



CALIFORNIA PILOTS ASSOCIATION

Airports run on a single financial tenant - Self Sufficiency. To ensure that goal, they operate as an Enterprise Fund independent of other budgets and fund themselves utilizing leases and fees and retain any additional revenue within the Enterprise Fund for future expenses on the airport.

That is the way most airports operate, but SJC and other air carrier airports operate under an **Airport-Airline Lease Agreement** that contains a number of differences to this process. As was reported to the commission at its May meeting, the airport budget had not yet been approved at that time because the airlines had not accepted it. This approval was necessary prior to the budget being sent to council.

Another part of that lease agreement allows the airlines to “claw back” monies from the airport in the form of a 40% takeaway from the “net remaining revenue” in the annual revenue to the fund. The Airport-Airline Lease Agreement was discussed with the director in a meeting in October, 2024 with the ultimate discussion focused on future amendment of the lease to preclude some of these funds being included in the 40% recovery by the airlines.

What does this mean? The signatory airlines have received **\$54.5 million dollars** as their share of the “net remaining revenue” from the Airport-Airline Lease Agreement for the period 2020 to 2024 and taken that money off the airport. During the period from 2021 to 2024, the airport received over **\$126 million dollars in Federal Grants** - some of that grant money indirectly went to the airlines as part of the net remaining revenue.

During this period, General Aviation and the associated aviation businesses on the west side of the airport received \$0 (ZERO) dollars in relief or cost reductions. And the airlines continue to benefit from over \$10 million annually from General Aviation leases and fees.

When we discuss fees, we need to first consider the historical perspective. During the time I worked at the airport, one of the duties of the city's Airport Operations personnel was the collection of Landing Fees from “Commercial Operators”.

Federal Air Regulation Part 135 (Charter) and Part 91k (Fractional) are defined as “Commercial Operations” - that is, they fly for hire and compensation. More to the point of this discussion they compete for passengers with the airlines and receive compensation for those aviation services they provide.

Operation under Federal Air Regulation Part 91 is, by definition, not commercial operations. They operate for an individual or a company and do not provide aviation service to the public nor do they receive reimbursement for them.

When the airport developed private facilities on the west side, the collection of “commercial landing fees” for aircraft under 75,000 pounds ceased. The leases for the FBO’s contain a clause that they will collect those fees based on a schedule provided by the airport but, other than larger charters (ie. Sports Teams) those have for the most part been ignored. In addition, the amounts of revenue in the past have not been seen as significant by the airport, however, their recognition of this potential revenue has suddenly been recognized. Do they understand the scope of these potential revenues? Reference the airports own reporting on “commercial General Aviation operations”:

Here is the airport’s report for on operations (landings) for FY2024:

Traffic Operations						
Passenger Carrier	9,036	9,080	-0.5%	107,388	110,868	-3.1%
Taxi/Commuter	-	0	0 %	0	0	0.0%
Subtotal Passenger Operations	9,036	9,080	-0.5%	107,388	110,868	-3.1%
Cargo Carrier	100	140	-28.6%	1,208	1,598	-24.4%
Military	5	7	-28.6%	115	81	42.0%
GA Local	316	264	19.7%	5,640	4,656	21.1%
GA Itinerant	4,008	3,636	10.2%	50,535	47,473	6.4%
	13,465	13,127	2.6%	164,886	164,676	0.1%

Now here is the FAA Air Traffic count for operations for FY 2024:

OPSNET : Airport Operations : Standard Report

From 01/2020 To 12/2024 | Facility=SJC

Calendar Year	Facility	Subtotal				Local			Total Operations
		Air Carrier	General Aviation	Military	Total	Civil	Military	Total	
2020	SJC	72,813	15,891	22,005	110,709	5,132	54	5,186	115,895
2021	SJC	79,841	20,514	26,991	128,305	6,709	18	6,727	135,032
2022	SJC	109,766	22,354	27,828	160,999	5,023	16	5,039	166,038
2023	SJC	112,238	21,970	25,503	159,888	4,634	24	4,658	164,546
2024	SJC	108,349	24,216	26,308	158,990	5,638	2	5,640	164,630
Sub-Total for SJC		483,007	104,747	128,635	718,891	27,136	114	27,250	746,141
Total:		483,007	104,747	128,635	718,891	27,136	114	27,250	746,141

Note the significant difference in air taxi or “commercial operations” count and the lack of recognition on the part of the airport as to the importance of this important revenue source. The potential revenue from these “commercial operations” landing fees is in the \$3 to 6 million range.

As mentioned above, General Aviation plays a significant role in the revenue stream of the airport. Revenue from leases generate over \$13 million dollars while expenses run just over \$2 million dollars. That does not, however, constitute the entire revenue stream. Fuel Flowage Fees on retail jet fuel sales contribute a significant amount to the revenue stream (columns are gallons delivered into aircraft):

AV Fuel (gal.)						
Retail AV Gas	2,528	2,842	-11.1%	29,519	39,221	-24.7%
Retail Jet	1,190,171	1,156,675	2.9%	13,211,342	12,856,260	2.8%
Contract Jet	11,895,982	7,212,592	64.9%	97,074,638	76,935,753	26.2%
	13,088,681	8,372,109	56.3%	110,315,499	89,831,234	22.8%

The 13.2 million gallons of retail jet fuel produced a **Fuel Flowage Fee revenue of \$2.64 million dollars** (calculated at \$.20 (20 cents/gallon)) which does not benefit General Aviation but does benefit the airlines through the “Net Remaining Revenue”.

As an aside and for reference, SJC pumped less than 30,000 gallons of Retail AvGas last year - Reid Hillview pumped almost 300,000 gallon of AvGas during the same period.

Next, we need to look at the tax structure (off budget revenue) that General Aviation, particularly the aircraft based at SJC, pay and which the airlines do not pay:

These revenues benefit the community (city, county, and in some cases local schools) but have not been recognized or quantified by the airport:

	Locally Based Aircraft	Transient Aircraft	Commercial Operations	Airlines
1% Personal Property Tax	Yes	No	No	No
Possessory Interest Taxes	Yes through facility rents	Only through FBO Fees	Only through FBO Fees	On Terminal Rents
Fuel Flowage Fees	Yes	Yes	Yes	No
Federal Fuel Taxes	Yes	Yes	Some are exempt	No
Sales Tax	Yes	Yes	Yes	No

Personal Property Tax, based on an estimated tax base (aircraft values) of \$1.5 to \$2 **Billion** dollars nets the community between 15 and 20 million dollars annually. Fractional Aircraft comply with this tax through a mechanism established in SB87 which generates taxes through a formula established by the county assessor.

Possessory Interest Taxes (Real Estate Property Taxes) are based on two things: Land Assessed Value and Added Improvements to the Land (Structures). These generate somewhere between \$1.5 and \$3 million in taxes annually.

Fuel Flowage Fees were discussed above. Airlines pay minimal, if any, of these.

Federal Fuel Taxes - many commercial operators are exempt from these taxes as they pay other federal fees (ticket taxes as an example). Based on the information I have been able to gather, last year these fees amounted to just over \$3.25 million dollars.

Sales Tax Revenues present another large cost to General Aviation - on Jet Fuel sales alone, last year's **sales tax paid** (based was an average of \$7 per gallon and to be discussed below) **exceeded \$8.5 million based on the 13.2 million gallons pumped.**

We need to examine some of the costs associated with operating facilities at SJC: We have two world class FBO's - Atlantic Aviation and Signature Flight Support. Their overhead drives costs up to the local tenants and transients alike - for example:

Atlantic Aviation occupies 966495 square feet (22.18 acres) with an annual rent of \$3.52 million (2024 reported).

Signature Aviation occupies 1,263,240 square feet (29 acres) at an annual rent of \$4.064 million (2024 reported).

Both of these facilities receive annual Cost-of-Living adjustments and periodic reassessments - this past year, one of them was in negotiations with the airport and the airport attempted to get a VERY significant land lease increase (on the order of over 25%) but failed to do so through an appraisal process included in the lease.

Sky Harbor, another SJC tenant, recently entered into a lease at Long Beach Airport for just over 17 acres of land for a 50 year lease. Their initial lease rate is \$357,000 annually and that increases to **\$938,000 annually when fully built out. That results in a fully built out rate approximately one-third of the land lease rates at SJC.**

Next, let's look at fuel costs to SJC tenants - Signature Flight Support operates facilities at San Jose, Hayward, and Oakland. Here are the published fuel prices for Signature Flight Support and their competitors:

Fuel Costs	Signature Aviation	Competitor
San Jose	\$9.58/gallon	\$9.59/gallon
Oakland	\$6.31/gallon	\$5.99/gallon
Hayward	\$5.72/gallon	\$5.68/gallon
Reid Hillview	\$5.99/gallon	
Moffett Field	\$8.03/gallon - Purchase includes a waiver of landing fees	

Is it any wonder that the San Jose Police Department takes the fuel tanker for their helicopter to Reid Hillview to purchase Jet Fuel.

The airport is proposing the use of a third-party vendor to collect landing fees. Have they disclosed the cost of doing this?

More to the point, Congress has the proposed **Pilot and Aircraft Privacy Act of 2025** aimed at preventing the misuse of Automatic Dependent Surveillance - Broadcast (ADS-B) data for fee collection under consideration. **The proposed bill seeks to prohibit government agencies and private companies from using ADS-B data to charge fees or generate revenue.** The legislation also includes provisions requiring financial transparency for new airport fees and ensuring they are used for safety improvements on the airport.

There is one final item of revenue generation by General Aviation that needs to be considered -**The recent passage of Measure A.** It should be noted that the 5/8th cent (\$.00625) is a local tax and as such all revenue from local taxes collected on the airport must remain on the airport. **Based again on the Jet Fuel Sales reported by the airport above, the airport stands to collect an additional \$600,000 plus in Sales Tax revenue from General Aviation annually. Further, if the proposed VTA Sales Tax increase occurs this figure will grow to exceed \$1 million.**

Let's consider the responses to questions I presented to the Director:

- The airport intends to charge landing fees to all aircraft over 12,500 pounds Max Gross Landing Weight (MGLW).
- They do not intend to differentiate between Commercial Operators and Non-Commercial Operators.
- They intend to use a third party to collect the fees - they have not disclosed who the vendor is or what their percentage is to collect those fees.
- They airport states that entering the Federally Funded Airfield triggers the charge.
- The airport has not found a way to mitigate the airlines receiving lower fees or net revenue refunds for airfield expenses and operations. The airport does not segregate these fees between the airlines (the airport stated commercial users which is misstated) and General Aviation and the improvements benefit all users.
- The airport does not intend to discount landing fees for aircraft that make large fuel purchases - for example, an aircraft may purchase 5000 gallons of fuel generating a Fuel Flowage Fee of \$1000 but their landing fee might only be \$500. Considering the other taxes and fees that are generated, which benefits the airport and the community more?
- It should also be noted that Landing Fees will not be implemented in time for the Super Bowl.

In closing, as has been referenced before in comments to the commission, SJC stands to gain significantly if SB661 (Hurtado) or its successor bill is adopted. SJC is named in the bill as a recipient of the Sales Tax Revenue that currently goes to the General Fund but will, instead, go to CalTrans Aeronautics for distribution to airports throughout the state.

The San Jose Mineta International Airport is an advisory body to the Airport and the City Council. The fee proposal before you is inequitable in many ways. It penalizes non-commercial operators and based tenants with fees that are excessive and fails to recognize the total revenue stream they represent to the community and the airport.

Further, as an Airport Commission and not an Airline Commission, you must consider all costs and revenue streams that aircraft operators represent. Aircraft are a mobile asset - facilities in other states are occupied with aircraft that should be based at SJC and paying taxes here where an aircraft valued at \$50 million relocates to another state and is replaced by an aircraft that may be worth \$5 million, the **resulting loss of \$450,000 in annual personal property tax revenue** does not impact the airport but it **does impact the community**. When Hewlett-Packard moved their flight department out of the state they took \$150 million dollars in tax base with them - the airport eventually gained the revenue back by releasing the facility but the tax base has not yet recovered.

I urge you to disapprove the Landing Fee proposal as presented by staff as not in the best interests of the airport or the community.

Respectfully,

Douglas Rice
Regional Vice President - CalPilots

From: Douglas Rice
To: Kazmierczak, Matthew
Cc: Patel, Mookie; Carol Ford
Subject: Correction to the record
Date: Tuesday, November 11, 2025 8:51:06 AM

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At last night's Commission meeting, the Director stated that the airport had not collected "Landing Fees" before. That was in error:

SJC Airport Operations collect Landing Fees on Commercial Operators (FAR 121 and 135) during the time I worked for the airport. When the west side FBO (San Jose Jet Center) opened and the city discontinued airport fueling operations is when the collection of the FAR 135 Landing Fees for aircraft under 75,000 pounds ceased.

For reference, part of my job during my employment in Airport Operations at SJC from 1974-1978 was to collect these fees from these operators.

It should also be noted that members of the GA community met with then Deputy Director - Operations Kim Becker and asked the airport to reinstitute Landing Fees on "Commercial Operators" who were using the airport for free. That request was declined as the stated reason was that staffing was limited and the airport was unable to track those aircraft.

Since there was no way to enter this correction into the record at the time, please make the comments part of the revised record.

Respectfully,

Doug Rice
Sent from my iPad

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