



Airport Commission Meeting

February 13, 2023

Agenda

- I. **Call to Order & Orders of the Day**
- II. Public Record
- III. Consent Calendar
- IV. Reports and Information Only
- V. Public Comment
- VI. Noise Report/Community Noise Concerns
- VII. Business
- VIII. Meeting Schedule and Agenda Items
- IX. Adjournment

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III. Consent Calendar

- Approval of the Minutes for the Regular Meeting on November 14, 2022

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IV. Reports and Information Only

A. Chair Report

B. Director

C. Council Liaison

D. Staff

E. Commissioner Reports

IV. Reports and Information Only

A. Chair Report

B. Director

C. Council Liaison

D. Staff

E. Commissioner Reports

IV. Reports and Information Only

A. Chair Report

B. Director

C. Council Liaison

D. Staff

E. Commissioner Reports

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A. Chair Report

B. Director

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E. Commissioner Reports

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A. Chair Report

B. Director

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E. Commissioner Reports

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Public Comments (Not on Agenda)

Members of the Public are invited to speak on any item that does not appear on today's Agenda and that is within the subject matter jurisdiction of the Commission. Meeting attendees are usually given two (2) minutes to speak on any discussion item and/or during open forum; the time limit is in the discretion of the Chair of the meeting and may be limited when appropriate.

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VI. Noise Report

Norman Y Mineta San Jose International Airport Quarterly Noise Summary Q4 2022

	Oct	Nov	Dec	Year Over Year			Quarter Over Quarter	
				Q4 2022	Q4 2021	Difference	Q3 2022	Difference
Total Operations	14,655	13,944	12,360	40,959	36,921	11%	43,286	-5%
Total Operations between 2330-0630	263	289	308	860	780	10%	939	-8%
Air Carrier Operations between 2330-0630	124	133	193	450	392	15%	512	-12%
General Aviation Operations between 2330-0630	139	156	115	410	388	6%	427	-4%
Total Intrusions	34	11	70	115	138	-17%	231	-50%
Total Non Compliant Intrusions	3	1	10	14	23	-39%	4	250%
Air Carrier Complaints	136	931	1,936	3,003	4,773	-37%	2,031	48%
General Aviation Complaints	49	140	367	556	1,189	-53%	491	13%
Total Complaints	185	1,071	2,303	3,559	5,962	-40%	2,525	41%
Total Engine Run-ups **	0	0	0	0	0	#DIV/0!	1	-100%
South Flow Operations	283	1146	3307	4,736	6,548	-28%	2,055	130%

** High Power (>90%) Engine Run-ups during the Curfew Hours Only

Definitions

Operation: a takeoff or landing of an aircraft at the airport.

Intrusion: is any operation by an unauthorized aircraft between the hours of 2330 and 0630.

Non Compliant Intrusion: is an Intrusion that did not meet the exemption criteria set forth in the municipal code

Air Carrier: a commercial carrier utilizing aircraft as a means of transport of passenger or freight.

General Aviation: all flights other than scheduled Air Carrier service

VI. Noise Report

City	Complaints Q4 2022	Year over Year		vs. Previous Quarter	
		Complaints Q4 2021	Difference	Complaints Q3 2022	Difference
San Jose	111	164	-32%	171	-54%
Palo Alto	0	57	-100%	1	#DIV/0!
Milpitas	0	3	-100%	7	#DIV/0!
Morgan Hill	0	0	0%	1	#DIV/0!
Cupertino	18	20	-10%	1	94%
Mountain View	1,190	178	569%	417	65%
Sunnyvale	2,170	5,224	-58%	1,647	24%
Los Gatos	55	183	-70%	136	-147%
Los Altos	7	42	-83%	20	-186%
Santa Clara	16	38	-58%	59	-269%
Campbell	0	1	-100%	3	#DIV/0!
Saratoga	0	0	#DIV/0!	1	#DIV/0!
Other	37	7		35	
Total Complaints	3,604	5,917	-39%	2,499	44%

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VII. Business

- A. Air Services Update
- B. Grants/Financial Update
- C. Marketing/Branding Update
- D. Legislative Update



Air Service Overview

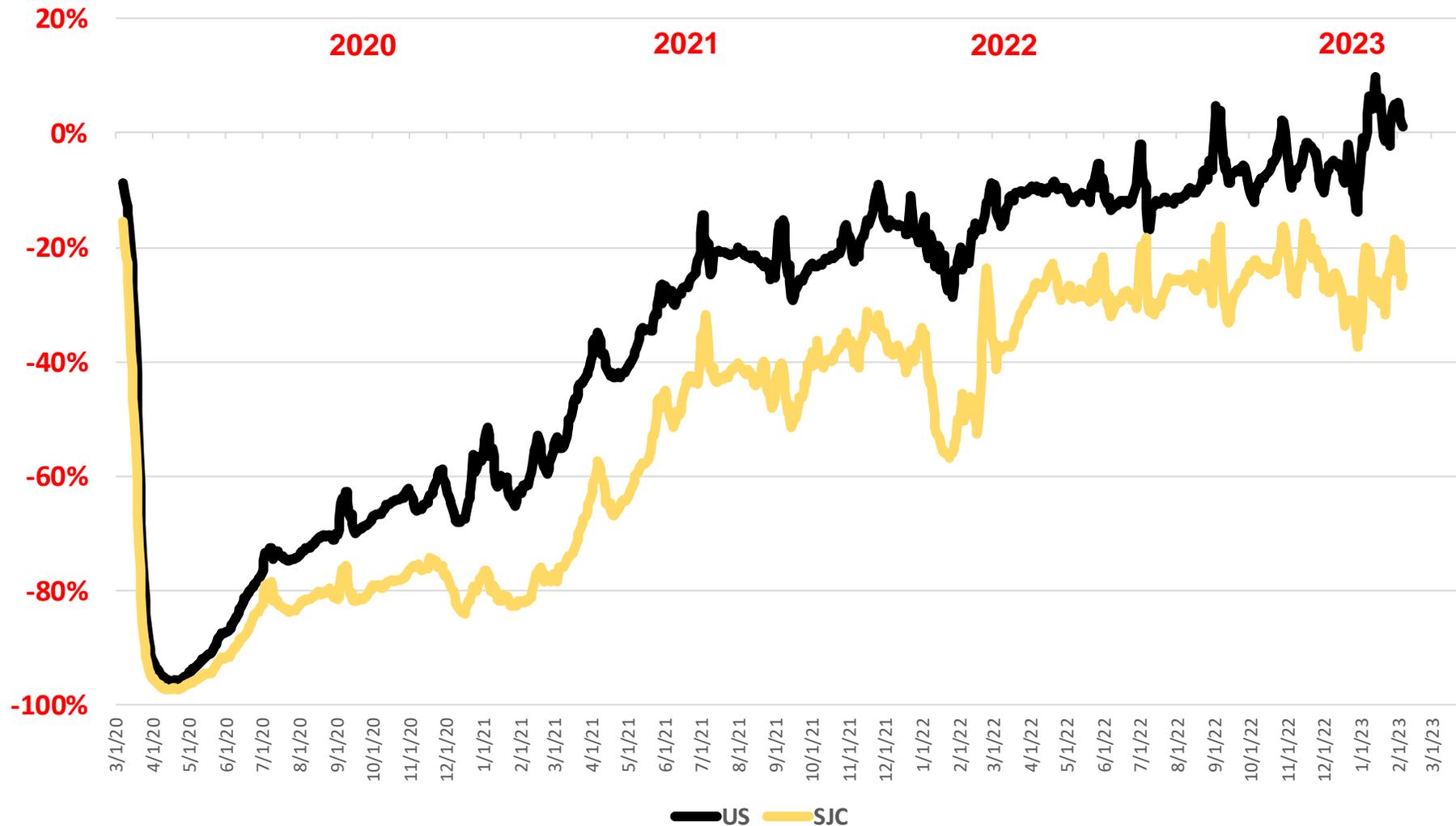
Mark Kiehl

13 FEB 2023

SJC vs. U.S. Passenger Recovery Trends

Slower return of corporate business travel impacts SJC travel

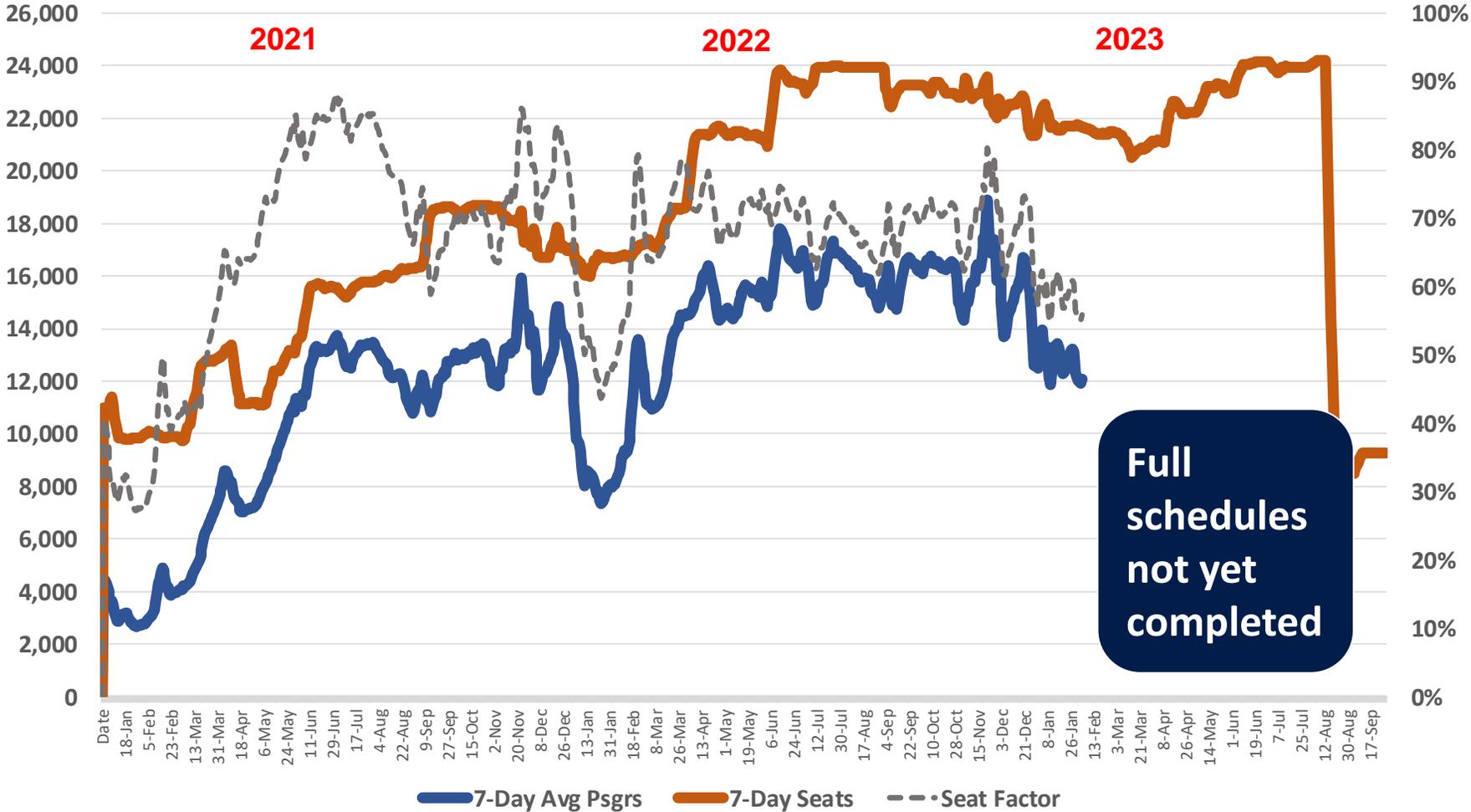
TSA U.S. and SJC 7-Day Year-Year Passenger Changes vs 2019



SJC Passenger vs. Seat Capacity Trends

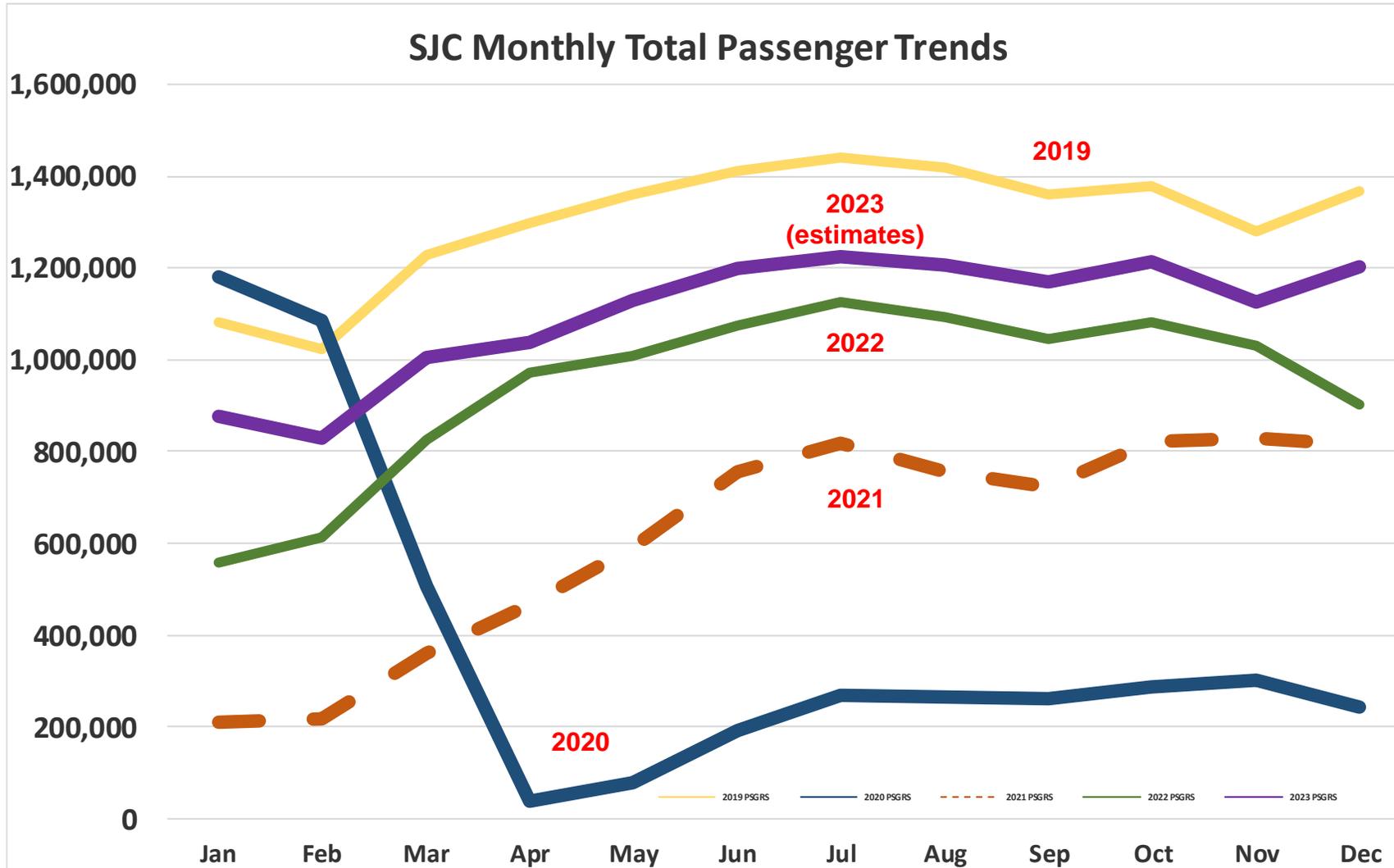
Airlines have continued to monitor travel demand and adjust capacity

SJC 7-Day Moving Departing Passengers, Seats, Seat Factors



SJC Passenger Trends

Recovery from the severe drop in 1Q 2020



12 Month Moving Passengers:

2019: 15.7 M
2020: 4.7 M
2021: 7.4 M
2022: 11.3 M
2Q23: 12.0 M est.

Seat Capacity by Terminal

The percentages of seats have continued to shift to T-B

SJC Percent of Seat Capacity by Terminal

Terminal	2018	2019	2022	Current
A	34%	28%	20%	18%
B	66%	72%	80%	82%

Summary of Key Routes

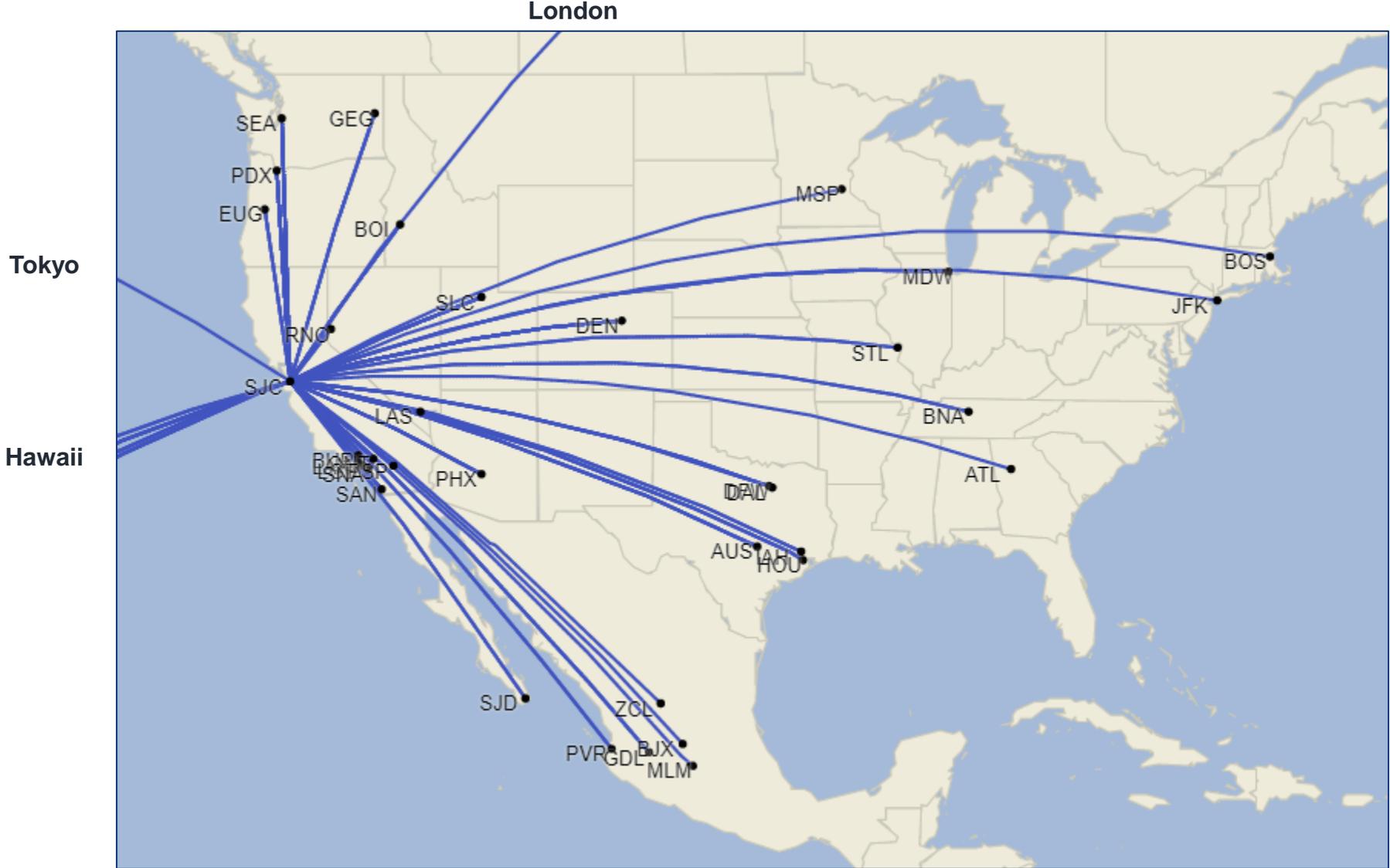
Over 40 total destinations by summer 2023

Nonstop SJC Route Highlights

Airline	Route	Collective Services
Alaska	Austin 2x/daily San Jose del Cabo 3-7x/day	Hawaii - up to 12x/daily by Alaska, Hawaiian, Southwest
Delta	Atlanta 3x/daily Minneapolis 2x/daily Salt Lake 5x/daily	Portland - up to 12x/daily by Alaska and Southwest
JetBlue	Boston 1x/daily May-Sep	Seattle - up to 16x/daily by Alaska, Delta, Southwest
Southwest	Austin 4x/daily Chicago Midway 3x/daily Palm Springs year-round	San Diego - up to 19x/daily by Southwest and Alaska
Volaris	Guadalajara, Leon, Morelia, and Zacatecas	L.A. Basin - 40 - 46x/daily by Southwest, Delta, American, and Alaska

SJC Route Map

Current snapshot of June 2023 nonstop markets





Airport Finance

Airport Commission Meeting

Kim Hawk

FEBRUARY 13, 2023

Agenda

01. Airline Agreement

02. Federal Aid

03. FY22 Results

04. FAA Compliance Review

1.0

Airline Agreement

Types of Airline Agreements

Residual

- Nonairline revenues used to cover costs
- Financial risk transferred to Airlines
- Usually requires Airline approval on capital investment decisions
- Limited accumulation of Airport equity

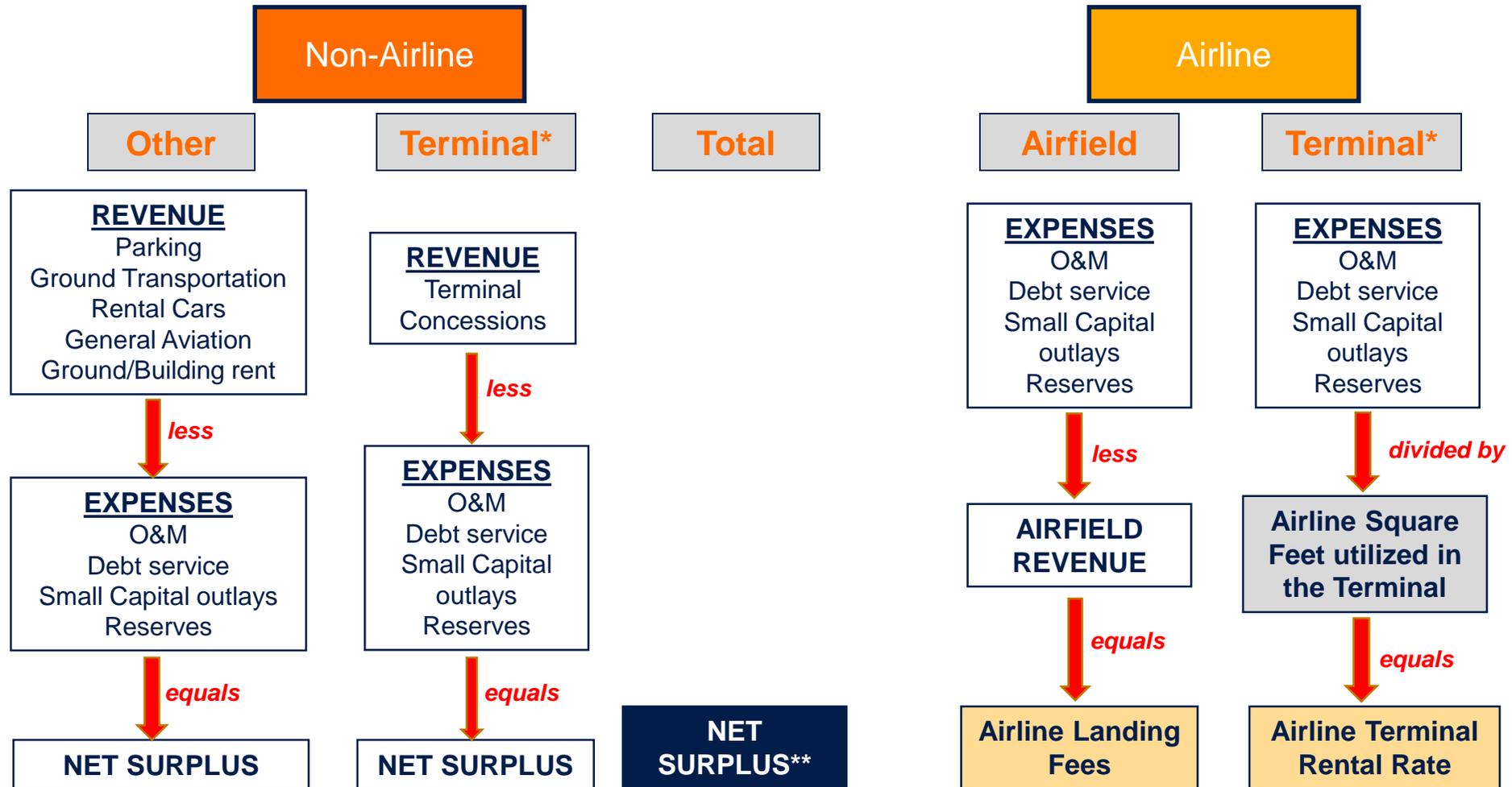
Compensatory

- Recovery of only those costs allocated to occupied facilities
- Airport assumes financial risk
- Airlines only pay for what they use
- Airport keeps nonairline revenues

Hybrid

- Mixture of both Residual and Compensatory methodologies
- Balance of risk and facility control
- Net revenue-sharing formulas
- **San Jose Airline Agreement is a Hybrid model**

Flow of Funds *Current Agreement*



* Terminal expenses split based on % of rentable square feet

** Non-Airline surplus is split 60/40 between the Airlines and the Airport, after the Airport takes the first \$4 million

2.0

Federal Aid

SJC Federal COVID Grants

<i>(\$ millions)</i>	<u>Any Use</u>	<u>Concessions</u>	<u>Total</u>
CARES	\$65.6	-	\$65.6
CRRSA	\$13.4	\$1.7	\$15.1
ARP Act	<u>\$48.9</u>	<u>\$6.6</u>	<u>\$55.5</u>
Total	\$128.0	\$8.2	\$136.2

Use of Federal Relief Grants

<i>(\$ millions)</i>	Airport Terminal*	Other Airport	Total Airport	Airline Terminal	Airfield	Total Airline	Rental Cars	Concessions Grant	TOTAL
FY21 Actuals	\$12.2	\$7.0	\$19.2	\$5.5	\$20.6	\$26.1	\$8.3	\$1.7	\$55.2
FY22 Actuals	\$14.9	\$10.6	\$25.5	-	-	-	-	\$6.6	\$32.1
FY23 Budget	<u>\$15.0</u>	<u>\$3.9</u>	<u>\$18.9</u>	<u>\$10.0</u>	=	<u>\$10.0</u>	=	=	<u>\$28.9</u>
Sub-Total	<u>\$42.1</u>	<u>\$21.5</u>	\$63.6	<u>\$15.5</u>	<u>\$20.6</u>	\$36.1	\$8.3	\$8.2	\$116.2
FY24/25 Balance									<u>\$20.0</u>
TOTAL									\$136.2

* Financial relief given to multiple tenants using CARES grant funds

3.0

FY22 Results

FY22 Results compared with FY19

(\$ millions)	FY22 Actuals			FY19 Actuals		
	Airport	Airline	Total	Airport	Airline	Total
Landing Fees & Terminal Rental		\$78.2	\$78.2		\$67.0	\$67.0
Terminal Concessions	\$13.1		\$13.1	\$23.7		\$23.7
Airfield	\$0.8	\$4.2	\$5.1	\$0.8	\$7.6	\$8.3
Parking & Roadway	\$47.0		\$47.0	\$64.4		\$64.4
General & Non-Aviation	\$18.1		\$18.1	\$18.7		\$18.7
Operating Revenues	\$79.1	\$82.4	\$161.5	\$107.6	\$74.5	\$182.2
Federal Aid	\$32.1		\$32.1			\$0.0
Prior Year Revenue Sharing*			\$0.0		\$17.6	\$17.6
Total Revenues	\$111.2	\$82.4	\$193.6	\$107.6	\$92.2	\$199.8
Operating Expenses	\$38.1	\$62.5	\$100.6	\$39.0	\$53.4	\$92.5
Renewal & Replacement	\$6.7	\$9.0	\$15.8	\$11.9	\$10.0	\$21.8
Debt Service & Coverage	\$15.9	\$25.2	\$41.1	\$27.4	\$26.7	\$54.0
Total Expenses	\$60.7	\$96.7	\$157.4	\$78.3	\$90.1	\$168.4
Surplus / (Deficit)	\$50.5	(\$14.3)	\$36.2	\$29.3	\$2.1	\$31.4

Airline True-Ups and Revenue Sharing Summary						
	FY22 Actuals			FY19 Actuals		
	Airport	Airline	Total	Airport	Airline	Total
Terminal True-Up		(\$14.8)	(\$14.8)		\$5.2	\$5.2
Revenue Sharing	\$23.1	\$27.4	\$50.5	\$15.4	\$13.9	\$29.3
Sub-Total	\$23.1	\$12.6	\$35.6	\$15.4	\$19.1	\$34.5
Airfield True-Up**		\$0.6	\$0.6		(\$3.1)	(\$3.1)
Total	\$23.1	\$13.1	\$36.2	\$15.4	\$16.1	\$31.4

* prior airline agreement rolled the revenue sharing into subsequent years rates; current agreement pays the airlines with a check

** rolls into subsequent years Airfield rates

4.0

FAA Compliance Review

FAA Compliance Review

Focus of the Review was the FAA Policy Concerning the Use of Airport Revenues:

- Federal law requires all airport owners that receive federal assistance, such as the City, to use airport revenues for the capital and operating costs of the Airport. Generally, any use of airport revenues by an airport owner for costs that cannot properly be considered airport capital or operating costs is deemed to be improper **Revenue Diversion**.
- As a result of the FAA Compliance review in 2010, three areas were identified that the FAA thought could be Revenue Diversion by the City:
 - ✓ Two areas were resolved in 2015 – 1) Guadalupe Gardens land use; 2) Airport West Property
 - ✓ Remaining open item relates to the City's indirect cost allocation methodology as it relates to the Airport. The FAA contends that these costs do not correlate to the cost of services actually provided by the City to the Airport.



Questions?



Annual Marketing Update

A New Brand Identity for SJC

February 13, 2023

Brand Identity Development

Background

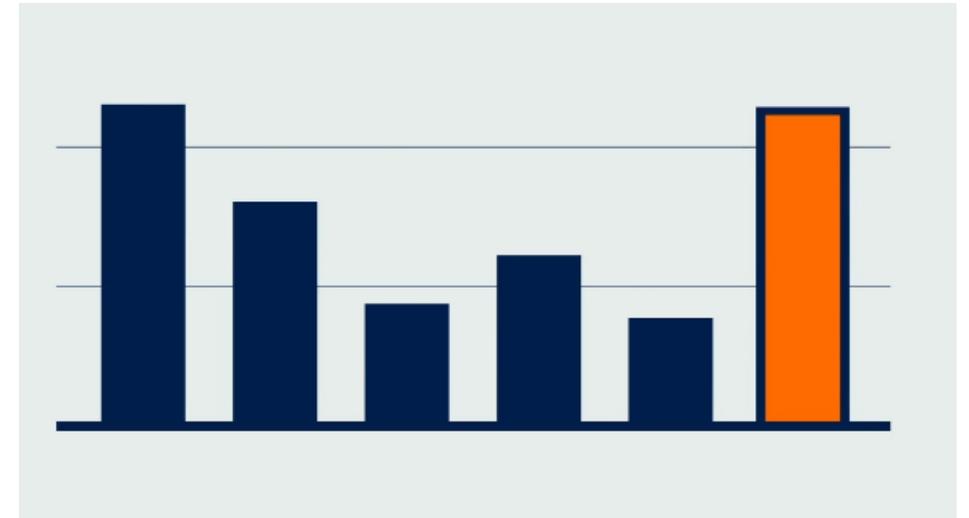
- For more than 70 years, SJC has been making life easier for travelers
- In 2019, we had been America's fastest growing major airport for the previous five years
- The Pandemic changed the world, our industry and impacted our business
- In 2020, we started the process to deepen our understanding of our consumer and their motivations



Brand Identity Development

The Process – Initial Research

- 1:1 interviews with key stakeholders (Airport and City leadership staff, City Council, the Silicon Valley Leadership Group and Silicon Valley Business Travel Associations)
- Online interactive discussions with more than 40 Bay Area Travelers
- Survey of 2,100+ travelers
- Findings presented to the Airport Commission on Feb. 14, 2022



Brand Identity Development

The Process – Budget & Funding

Extensive qualitative and quantitative market research	\$225,000
Design/development of a new visual and verbal brand identity	\$358,000
Additional research for public input on new brand identity (testing)	<u>\$ 48,000</u>
	\$631,000

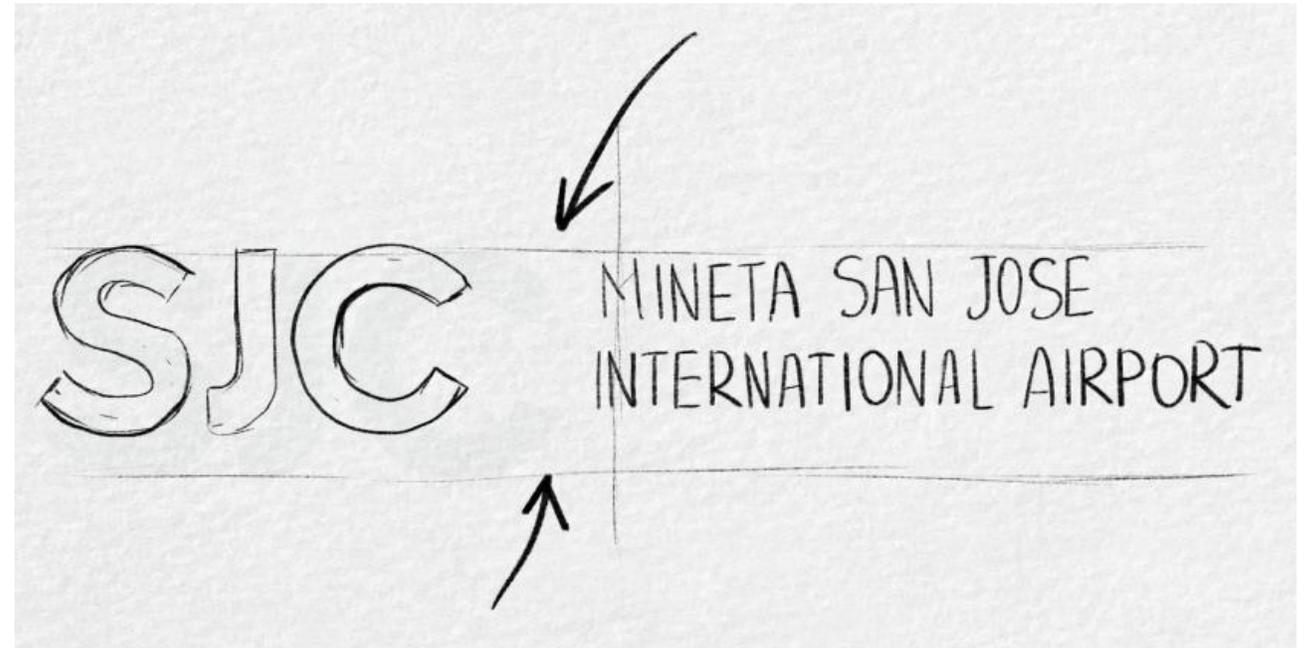
Funds

- Revenues generated from airlines and other SJC users
- Dollars spent based on budget available
- No tax dollars are used to operate, maintain or market SJC

Brand Identity Development

The Process – Name & Logo

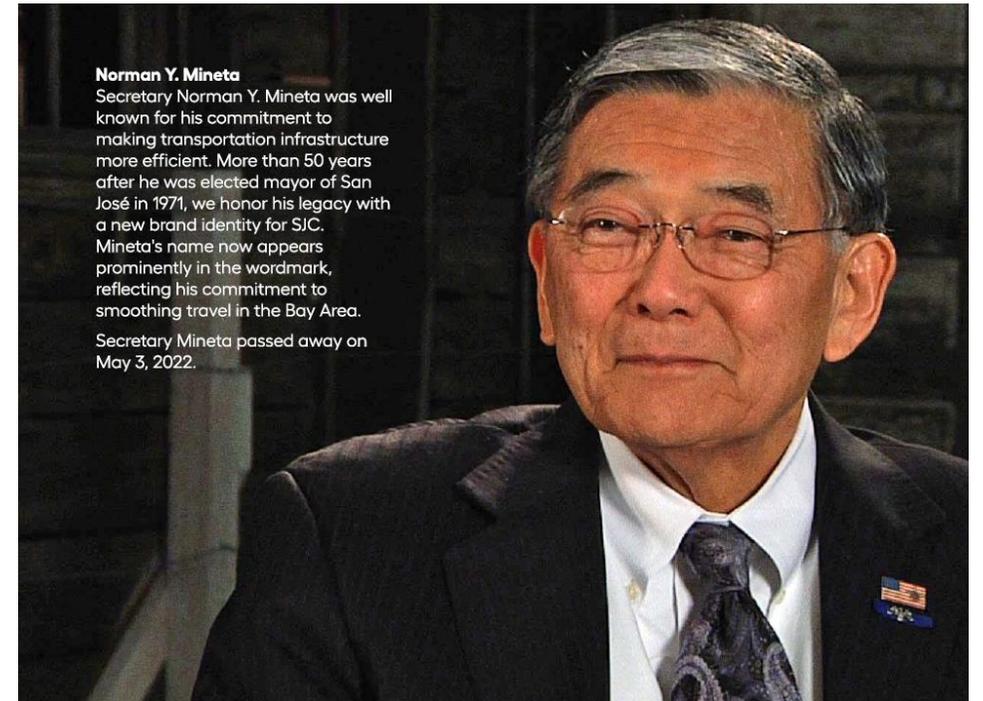
- Development of multiple versions
- Road Show: city officials and partners
- Testing with speakers of multiple languages: Chinese, Spanish and Vietnamese
- Name, Logo and Brand Guide creation



Brand Identity Development – Our New Name

San José Mineta International Airport

- Leads with location
- Helps travelers identify SJC
- Mineta moved to the heart of our name
 - Secretary Mineta was a champion for transportation, this Airport and San José



Brand Identity Development – Who We Are

Positioning Statement

For travelers flying in and out of California's Bay Area who want a reliably smooth airport experience, SJC provides hassle-free global connections. Fueled by a culture of innovation, SJC is the Bay Area's quickest, easiest and most dependable airport due to its medium size, simple layout and inland location.

In other words:

SJC is the Bay Area's quickest, easiest and most dependable airport.

Brand Identity Development – Tone

Our communication personality

- Efficient
- Simple
- Established
- Accessible
- Dynamic



Brand Identity Development – Logo

Primary



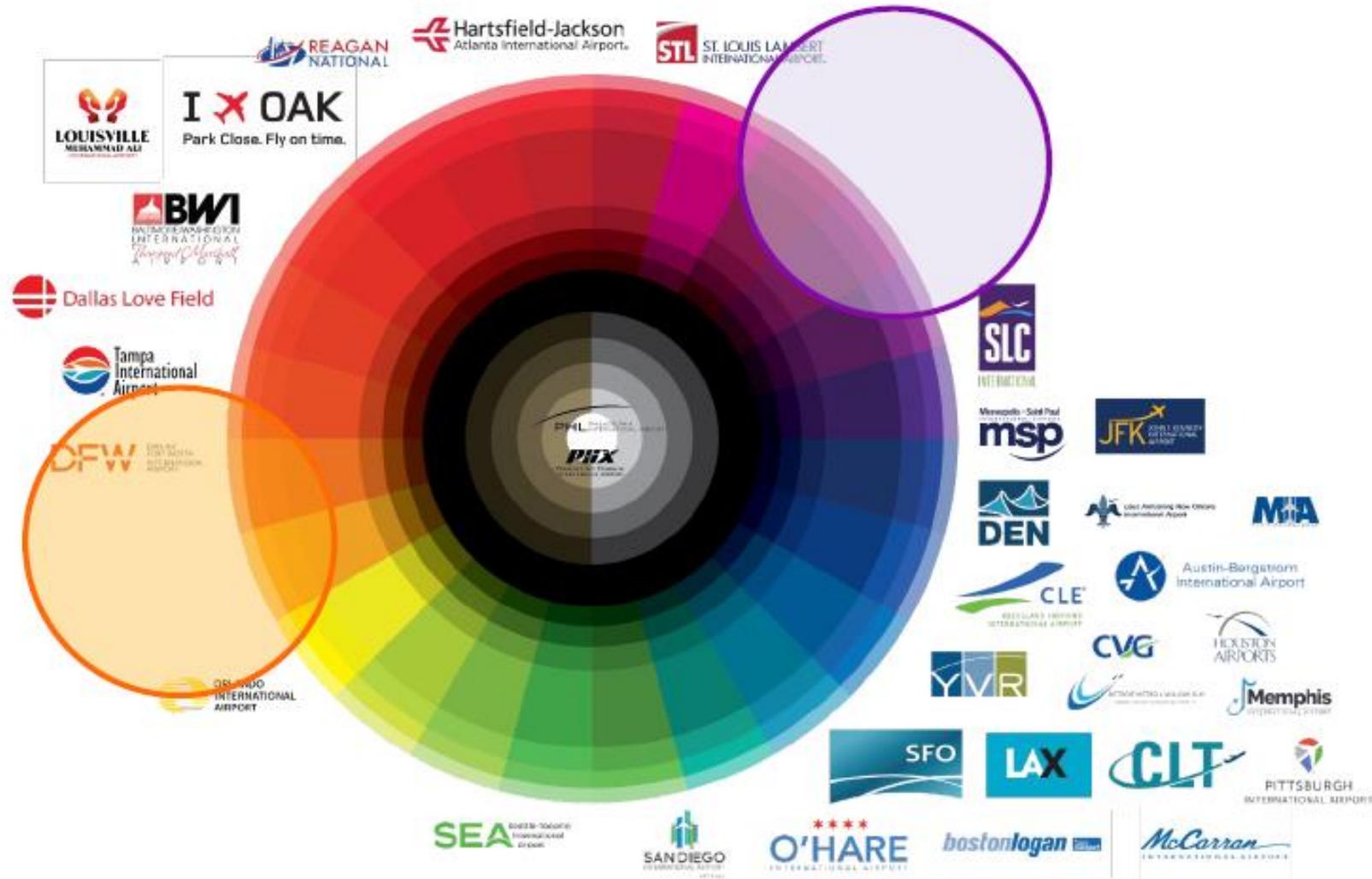
Secondary



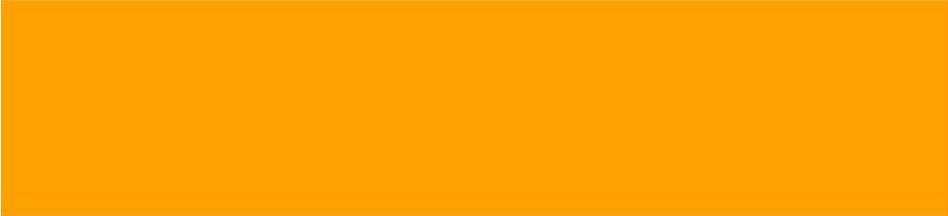
Core



Brand Identity Development - Logo



Brand Identity Development - Logo



Culture



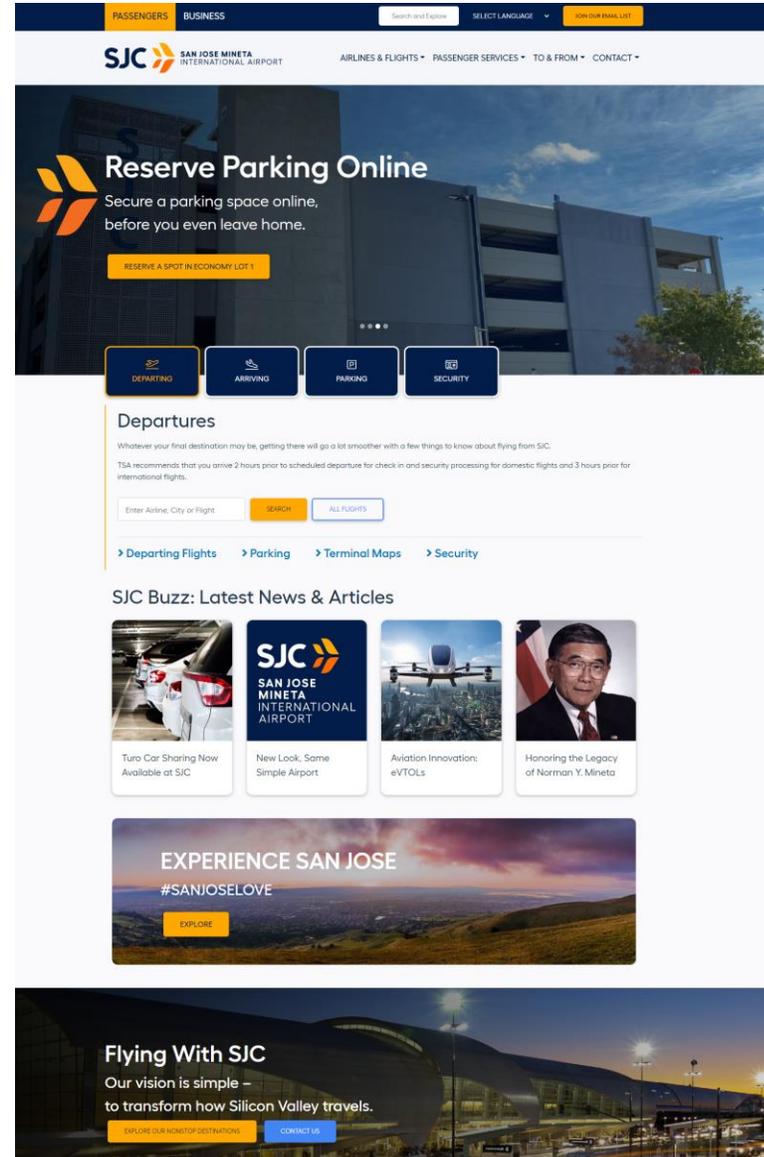
Sense of Place

Brand Identity Launch

Paced, strategic rollout

Occurring over the next several months and based on available budget. Includes:

- Internal assets
- Digital presence
- Offices, terminals, baggage claims
- Parking
- Building exterior, entrances



Brand Identity Rollout - Example



Brand Identity Rollout - Example



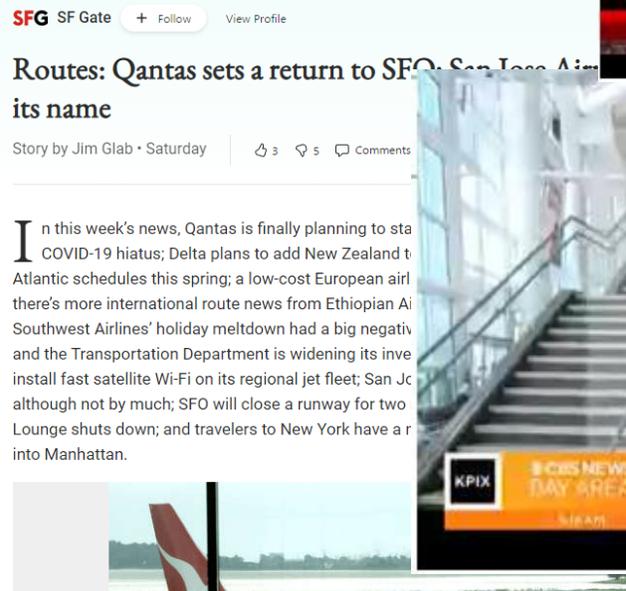
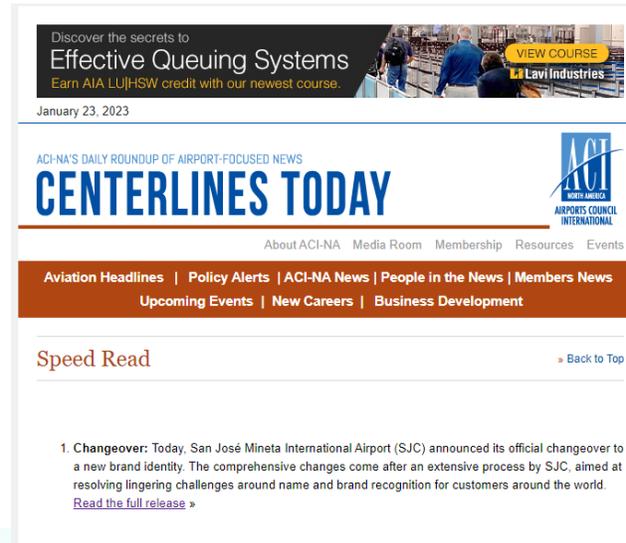
Brand Identity Launch

Earned Media

Press release Jan. 23

Coverage:

- East Bay Times
- Aviation Pros
- Silicon Valley Business Journal
- CBS/KPIX
- KRON4
- SFGate
- And more!

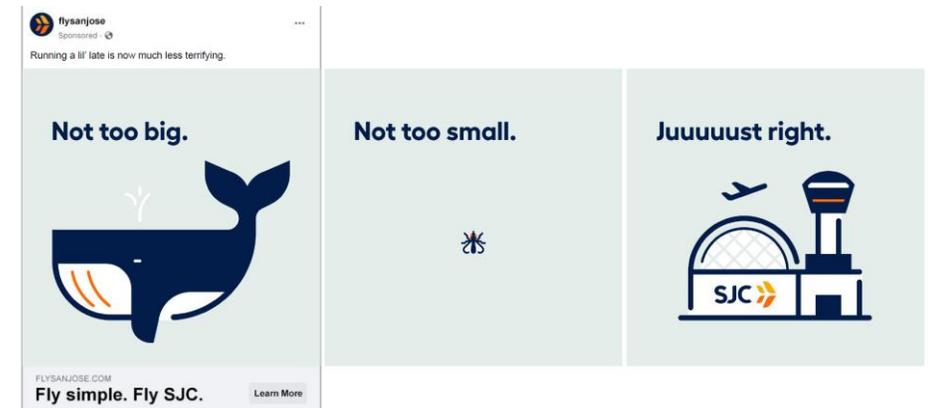


Brand Identity Launch

Paid Media

Now through Sept. 2023, includes:

- Digital
- Audio streaming
- Billboards
- TV
- Radio
- Influencer





Questions?

Legislative Update



TO: AIRPORT COMMISSION

FROM: Matthew Kazmierczak
Division Manager

SUBJECT: Legislative Update

DATE: February 8, 2023

FEDERAL

FAA Reauthorization

[The FAA Reauthorization Act of 2018](#) was signed into law on October 5, 2018. It extended FAA's funding and authorities through federal fiscal year 2023. The bill includes several key legislative changes related to increasing the safety and pace of UAS integration, expediting the financing and development of airport capital projects, directing the FAA to advance leadership in the field of international supersonic aircraft policies, addressing aircraft noise, and ensuring safe lithium battery transport.

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Meeting Schedule and Agenda Items

- Next meeting:
 - May 8, 2023
- Select Topics from the Workplan
 - Airline Rates and Charges
 - Election of Officers for FY23/24
 - Commission Annual Report for FY22/23
 - Commission Work Plan for FY23/24
 - Legislative Update
 - Quarterly Noise Report Noise
 - Community Noise Concerns

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