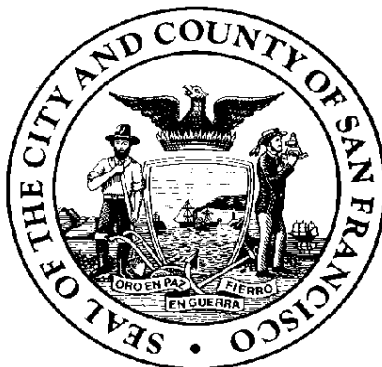


SAN FRANCISCO AIRPORT COMMISSION



MINUTES

March 20, 2012

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
March 20, 2012

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AIRPORT COMMISSION MEETING MINUTES
March 20, 2012

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.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Richard J. Guggenhime
Hon. Peter A. Stern

Hon. Linda S. Crayton, Vice President, arrived at
9:20 AM

Absent: Hon. Eleanor Johns

* * *

C. ADOPTION OF MINUTES:

The minutes of the regular meeting of March 6, 2012 were adopted unanimously.

No. 12-0048

* * *

L. SPECIAL ITEM:

Item No. 1 was moved by Commissioner Guggenhime and seconded by Commissioner Stern . The vote to approve was unanimous.

1. Commendation Resolution for William "Bill" L. Lee

No. 12-0049 Resolution approving Commendation for Bill Lee.

Mr. John Martin, Airport Director said that Bill Lee is retiring after 27 years of service with the City. He began his career in the Health Department and became City Administrator in 1995, serving in that role for 10 years. He joined the Airport in 2005 as Director of International, Economic and Tourism Development. We congratulate Bill on his 27 years of service and wish him well.

* * *

E. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

F. ACTION ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

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

2. Amendment to Resolution No. 08-0035 to Authorize an Additional \$502,200,000 Aggregate Principal Amount of Airport Revenue Bonds to Finance Approved Capital Projects in the Five-Year Airport Capital Plan

No. 12-0050 Resolution approving the Sixteenth Supplemental Resolution amending the Thirteenth Supplemental Resolution No. 08-0035 authorizing an additional \$502,200,000 Principal Amount of Airport Revenue Bonds to provide long-term financing for approved Capital Projects.

Ms. Cheryl Nashir, Associate Deputy Director, Revenue Development and Management, said last month the Commission approved the Five Year Capital Plan in the amount of \$763.7 million. This morning we are requesting approval to sell bonds to support the Capital Plan. Capital Plan bonds are a long term financing vehicle. After receiving approval from the Commission, we will request Board of Supervisors approval for issuance of additional capital bonds and the applicable bond documents. The last time we requested Capital Plan bond authorization was 2008. Under the prior authorization, we sold two series of Capital Plan bonds in 2009 and 2010 which supported the \$383 million Terminal 2 renovation project and other Airport capital projects. We are now requesting authorization to support the refurbishing of Boarding Area E in Terminal 3, the Federally mandated Runway Safety Area project and other needed capital improvements. We will return to the Commission prior to the sale and issuance of these bonds which may occur over a few transactions. The Airport's Financial Advisory Committee has reviewed and approved this course of action.

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

3. Authorization to Accept and Expend Federal Aviation Administration (FAA) Grant Funds in the Amount of \$50,026,220 for Airfield Improvement Projects under the Runway Safety Area (RSA) Program

No. 12-0051 Resolution authorizing the acceptance and expenditure of FAA grant funds in the amount of \$50,026,220 for Airfield Improvement Projects under the Runway Safety Area (RSA) program.

Ms. Nashir said the Airport has filed an application to seek financial assistance under the FAA's Airport Improvement Program (AIP). As you know, the Airport

has embarked on a Congressionally mandated airfield safety project called the Runway Safety Area (RSA) program. Sixty-five percent of the cost of this multi-year project is reimbursable under the AIP. We are seeking authorization today to accept and expend \$50,026,220 of AIP grants on the RSA project during the Federal fiscal beginning October 1, 2012. This \$50 million will be applied toward 11 different projects that are part of the larger RSA project. AIP monies for the RSA project must be applied for annually. We will return to you if the amount given by the FAA or expended by the Airport exceeds 15% of what we are asking for today. We will return to you over the next three years for authorization to accept additional grants from the FAA towards the Runway Safety Area project.

Item No. 4 was moved by Commissioner Guggenlime and seconded by Commissioner Stern. The vote to approve was unanimous.

4. Award Contract 8670A - RSA R/W 10R Paving and Lighting - Gallagher & Burk, Inc. - \$10,432,162

No. 12-0052

Resolution awarding Contract 8670A, RSA R/W 10R Paving and Lighting, to the lowest responsive, responsible bidder, Gallagher & Burk, Inc. in the amount of \$10,432,162.

Mr. Ivar Stero, Deputy Director, Design and Construction said that this is the second contract award related to the first phase of the RSA program which focuses on the 10-28 runways. In particular, this contract provides for the necessary runway safety areas for runway 10R-28L and brings it to compliance with Federal requirements. The contract will provide for the necessary 1,000 ft. of safety area at each end of runway 10R-28L. It provides for installation of pavement sections, conduit and wiring serving the runway and taxiway lighting and signage which will accommodate the reconfiguration of 10R-28L.

Eight bids were received, and similar to the last contract award the bids were very competitive. We also had a similar issue to the last contract where there was a substantial difference between the estimate and the low bid and even the number of bids received on the contract. We analyzed what drove the low bid and found that it's mainly related to the proposed cost for CTB and CAB, contributing about \$2.8 million of the delta between the estimate and the low bid. In reviewing the unit pricing it appears that most of it relates to an economy of scale. We relied on previous bids but at much smaller quantities and I think just the magnitude of the quantity installed under this contract gave us much greater efficiency and cost savings. Also, Gallagher & Burk is proposing to batch plans in the area which will add additional savings, increase their operating efficiency. We also saw the large discrepancy in the conduit bid item contributing to a \$900,000 difference in the total spread between the Engineer's estimate and the low bid. That appears to be strictly a result of the competitive environment. All the pricing from the subs came in very, very low for the conduit install, furnishing install.

There is no LBE subcontractor participation because there is no Federal funding however, there is a best efforts clause for 8% SBE/DBE subcontractor

participation, and Gallagher & Burk committed to achieving 2% participation.

Commissioner Mazzola said that once again the bids are a lot less than the estimate. I heard your answers but I'm not sure if I agree with all of them ... but you have reasons why. Who does the prevailing wage checking of this contractor to see if they are paying prevailing wage to their workers?

Mr. Satero replied that staff does the initial check.

Commissioner Mazzola asked what Mr. Satero meant by "initial check."

Mr. Satero replied that is a confirmation that all of the payrolls are current and up to date before a payment can be processed, and then staff will do spot checking.

Commissioner Mazzola asked if we receive prevailing wage sheets each pay period? Do we get sheets on how many hours and what rate they paid?

Mr. Satero replied that our staff does spot checking. The contractor enters it directly the system. Bill helps with monitoring and checks the records.

Commissioner Mazzola said as long as the workers are getting paid the correct amount and the bids are that much different, I'm okay with it.

Commissioner Guggenhime commented that he is not trying to be disrespectful to the Engineers but there are always explanations why a bid is either too low or too high. I hope that going forward we can rely on an estimate. It would be helpful to give them all the support they need to come up with an estimate that includes all of these variables, other than the market conditions.

Commissioner Mazzola said he missed this one by 60%.

Mr. Satero said it's very difficult. Estimating is not an exact science. We are seeing so much contractor creativity coming into play. They're getting substantial efficiencies and coming up with new ways that we don't consider because we can't. When we estimate a project we can't go into all of the possibilities about phasing, what if they thought of that, what if they thought of this, because we can't rely on an expectation that they're all going to take that as their means and methods. We need to do better, but estimating in this economy is a very difficult.

Commissioner Stern said that we need to be clear on the objective of estimates.

Commissioner Mazzola said you know when you get this high ... a 60% miss. It's based on theory ... how many hours you think the job will take. There are a lot of things that get you to the number, but when you miss this far ...

Mr. Satero said that we spent time doing a third independent estimate on that bid column. We've done our best. We established a range of possible bids, trying something different to see if we can zero in and try to capture this economic

Commissioner Mazzola said we won't beat that to death.

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

5. SFO-Presidio Trust Funding Agreement to Purchase Wetland Creation Acreage to Provide Compensatory Wetlands Mitigation for the RSA Program in an amount not to exceed \$7.5 Million

No. 12-0053

Resolution authorizing the Airport Director to finalize negotiations and execute a Funding Agreement with the Presidio Trust to purchase 7.4 acres of wetland creation acreage and 0.4 acre of wetland enhancement at the Presidio as compensatory wetlands mitigation for the Runway Safety Area Program, in an amount not to exceed \$7.5 Million.

Mr. Nixon Lam, Airport and Environmental Planning said that this item authorizes the Airport Director to negotiate and execute a Funding Agreement with the Presidio Trust to fund the creation of 7.4 acres of wetlands and 0.4 acres wetland enhancement at the Presidio in an amount not to exceed \$7.5 million. The Funding Agreement will finalize the terms of Airport/Presidio Trust Memorandum of Understanding (MOU) that the Airport entered into under Resolution No. 11-0175 approved by the Airport Commission on August 16, 2011. Since August 2011, staff completed the Federal and State environmental reviews for the RSA program. On February 21, 2012, the Airport Commission adopted the California Environment Quality Act findings of the Final Mitigated Negative Declaration and the associated Mitigation Monitoring and Reporting Program. Furthermore, the Airport has obtained environmental permit approvals from the Regional Water Quality Control Board, the Bay Conservation and Development Commission, and the US Army Corps of Engineers. Under the RSA program, SFO would require fill of approximately 3.7 acres of wetland. The terms of the agreement will be consistent with the MOU and will contain the following material terms. The total cost for the three projects would not exceed \$7.5 million based on reasonable and customary cost of design, construction, monitoring and maintenance for the period required by the regulatory agencies. Payment will be in three installments based on milestones related to permit approvals and award of construction contracts. The Presidio Trust agrees that any shortfalls in terms of the 7.4 acres of wetland creation will be addressed by other trust sponsored wetland mitigation efforts without commitment of additional funds from the Airport. And finally, the term of the agreement is for eight years which will include the five year period of monitoring to ensure successful establishment of the wetlands.

Item No. 6 was moved by Commissioner Guggenhime and seconded by Commissioner Stern. The vote to approve was unanimous.

6. Domestic Food and Beverage Lease Amendments No. 2 Approving Replacement Premises, Reimbursement for Unamortized Construction Investments and New Commencement Dates Related to Renovation of Terminal 3 Boarding Area E

No. 12-0054

Resolution approving Amendments No. 2 to

No. 12-0055
No. 12-0056
No. 12-0057

Baysubway Airport's Lease 03-0186; Luna Azul Corporation's Lease No. 03-0187, Guava & Java (SFO), Inc.'s Lease 03-0191; and Burger Joint, Inc.'s Lease 03-0199, to replace premises, reimburse unamortized construction investments and create new commencement dates related to renovation of Terminal 3 Boarding Area E, and directing the Commission Secretary to seek approval of the Board of Supervisors.

Ms. Nashir said that this item requests authorization of a Lease Amendment to four Food and Beverage Leases for tenants located on or near Boarding Area E in response to the 2 ½ year closure of this Boarding Area. The tenants for which we are seeking a lease amendment operate as Mission Bar & Grill, Guava & Java, Subway and Jalapeno Grill. As you know, Boarding Area E closed for renovation on April 14, 2011 when American Airlines began operating in Terminal 2. This necessitated the total closure of Mission Bar & Grill and removed about 80% of the customer base for Guava & Java, Subway and Jalapeno Grill at their locations near the entrance to Boarding Area E. One year ago the Commission authorized Amendment No. 1 to these leases to somewhat suspend them during the renovation period. Fees were turned off, the minimum annual guarantee was waived, and tenants who thought they could continue operating with this reduced customer base were given the choice to do so at reduced hours and at percentage rent only. For many months prior to authorizing this 1st Amendment, we were in discussions with this group of tenants about how to treat what was originally envision as a twelve to fifteen month closure. Their premises were to be boarded up during the renovation and simply reopen when we were finish with our renovation of Boarding Area E. At that time, staff indicated to this group of tenants that a 4 year extension would be sought to cover the business losses during the closure. This part of the business deal, however, was not discussed, not included in Amendment No. 1 last Spring because the scope of our work in Boarding Area E started to change dramatically. We now know that the tenants' premises will be completely demolished and reopening of Boarding Area E will occur in November 2013. With these details known, we are ready to seek approval of the business deals envisioned for these four leases. We're seeking authorization to buyout the unamortized investment totaling \$905,953 for the four tenants to provide them with replacement premises of similar size in Boarding Area E or near the entrance to Boarding Area E, and to replace existing term of which they had 5 ½ -6 years remaining with a new 10 year term that starts when they reopen. They will be required to build a new location and at the same level of design sophistication found in Terminal 2. They'll also need to abide by our Terminal 2 inspired sustainable food policy. Three nuances you should be aware of are that Klein's Deli, which was also displaced from Boarding Areas B and E at the same time last year and was given the same basic deal. The second nuance is that this term extension applies to all locations under the lease. Two of these four tenants have a second location elsewhere at the Airport and we viewed this as the single business deal for which they proposed. There's an economy of scales involved in a multiple location lease. And third, while the four tenants have countersigned a letter with us agreeing to theses terms, they still have an opportunity to terminate their lease once we clarify with them exactly what their

new footprint will be. We don't expect this to happen but it is in their lease provisions currently.

Commissioner Guggenhime noted that the delay was substantially longer than anyone anticipated ... 18 months plus. Are you happy with the terms?

* * *

G. **CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:**

The Consent Calendar, Item Nos. 7 through 14, was moved by Commissioner Crayton and seconded by Commissioner Guggenhime.

7. Authorization to Submit a Sixth Passenger Facility Charge (PFC) Application

No. 12-0058

Resolution authorizing the submittal of a sixth PFC application to the FAA to continue collection of PFCs in the amount of \$4.50 per enplaning passenger and to use PFC revenue for eligible costs associated with the Runway Safety Area (RSA) program and five passenger loading bridges.

8. Authorization to Accept and Expend Federal Grant Funds for Continuation of the Noise Insulation Program - \$2,000,000

No. 12-0059

Resolution authorizing the Airport Director to accept and expend a grant offer from the FAA in an initial anticipated amount of \$2,000,000 for continuation of the Noise Insulation Program, and such additional amounts not to exceed 15% of the original grant amount that may be offered by the FAA.

9. Authorization to Amend the Request for Qualifications for Architectural and Engineering Support Services for Projects of the Airport's 5-year Capital Improvement Program

No. 12-0060

Resolution authorizing the Airport to amend the Request for Qualifications for Architectural and Engineering Support Services to develop separate Request for Qualifications (RFQ) and Request for Proposal (RFP) solicitation process as follows:

- Contract 9005.1A - Architectural and Engineering Support Services Non-Micro LBE Pre Qualification Pool List. The estimated budget for services is \$400,000 a year for three years.
- Contract 9005.1B - Architectural and Engineering Support Services Micro LBE Set Aside Pre Qualification Pool List. The estimated budget for services is \$400,000 a year for three years.

No. 12-0061

- Contract 9005.2 - As Needed Geotechnical and Land Surveying Support Services. The estimated budget for services is \$400,000 for each contract, two contracts anticipated.
- Contract 9005.3 - As Needed Structural Engineering Support Services. The estimated budget for services \$400,000 for each contract, two contracts anticipated
- Contract 9005.4 - As Needed Airfield Design Support Services. The estimated budget for services is \$400,000 for each contract, two contracts anticipated

10. Bid Call - Contract No. 8670B - RSA R/W's 10L-28R & 28L Paving and Lighting

No. 12-0062

Resolution approving the scope, budget, and schedule for Contract 8670B, RSA R/W's 10L-28R & 28L Paving and Lighting, and authorizing the Director to call for bids when ready.

11. Bid Call - Contract No. 8575B - Boarding Area "B" Restrooms Addition

No. 12-0063

Resolution approving the scope, budget, and schedule for Contract No. 8575B, Boarding Area "B" Restrooms Addition, and authorizing the Director to call for bids when ready.

12. Approval of International Terminal Equipment Maintenance and Operating Agreement with San Francisco Terminal Equipment Company, LLC (SFOTEC)

No. 12-0064

Resolution approving the Equipment Maintenance and Operating Agreement with SFOTEC for maintenance, operation, and use of Airport-owned equipment, and directing the Commission Secretary to forward the agreement to the Board of Supervisors for approval.

13. Amendment No. 2 to Pacific Gateway Concessions, LLC's Terminal 3 Newsstands Lease No. 04-0165

No. 12-0065

Resolution approving Amendment No. 2 to Pacific Gateway Concessions, LLC's Terminal 3 Newsstands Lease No. 04-0165, a disadvantaged business enterprise set-aside, allowing for an extension of the holdover period.

14. Consent to Transfer Majority Interest of Two Retail Leases to XpresSpa Holdings

No. 12-0066
No. 12-0067

Resolution consenting to transfer of majority interest
in Airport Spa Lease No. 06-0242 and Terminal 2
Spa Lease No. 10-0041 to XpresSpa Holdings, LLC.

* * *

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.

There were no requests to speak from the public.

* * *

I. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

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 Sections 54954.2(b)(2) and 54954.5 and Sunshine Ordinance 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 Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12.

* * *

K. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:25 AM.

Jean Caramatti
Commission Secretary