

RESOLUTION NO.

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE AUTHORIZING (A) INCREASING THE CUSTOMER FACILITY CHARGE (“CFC”) FROM \$7.50 TO \$9.00 PER DAY, UP TO A MAXIMUM OF FIVE DAYS PER RENTAL CAR CONTRACT, EFFECTIVE FEBRUARY 1, 2021, FOR CUSTOMERS RENTING VEHICLES FROM ON-AIRPORT RENTAL CAR COMPANIES, FOR THE PURPOSE OF PAYING THE COSTS OF THE FINANCING, DESIGN AND CONSTRUCTION OF THE CONSOLIDATED RENTAL CAR GARAGE, AND THE COSTS OF PROVIDING A COMMON-USE TRANSPORTATION SYSTEM TO TRANSPORT RENTAL CAR CUSTOMERS BETWEEN TERMINAL A AND THE CONSOLIDATED RENTAL CAR GARAGE; AND (B) AUTHORIZING THE DIRECTOR OF AVIATION TO ADJUST THE CFC TO ACCOMMODATE CURRENT BUDGET AND PASSENGER TRENDS, BUT IN NO CASE SET THE RATE ABOVE \$9.00 PER DAY, UP TO A MAXIMUM OF FIVE DAYS PER RENTAL CAR CONTRACT, AND REPEALING RESOLUTION NO. 76048, EFFECTIVE FEBRUARY 1, 2021

WHEREAS, the City of San José (“City”) owns and operates the Norman Y. Mineta San José International Airport (“Airport”); and

WHEREAS, on March 7, 2000, the San Jose City Council (“Council”) adopted Ordinance No. 26063, adding Part 6 to Chapter 25.08 of the San Jose Municipal Code to establish the requirement of the payment of a Customer Facilities Fee and a Customer Transportation Fee (collectively, “CFC”) by each person who rents a vehicle from either an On-Airport or Off-Airport Car Rental Agency at the Norman Y. Mineta San Jose International Airport (“Airport”); and

WHEREAS, on April 18, 2000, Council adopted Resolution No. 69512, which established a \$5.00 Customer Transportation Fee, which was required to be paid by any customer who rented a vehicle from an On-Airport or Off-Airport Car Rental Agency, and who arrived at or departed from the Airport, or used the Airport-mandated common use transportation system operated for the movement of On-Airport and Off-Airport Car Rental Agency passengers between the terminals and the then-existing interim consolidated rental car facility; and

WHEREAS, on October 2, 2007, Council adopted Resolution No. 74039, which established a CFC of \$10.00 per rental car contract effective January 1, 2008, for customers renting vehicles from On-Airport Car Rental Agencies and repealing Resolution No. 69512, effective January 1, 2008; and

WHEREAS, from January 1, 2008 until the completion and occupancy of the Consolidated Rental Car Garage (“ConRac”), \$5.00 of the CFC was applied to the construction costs and \$5.00 went towards paying for the costs of the common-use transportation system; and

WHEREAS, with the passage of California Senate Bill 1192 in 2010, since January 2011 airports have been authorized to impose a per day CFC if they meet the implementation requirements set out in then-California Civil Code Section 1936, which has since been repealed and replaced with California Government Code Section 50474; and

WHEREAS, on November 11, 2011, Council approved Resolution No. 76048 that, in pertinent part:

- (a) imposed a customer facilities fee and customer transportation fee (collectively, “CFC”) of \$6.00 per day, up to a maximum of five days per rental

- car contract, effective December 1, 2011, for customers renting vehicles from On-Airport Rental Car Companies, for the purpose of paying the costs of the financing, design and construction of the Consolidated Rental Car Garage, and the costs of providing a common-use transportation system to transport rental car customers between Terminal A and the Consolidated Rental Car Garage; and
- (b) subject only to the State Controller's Office substantiating the continued need for the rate increase at that time, increasing the CFC from \$6.00 to \$7.50 per day, up to a maximum of five days per rental car contract, effective January 1, 2014, for customers renting vehicles from On-Airport Rental Car Companies, for the purpose of paying the costs of the financing, design and construction of the Consolidated Rental Car Garage, and the costs of providing a common use transportation system to transport rental car customers between Terminal A and the consolidated Rental Car Garage; and

WHEREAS, subsequent to Council approval of Resolution No. 76048, the State through budget action, removed the requirement that the State Controller's Office substantiate the continued need for the rate increase; and

WHEREAS, based on this change in the law, City Staff implemented an increase to the CFC from \$6.00 per day, up to a maximum of five days per rental car contract, to \$7.50 per day, up to a maximum of five days per rental car contract, effective January 1, 2014; and

WHEREAS, the maximum \$7.50 per day rate has been in place and was sufficient to cover the debt service and transportation costs, until the current COVID pandemic impacted the number of passengers renting cars as well as the associated CFC collections; and

WHEREAS, to help the Airport provide stability to tenants in danger of defaulting under the unprecedented economic slowdown due to COVID-19, to ensure tenants are able to endure the impacts and continue to provide vital services to the traveling public and to ensure debt service and transportation costs are adequately funded, City desires flexibility to adjust the CFC rate; and

WHEREAS, based on current projections for 2021 through 2041, CFC collections at the current maximum rate will be insufficient to cover the debt service and the transportation costs between Terminal A and the Consolidated Rental Car Garage; and

WHEREAS, the City desires to (i) increase the CFC from \$7.50 to \$9.00 per day, up to a maximum of five days per rental car contract, effective February 1, 2021, for customers renting vehicles from On-Airport Rental Car Companies; and (ii) authorize the Director of Aviation to adjust the CFC to accommodate budget and passenger trends, but in no case set the rate above \$9.00 per day, up to a maximum of five days per rental car contract;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

SECTION 1. BACKGROUND INFORMATION

California Government Code Section 50474.3, provides that City, as owner of the Airport, may impose a daily CFC under the following conditions:

The City first conducts a publicly noticed hearing to review the costs of financing the design and construction of a consolidated rental vehicle facility and the design,

construction, and operation of any common-use transportation system, in which all of the following occur:

- i. The City establishes the amount of revenue necessary to finance the reasonable costs of designing and constructing a consolidated rental vehicle facility and to design, construct, and operate any common-use transportation system, or acquire vehicles for use in that system, based on evidence presented during the hearing; and
- ii. The City finds, based on evidence presented during the hearing, that a CFC of \$10 per On-Airport Rental Car customer contract will not generate sufficient revenue to finance the reasonable costs of designing and constructing a consolidated rental vehicle facility and of designing, constructing, and operating any common-use transportation system, or acquire vehicles for use in that system; and
- iii. The City finds that the reasonable cost of the project requires the additional amount of revenue that would be generated by the proposed daily rate, including any rate increase, authorized pursuant to this paragraph; and
- iv. The City outlines each of the following:
 - a. Steps it has taken to limit costs; and
 - b. Other potential alternatives for meeting its revenue needs other than the collection of the daily CFC; and
 - c. The extent to which rental companies or other businesses or individuals using the facility or common-use transportation system will pay for the costs associated with these facilities and systems apart from the fee collected from rental customers.

SECTION 2. FINDINGS

Council, after considering the evidence presented to it, finds that the following are the relevant facts regarding the proposed daily CFC, as required pursuant to California Government Code Section 50474.3:

- A. The City has documented total actual and projected costs for the ConRac for the period July 1, 2010 through June 30, 2041 in a total amount of \$741.8 million. This cost includes project costs, financing costs (bond issuance and interest expense), the commercial paper costs and common-use transportation costs. The City's total documented costs for the ConRac establish the amount of revenue necessary to finance the reasonable cost to design and construct the ConRac and to design, construct and operate the common-use transportation system at the Airport.
- B. The City's independent auditor has affirmed that the proposed daily CFC of \$9.00 per day at the Airport is projected to be insufficient to cover the total costs of \$741.8 million for the ConRac and common-use transportation costs. Therefore, the proposed daily CFC of \$9.00 will generate sufficient revenue to finance the reasonable costs to design and construct the ConRac and to design, construct and operate the common-use transportation system.
- C. A \$9.00 per day CFC is projected to generate \$694.4 million in revenue for the period July 1, 2010 through June 30, 2041. The Car Rental Agencies would be responsible for the difference in the total cost of the ConRac less projected CFC revenues or \$47.4 million. These projected costs and revenues demonstrate that even with the additional revenues expected to be generated by the proposed

daily CFC, the project costs of the ConRac will still exceed the amount of revenues by more than \$47 million through Fiscal Year 2041.

- D. The City's agreements with the On-Airport Car Rental Agencies provide that the Car Rental Agencies will pay facility rent to cover the difference between the projected CFC revenue of the City's cost of the ConRac and the common-use transportation system. There are no other revenue sources or other alternatives available to finance the ConRac facility and common-use transportation system beyond CFC revenues and facility rent paid by the On-Airport Car Rental Agencies to the City.

SECTION 3. DETERMINATION

Based on the analysis of the above background information, facts and findings, Council determines and concludes that the City has met the conditions of California Government Code Section 50474.3 to impose a daily CFC in the amount of \$9.00.

SECTION 4. The increase of the Customer Facility Charge ("CFC") from \$7.50 to \$9.00 per day, up to a maximum of five days per rental car contract, effective February 1, 2021, for customers renting vehicles from On-Airport Rental Car Companies, for the purpose of paying the costs of the financing, design and construction of the Consolidated Rental Car Garage, and the costs of providing a common-use transportation system to transport rental car customers between Terminal A and the Consolidated Rental Car Garage is hereby authorized.

SECTION 5. The City Manager is authorized to adjust the CFC to accommodate current budget and passenger trends, but in no case set the rate above \$9.00 per day, up to a maximum of five days per rental car contract.

SECTION 6. Resolution No. 76048 is repealed effective February 1, 2021

ADOPTED this _____ day of _____, 2020, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk