000 in Fuel Flowage Fees to the SJC budget.

As to flight operations, there are only two air traffic routes out of Moffett. One is to the west over Menlo Park and Woodside for aircraft flying out over the Pacific Ocean. The other routing takes aircraft on a departure routing that coincides with SJC departing traffic and must be sequenced in with SJC aircraft. They cannot climb above the SJC traffic because the path for both are under the SFO inbound traffic about 85% of the time. This is the reason for the loss in departure slots for SJC as the timing of the Moffett departures cannot be perfectly synced and additional spacing is needed.

Q&A Item 2

When will the airport address inconsistencies, irrelevancies, and conflicts with the FAR's found in Municipal Code Section 25 - Specifically Chapter 25.12 (Aircraft Operation and Flight Rules) and 25.14 (Flying Clubs)?

Airport Response:

The rules and regulations that govern the operation of the San José Mineta International Airport are significant and complex. As noted in Section 25.12.020 of the San José Municipal Code, Federal and State laws are part of the air traffic and flight rules for the City of San José. Any changes to the Municipal Code need to consider these layered regulations. With this being said, the Airport is currently examining the Municipal Code that governs Airport operations to determine if there are sections that should be updated. Any updates to the Municipal Code will need to include coordination from multiple City Departments and ultimately will need City Council approval.

After over a decade of requests, the airport has finally publicly acknowledged that the "Rules and Regulations" are outdated. The fact that Federal and State laws are part of the rules is not the issue - SJC has a history of being more restrictive than either of them and fines (or worse) are still part of the punishment for violation of the Municipal Code. Further, stating that "multiple City Departments" need to have input is simply an excuse for we don't think that revising the rules is that important right now - the same excuse the airport has given for almost 15 years. Other city departments are not needed for verbiage changes such as "when the Air Traffic Control Tower is in operation" needs to be added.

Some of these changes may seem trivial, but SJC has a history of selective enforcement and punitive actions that give one pause. Having witnessed some of these abuses, it is why I believe that continuing the effort to address and revise the code is worthwhile.

Q&A Item 3

When the airport does its next financial impact report, how will it quantify the "off budget" monies the airport generates through personal property and possessory interest taxes, gas taxes, and sales taxes that flow to the general fund and the local schools and not to the airport enterprise fund?

Airport Response:

The Airport does not receive revenues from property taxes, gas taxes and sales taxes, with one exception. This exception relates to taxes on aviation fuel sales. FAA policy states that taxes on aviation fuel sales that went into effect after December 30, 1987 are to be remitted to the

airport. Therefore, the local sales tax increase that went into effect in October of 2016 in the City of San José does apply to the FAA policy, and since this time, the taxes on the aviation fuel sales at SJC are being remitted to the airport to pay for aviation-related expenses. All other property taxes, gas taxes and sales taxes are remitted to the appropriate agency depending on the type of tax. The Airport does not calculate the amount of taxes that are collected from Airport tenants and remitted to other agencies for their use.

There is a saying in aviation - **Read the question!** Periodically, the airport does a report on the economic impact it has on the community. It is incumbent on the airport to provide as full a picture on what benefits it provides to the city (also the county and schools) as possible. That includes those taxes that are not a part of the airport budget but flow to the General Fund of the City.

Allow me to provide you with some examples:

1. The sales tax on fuel sold at SJC is on par with the largest auto dealerships on Stevens Creek Boulevard
2. The personal property taxes paid on two large jets based at SJC may equal or exceed all of the property taxes paid by the tenants of a 10 story condominium in downtown San Jose.
3. A local corporation with a large flight department recently moved their headquarters out of the state - the result was a loss of over \$150 million in tax base and resulted in a loss to the local schools of \$500,000 annually.

The community needs and deserves this information as it can directly impact them. The airport has a civic responsibility to report these to the council and the public - it should be proud of these contributions.

Q&A Item 4

When is the airport going to address the lead paint issue on the airfield buildings?

Airport Response:

When reviewing this potential issue, the Airport found that one of the EPA-approved ways to remediate lead-based paint hazards is to paint over the area with encapsulating paint. Over the next year the Airport plans to utilize Fiberlock Lead Barrier Compound Industrial Lead Encapsulant paint to remediate impacted areas in Airfield buildings.

Considering the General Aviation community brought this to the director and the commission over 10 years ago, all that can be said is **Finally!**

Q&A Item 5

How will the airport mitigate the high cost of corporate aircraft operations that are driving aircraft to be based outside the county, outside the state, and limit/eliminate fuel purchases that support local businesses and the local tax base? For reference, there are over 1400 aircraft registered in Santa Clara county and only 700-800 actually on the tax rolls. Also, fuel prices at SJC are out of line with surrounding airports (excluding SFO as they are a special case on fuel pricing) - how is that justified and how can the city exert pressure to reduce them and thus increase on and off budget revenue?

Airport Response:

The Airport does not establish the fuel prices that are in effect at SJC. These are set by the free market. In addition, the Airport has no ability to influence these prices.

SJC has a problem and the director is unwilling to acknowledge it. Let me start by addressing the directors response - there is no free market where SJC is concerned. There are two incumbent operators at the airport - each of them are on long term leases that required

significant investment in order to qualify for the lease and pay lease rates set by the airport. Both facilities are a operating at capacity.

They have also been acquired by large conglomerates who purchased national FBO chains and who are attempting to recoup their investment. They deal with labor that requires special training and consequently high labor rates, annual CPI rent increases, and every 5 years they go through a special appraisal process that hikes rates yet again.

The result: In the most recent SJC Annual Consolidated Financial Report (ACFR), the airport reported **General Aviation revenue to be approximately \$11 million and expenses of approximately \$915,000.** Where does this “profit” go - to benefit the airlines. These funds are used to reduce the Cost per Passenger Enplaned (CPE) that the airport calculates to reduce airline cost of operation at SJC.

So the questions remain - Is there a free market and can the airport influence prices? Think of it this way - you live in a town with two gas stations across the street from one another. Do you think they are really going to under cut one another on gas prices?

Let's investigate further - In Question 1, the airport was asked to assess the impact Moffett Field has on SJC. Fuel prices are an area that impacts airport and tax revenues and SJC has very high fuel costs - so much so that operators carry as much fuel as possible through SJC so that they don't have to purchase fuel.

To carry the point a step further, the San Jose Police Department has a fuel truck that they use to refuel their helicopter. They **do not purchase fuel at SJC** but instead drive the tanker to Reid Hillview Airport to purchase fuel.

So what does the “free market” tell us about fuel prices - current retail jet fuel prices at SJC are \$8.86 to \$9.27 per gallon. Moffett Field is \$6.81, Hayward is \$6.25-\$6.49, and Oakland is \$6.76 to \$7.76 - those are the retail prices.

Now lets look at the fees that FBO's charge to deliver contract fuel into the aircraft - these vary widely depending on the FBO and the amount of fuel purchased. For Moffett Field these fees range from \$2.52 down to \$2.02 per gallon, but for SJC they range from \$4.60 down to \$2.71 per gallon. Other airports have fees as low as \$1.57 per gallon. These fees may or may not be competitive based not on the individual airport but the network of FBO's and their “revenue management scheme”. It should also be noted that, as you look at various airports and FBO facilities around the country, you can see combinations where independent (non-network) and network FBO's compete and airports where multiple network FBO's do not compete (compete less) on pricing. A current example in Southern California shows an airport with two network FBO's having a fuel price difference of 10 cents while another airport 21 miles away with one network FBO and one independent FBO have a price difference of \$2.78 per gallon.

Finally, the commission needs to understand how this pricing structure is determined. Each gallon of jet fuel is charged a fuel tax, sales tax, and other various taxes that can add dollars to the price of fuel - more on this in the next question.

It is for these reasons that the air carriers pay approximately \$3.50 per gallon and General Aviation is paying in the range of \$8.00 to \$9.25 per gallon for fuel!

Q&A Item 6

When is the airport going to address the need for facilities for small to mid-sized general aviation aircraft - some of which are not compatible with or safe to operate at RHV or PAO? Is the airport prepared to recognize the difference of non-commercial operations vs commercial operations as far as basing costs are concerned? Since there are no longer flight schools on the airport to “protect”, when is the airport going to modify/rescind the flying club ordinances?

Airport runway capacity continues to be impacted by operations of smaller commuter aircraft and delays continue to rise due to air traffic impacts - how does the airport plan to mitigate these impacts as air travel recovers post-Covid?

I have lumped these two items together as they again reflect policy decisions. On the one hand, is the desire for air service to “anywhere” a priority - then we will have more small commuter flights. Those flights operate at a cost as the airport capacity for instrument operations are limited and the more flights we bring in the more chance of operational delays become. Our current limit under instrument conditions is approximately 27 landings per hour and, as mentioned above, our departure rate can be impacted by operations at other airports.

While these considerations are addressed, it should be noted that 1) KSJC has closed one of the three runways, 2) no one has addressed the eVTOL issue (which will certainly impact KSJC), 3) SJSU is playing an integral part in addressing the urgent pilot and mechanic shortage, and 4) as operations increase, the opportunity for instrument training at KSJC diminishes. Each of these require a balanced, policy based long term decision. Additionally, public safety is a consideration should Reid Hillview close as those aircraft needing a longer runway should be accommodated at KSJC for the public good.

Airport Response to Item 6:

The Airport has approximately 10 acres identified on the Airport Layout Plan (for future Aviation Support/General Aviation) development in the Northwest quadrant of the Airport. Given that SJC is landlocked on all four sides from further expansion, any future development on-airport will need to be analyzed for highest and best-use. The Airport Layout Plan is available here: www.flysanjose.com/improvement.

“Highest and Best Use” may be a policy decision rather than a revenue consideration. Airports like to tout that phrase to create FUD (Fear, Uncertainty, Doubt) in segments of the aviation community that they might be excluded in the future at the airport. Where is the consideration of safety for the community - how do you place that into the equation?

There are significant differences between costs for commercial passenger operations and general aviation. Commercial operators are charged landing fees, ramp parking fees, remain-overnight parking fees, gate fees, and fuel flowage fees. Fees vary depending on if the operator has a signatory or non-signatory operating agreement with the Airport.

This is correct, HOWEVER, the commercial operators benefit by receiving the revenue from all of the other operators at the airport - In other words, the commercial operators pay landing and other fees that are adjusted annually based on the revenue received from other sources. Examples of those would be the \$10 million from General Aviation, parking revenue, rent-a-car fees, concession fees, etc. In the end, these end up in the calculation of the CPE - this is then used by the airport to promote the airport and seek additional air services based on this “lower” cost.

From the GA perspective, the ramp and overnight fees are paid through the land lease of the FBO's. Fuel Flowage Fees are paid at 20 cents per gallon and total in the millions of dollars on the airport budget. **Currently, the General Aviation contribution to the SJC budget (including Fuel Flowage Fees) is approaching 10 percent.**

There is a hole here though - the airport has and continues to allow operations by commercial operators (FAR 135) for no fee! This was brought before the commission and the airport years ago and the airport has never sought this revenue - they never felt they could identify and track those operations. Interestingly, both the the FBO's at SJC have clauses in their leases that they will collect these fees for the airport from commercial operators.

The only costs for general aviation aircraft based at the Airport (in City parking spaces) are monthly rent for a tie-down space, taxi-in, or T-Hangar. Fuel-flowage fees are required only if fuel is purchased from a Fixed Based Operator (FBO) at SJC. See the current based-aircraft costs below:

- \$569 T-Hangar
- \$194 Tiedown
- \$331 Taxi-in (small aircraft)
- \$419 Taxi-in (large aircraft)

I will be kind and assume that the director (or staff) fail to understand what the GA community pays. The airport conveniently forgets that the GA users pay possessory interest tax on their parking space and personal property tax on their aircraft annually - assessed at 1% of the value of the aircraft (Note: this tax is not paid by the air carriers). GA also pays up to 90 cents per gallon in sales tax and up to 26 cents per gallon in gas tax on fuel - the airlines pay neither of these.

The Airport's Annual service volume (ASV) – FAA Advisory Circular 150/5060-5 defines ASV as “a reasonable estimate of an airport's annual capacity” – was calculated to be 240,363 aircraft operations, based on a two-runway configuration (12R/30L & 12L/30R) during the Airport's Runway Incursion Mitigation (RIM) Study. The Airport had 164,291 operations in 2022, which is below runway capacity. Airport traffic peaked in 2019 (pre-COVID) with 207,111 operations, also below SJC's calculated ASV. Annual aircraft operations numbers for the past four years are provided below.

Annual Aircraft Operations

- 2019: 207,111
- 2020: 115,952
- 2021: 133,289
- 2022: 164,291

The airport is correct that they are below operational capacity. The RAPC (Regional Airport Planning Committee) conducted studies years ago that projected that SJC would reach capacity (in IFR conditions) sometime on the late 2020's - the airport participated in these studies at the time.

Additional factors that contribute to aircraft delay and are outside of the Airport's control include wake turbulence, weather (wind conditions, VFR/IFR), and the Bay Area's complex airspace system (SJC/SFO/OAK). An additional source of capacity/delay relates to the Airport's design and landlocked footprint. The Airport's parallel runways (12R/30L & 12L/30R) meet the FAA's minimum separation standards of 700 feet from centerline to centerline, which results in limitations on simultaneous arrival and departure operations (FAA AC150/5300-13B).

SJC closed Runway 11/29 in 2022, after the conclusion of the 7-year FAA grant funded safety-based RIM Study. Main findings concluded that Runway 11/29 contributed to Runway Incursions and the Airport's two published hotspots were adjacent to Runway 11/29. To read more about the detailed analysis included in SJC's RIM Study: www.flysanjose.com/rim.

The Airport is currently researching and planning for future Advanced Air Mobility operations, including eVTOL. SJC recently participated in a study with the American Association of Airport Executives (AAAE) on Air Mobility & eVTOL operations. You can access the research here: https://aaae.org/ACT/ACT_Resource_Library_Pages/Research/ACT_2.0/AAM.aspx

It is correct that the two “Hot Spots” at the airport were adjacent to Runway 11/29. What the airport did not say is that these “Hot Spots” were the result of airport actions without regard to recommendations made by the General Aviation community and comments made before both the Airport Commission and the Airport Safety Committee. The airport made these placements unilaterally and the results are what was determined to an aviation safety hazard.

Q&A Item 7

How does the airport expect to handle the impacts of general aviation aircraft displaced from Reid Hillview if the airport is closed?

Airport Response to Item 7:

The Reid-Hillview Airport of Santa Clara County is a general aviation airport owned and operated by Santa Clara County. The closure of Reid-Hillview Airport would be determined by the County of Santa Clara and the Federal Aviation Administration, which has regulatory authority of airports. Any potential timeline would depend on this determination.

The San José Airport owns and operates 46 hangars, 12 nested tie-downs, 6 small aircraft taxi-in tie-downs and 7 large aircraft taxi-in tie-downs. Details about these hangars and tie-downs, including agreements and waits list policies, are available on the Airport's website at: <https://www.flysanjose.com/business/sjc-general-aviation/hangar>.

To be clear, SJC now can accommodate 71 General Aviation aircraft in the city tie downs - it should be noted that SJC was at one time home to over 600 General Aviation aircraft. I will add that I was on the SJC Hangar waiting list for over 35 years before the list was cancelled and then reinstated as currently constituted. The waiting list is years long for hangars and the airport appears to have no interest in providing adequate General Aviation infrastructure for small to mid-sized aircraft.

The San José Airport also has two fixed base operators: Atlantic Aviation and Signature Flight Support. These operators provide fuel, transient parking, hangar space, catering, ground transportation, and maintenance services to general aviation aircraft. Details about these operators are available at: <https://www.flysanjose.com/business/sjc-general-aviation/fbo>.

The FBO's provide fuel and aircraft parking. Their tenants provide the other services and are not controlled by the FBO's.

The San José City Council received a presentation by Santa Clara County on August 20, 2019 about the status and plans for Reid-Hillview Airport. During this meeting, the City of San José raised several concerns about any potential closure of the Red- Hillview. Details from this meeting are available at: <https://sanjose.legistar.com/LegislationDetail.aspx?ID=4079642&GUID=93C02C36-028F-4E31-B6A1-9BE6C209D84C&Options=&Search=>

Q&A Item 8

When will the city respect the airport and stop approving buildings in downtown that intrude into the departure airspace of the airport? Would you care to quantify the impact that this has on the airport as far as long haul/international flying? (ie. JetBlue needs to depart 15,000 lbs. lighter taking off southeast than taking off northwest due to downtown buildings being obstacles).

Airport Response:

Downtown building heights have been extensively analyzed in detail during both the Downtown Airspace & Development Capacity Study (DADCS) and the Downtown San Jose Construction Crane Study. To read the detailed analysis from both studies, visit www.flysanjose.com/downtownheightlimits.

Buildings downtown as well as terrain features south of the airport contribute to operational restrictions when departing to the southeast and will contribute to limits on flights utilizing certain aircraft and the development of additional air routes in the future - this is based on over 42 years of airline operations experience and 51 years flying out of SJC.

Q&A Item 9

Our terminal building is a monstrosity - cold in the morning, hot in the afternoon - concessions closed - no moving sidewalks with long (over a mile) walks - temporary gates (Southwest - when is that project going to start) - etc. When/how will it be updated?

Airport Response:

Temperature settings in our terminals are set between 68-74 degrees. When inside temperatures fall outside of this range the hot or chill water valves in our air handlers will open to regulate the building temperatures as needed. Due to constant fluctuations in outside temperatures and building occupancy, our systems are constantly regulating temperatures to make the most comfortable environment for our passengers.

The primary reason why many concession locations at the Airport are closed or have limited hours of operation has to do with the ongoing labor shortages that our city and the nation are dealing with. Our food and beverage and retail programs were designed to serve between 15 and 16 million passengers. Currently, SJC passenger levels are just over 11 million. Therefore, not all concession locations need to be open to provide our current level of passengers with the services they are looking for. Airport personnel provides our concessionaires with ongoing support to help them address the challenges they face due to the labor shortages, including assistance with hosting and running a job fair on site at the Airport.

Due to space limitations within the Terminal concourse, the installation of moving walkways, combined with the space requirements for accessibility mobility, will greatly impact the corridor circulation space and impede emergency egress requirements.

The terminal at SJC is a disappointment to the community. It is difficult to navigate and the planned length of the terminal is going to be a problem for passengers. I hope someone has the vision and out-of-the-box thinking to remedy this situation. I should be noted that at a meeting years ago, a Senior VP for the design-build firm hired by the airport discussed over 50 NO COST items they offered to include in the construction to "future proof" the project - all of them were turned down by the airport.

Our airport has a history - it is one of providing aviation facilities for the entire community. The current policy appears to be one of appeasing the airlines at all costs. The 2022 distribution of \$27 million to the airlines and the lowering of their 2023 fees while at the same time increasing costs for the other operators on the airport is simply wrong. The airport needs to invest in the entire spectrum of operators - soon enough you will have to deal with eVTOL operators associated with the airlines who will demand access. I hope you are ready.

Douglas Rice