NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
SILICON VALLEY'S AIRPORT

TO: AIRPORT COMMISSION

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SUBJECT: LEGISLATIVE UPDATE

DATE: April 30, 2019

FEDERAL

Congress is currently working on the FY19/20 budget and appropriation items.

Infrastructure
House Transportation Committee Chairman Peter DeFazio (D-OR) and his staff are working on drafting an infrastructure package. The White House has called for $200 billion in federal funds to help stimulate private and local investment in infrastructure that could total at least $1 trillion. The administration's approach stands in contrast to Democratic proposals that rely on direct federal assistance rather than private and local funding.

Chairman DeFazio has been supportive of airlines attempts to increase the PFC as a way to increase infrastructure investment at no cost to the federal budget. San José Airport produced the attached "Impact of an Increase of the PFC at San José Airport" one-pager to share with our congressional delegation and others. The Airport also submitted a stakeholder input letter to the House Transportation Committee asking them to include a PFC increase as part of their infrastructure plan.

On April 30, 2019, Democratic leaders and the President reached a tentative agreement to pursue a $2 trillion infrastructure package. There are few details on what the package would include and how it would be paid for. Congressional Republicans have been reported saying that they are unlikely to support a $2 trillion infrastructure package. Democrats put forth a plan where the federal government would pay 80% with local governments paying 20%. This is similar to the current status quo for surface transportation projects. The White House did not express support for this plan.

FY19/20 Airport-Related Budget Items from the Trump Administration
The Trump Administration's budget request included the following:

- Cut TSA's frontline staffing by 815 full-time positions
- Cut 50 canine teams
- Eliminated TSA's Law Enforcement Officer (LEO) Reimbursement Program
- Removed TSA's staffing of exit lanes
- Removed funding for janitorial services for TSA checkpoints

Many in the House Members on both sides of the aisle generally viewed these budget requests as inadequate. A letter to the House appropriators urging full funding was sent by 59 House members, including all Representatives from our region: Eshoo, Lofgren, and Khanna.

Customs and Border Protection (CBP)

On April 11, 2019, Customs and Border Protection (CBP) officials announced that due to increasing wait times at land ports-of-entry along the southern border, the agency will begin pulling CBP officers from airports, seaports, and the northern border. Beginning on Sunday, April 14 CBP will reassign 100 officers, and another 125 will be reassigned beginning on Sunday, April 28. CBP also is drafting plans to move additional officers in May if the situation warrants.

Boeing 787 MAX

With the grounding of the Boeing 787 MAX, the FAA is creating a review panel to review the safety of the aircraft. The panel will be chaired by Former National Transportation Safety Board Chairman Christopher Hart, who has said the panel would begin in late April and would take about 90 days. American Airlines and Southwest Airlines have said they were extending flight cancellations due to the grounding.

STATE

PFAS Investigation by State Water Resources Control Board

On March 6, the State Water Resources Control Board held an informational hearing "to inform the Water Board and public of Perflouroalkyl Substances (PFAS), potential sources, and potential risks to drinking water. Panelists provide[d] updates on existing state and federal actions, as well as the Water Board's Action Plan." During the hearing, it was announced that an investigation notice would be sent to the commercial airports in the state to understand contamination levels at the facilities.

Investigation letters were distributed by the regional water control boards in mid-March with instructions on how to comply.

CARB Zero-Emission Airport Shuttle Bus Measure

The first hearing of the Zero Emission Airport Shuttle Bus Measure was held in February. Airports have expressed concerns to CARB about how any changes away from a voluntary program to a mandatory program would make projects ineligible for certain federal funding grants.

With the Innovative Clean Transit measure passing two months prior, CARB has not shown any intention of slowing the measure to address infrastructure or funding concerns raised by airports. During the Board hearing, FAA funding through VALE and ZEV was discussed. Board members were critical of the amount of funding available and airports' use of existing grant programs. They were also against providing most exemption language requested by the airports as they felt it would lead to backsliding.

After the hearing, airports were able to confirm that CARB would be making some concessions to help airports – but not all. These include:

- Non-hub airports will be exempt;
- Extended the timeline for 100% completion from 2032 to 2035;
- Airports will not be the enforcer as compliance will be determined by CARB – airports will only be required to confirm compliance certificates before issuing permits;
- Gained flexibility on compliance checks as airports can now use online databases to confirm permitted operators meet standards;
- Emergency language will be included providing exemptions for periods of irregular operations;
- Airports will be able to apply for extensions if there are unforeseen circumstances such as infrastructure delays;
- Fixed definition of applicable routes impacted by the measure.

CARB staff intends to share revised language with airports in April prior to public release in early May. Another comment period will open for input from the public and the revised language will go before the Board in June for a final hearing.

Impact of an Increase of the PFC at San José Airport

New Terminal to Bring Airport up to 40 gates

- When the Norman Y. Mineta San José International Airport (SJC) built its current Terminal B, the long-term plan included a Terminal C extension to increase the Airport to a total of 40 gates and the accompanying support infrastructure (i.e. baggage screening system, baggage claim, passenger screening, etc.).
- Current airline activity now warrants the planning and construction of this next phase of terminal construction.
- While the construction of the new project will take years of planning and construction, the financing of the project is the largest obstacle.
- Current financial commitments by the Airport include:
  - $1.3 billion in bond debt
  - $94 million per year in annual debt service payments
  - PFC revenue is dedicated to debt service payments until 2047

Direct Benefits of a Potential PFC Increase to SJC – A New Terminal

- Increasing the PFC would dramatically ease the ability of the Airport to advance the construction of a new Terminal C, bringing the Airport up to a potential total of 40 gates
- The new Terminal C is needed to alleviate gate shortages and to support the massive growth of passengers at SJC.
  - Passengers at San José Airport grew from 9.8 million passengers in 2015 to 14.3 million in 2018
  - Even at modest growth rates of 2-3%, SJC would need to continue to add 1 gate every other year to accommodate this increased traffic.
  - The current Terminals are already exceeding design capacity
  - The current support infrastructure, which includes passenger screening, baggage screening, and baggage claim, is exceeding design capacity
- SJC starts most days with over 40 aircraft parked overnight but with only 30 gates to service these planes. Airline and airport staff are constantly towing and reconfiguring aircraft locations to accommodate the current operations.

Impact of a $4 PFC Increase vs Status Quo

- **Cost of a New Terminal** – The cost of a new Terminal is estimated to be $1 billion.
    - If the Airport has to completely **debt finance** the Terminal, this will:
        - Add $97 million in an annual debt service expense to the Airport
        - Interest payments alone would add an $1.3 billion to the cost of the debt.
        - Decreases the value of the PFC to only 16% of the debt services payment
        - Increases the Cost Per Enplanement (CPE) by 73% or by $8
    - If the Airport **used debt financing, combined with a $4 increase in the PFCs**, this could:
        - The Airport could raise an extra $36 million/year to put towards financing the expansion
        - Cut the annual debt service by a third
        - Maintains the PFC source of funding for the debt services at slightly more than 1/3 of the annual debt services payment