



CITY OF LONG BEACH

R-7

LONG BEACH AIRPORT

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January 24, 2017

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to negotiate with interested Long Beach carriers or operators a financial agreement for the development of a Customs and Border Protection facility at the Long Beach Airport, subject to further City Council action approving the final terms and conditions of the agreement; and,

Authorize the City Manager, or designee, to execute and submit all documents necessary to the United States Department of Homeland Security for designation of the Long Beach Airport as a United States Customs and Border Protection User Fee Airport for the processing of aircraft, passengers and baggage arriving from outside the United States. (Citywide)

DISCUSSION

Long Beach Airport

The Long Beach Airport (Airport) operates as a department of the City of Long Beach (City) and is a self-sustaining enterprise, generating its own revenues to support its expenses. It currently serves the local region's needs with four passenger air carriers and two integrator/cargo air carriers, along with a variety of general aviation users ranging from individual aircraft owner/operators to corporately-owned businesses that support the broader general aviation market. In 2015, the Airport served over 2.5 million passengers and nearly 25 thousand tons of air cargo.

Noise Ordinance

The Noise Ordinance allows for a minimum of 41 daily air carrier flight slots and 25 daily commuter flight slots. The Noise Ordinance also allows for additional air carrier and commuter flight slots (supplemental flight slots) if the cumulative noise generated for the respective noise budgets for air carrier and commuter flights for the prior 12-month period will permit for additional flights, so as not to exceed the noise budget. In spring 2016, the Airport allocated nine air carrier supplemental flight slots, resulting in a total of 50 air carrier flight slots.

Air carrier allocation of the established minimum 41 flight slots and the nine supplemental flight slots (total of 50 slots) could not increase with the introduction of international service at the Airport, because the Noise Ordinance does not consider flight origination or destination but rather cumulative noise levels as monitored and measured by the Airport's robust and long-standing noise management program.

Federal Inspection Service (FIS) Facility Feasibility Study

On February 23, 2015, JetBlue Airways (JetBlue) provided a written request to the Airport Director requesting that the Airport and City apply to the United States Department of Homeland Security for consideration to designate the Long Beach Airport as a United States Customs and Border Protection (CBP) User Fee Airport (UFA) to establish a Federal Inspection Service (FIS) facility at the Airport for the processing of aircraft, passengers and baggage arriving from outside of the United States. This would allow interested Long Beach carriers or operators to utilize a portion of their current allotment of air carrier and supplemental flight slots for international commercial passenger service. A UFA designation allows for the processing of international arriving passengers at an airport, and the staffing costs associated with this are borne by the airport and typically passed through to participating users (airlines and/or private aircraft). CBP officers are onsite only as scheduled for international arrivals clearance services. Clearance services are not available at other times.

A Request for Qualifications (RFQ) was released on August 25, 2015, and on January 19, 2016, the City Council awarded a contract to Jacobs Engineering Group to prepare a report to determine the feasibility, financial or otherwise, of a FIS facility at the Airport. The final contract was fully executed in late February 2016, and two community meetings were held on March 30 and April 20, 2016.

The FIS Study (Study) analyzed seven components to assess the feasibility of a FIS facility at the Airport. These components included market analysis, environmental compliance requirements, economic impact, facility siting alternatives, airport scope and capability, financial feasibility, and security risk assessment. Based on a thorough analysis of these components, the Study concluded that a FIS facility would be feasible.

The Study was released for public review on October 4, 2016. A separate analysis conducted by the City Attorney examining possible effects to the Noise Ordinance was also released concurrently with the Study. The City Attorney concluded that the City's consideration of FIS facility improvements would not jeopardize the grandfathered Airport Noise and Capacity Act (ANCA) status of the Noise Ordinance. A presentation of the Study and opportunity for public comment were provided at the Airport Advisory Commission meeting on October 20, 2016, and at the Economic Development Commission meeting on October 25, 2016. A summary of the Commission meetings is attached.

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At the City Council meeting held on December 6, 2016, the City Council adopted a motion to set a Study Session date for the FIS Feasibility Study to occur on December 13, 2016, and further authorized City staff to begin engagement with JetBlue and any other interested tenant at the airport with an interest in the FIS and engage with the California Governor's Office and U.S. Customs and Border Protection (CPB), if necessary. On December 13, 2016, the FIS Study Session was presented to the Mayor, City Council, and approximately 300 members of the public. After the presentation, staff responded to several questions by the Mayor and certain City Council members. Prior to the end of the Study Session, staff was directed to respond to additional questions provided by the public and to post the questions and answers prior to the item being brought back for consideration on January 24, 2017. The questions and answers were posted on January 6, 2017, at www.lgb.org, and are also included as an attachment to this staff report.

Subsequently, additional questions related to the possible development of a FIS facility at the Airport were posed. Much of the information addressing these questions is contained in the Study or has been relayed to the greater public at City Commission or Council meetings. The information provided in the attached document focuses on expanding on, and clarifying, specifics related to the sizing of a FIS facility, air service routes currently serving Long Beach and how they relate to convention business, and the economic impact of a FIS, whether locally, regionally, or impacts of trade and tourism between Long Beach and select markets in Latin America.

As authorized by the City Council motion, on December 14, 2016, City staff met with JetBlue to gather information on their additional design and process work. JetBlue shared information specific to CBP functional needs with a FIS facility. The square footage envisioned by JetBlue is smaller than the options shared in the Study and would yield a FIS facility with just under 15,000 square feet (SF) for those finished areas that would be considered within the Terminal Area Improvement Project Final Environmental Impact Report (EIR). The group also briefly discussed a general outline of financing party participation, construction responsibility, and oversight. The group recommended a meeting with local CBP personnel to ensure JetBlue's envisioned FIS concept is in line with CBP requirements and expectations as to function and programming.

On January 5, 2017, representatives from the Airport and JetBlue met with CBP to share JetBlue's concept reflecting the reduced 15,000 SF footprint of a proposed FIS. This excludes open and semi-open areas for circulation and queuing, but the preliminary figure of 15,000 SF is approximately 30 percent less than what was estimated in the Study and is well within the allowable square footage under the previously completed EIR. Additional environmental approvals would be required if this project were to move forward. CBP indicated preliminary support for JetBlue's concept, but they also shared that final approval would be subject to CBP's group in charge of facilities planning. As such, this meeting was simply a first step in gathering and sharing information with key stakeholders.

City Staff Recommendation

As a recipient of federal funding from the Federal Aviation Administration (FAA), the Airport is obligated to maintain and operate its facilities safely and efficiently and in accordance with specified conditions. These conditions include the Airport maintaining a fee and rental structure for facilities and services at the airport that will make it as self-sustaining as possible; not causing or permitting any activity or action that would interfere with its use for airport purposes; and, ensuring it is available as an airport for public use on reasonable terms and without unjust discrimination for all types, kinds and classes of aeronautical activities. Finally, the Airport is tasked with managing all aspects of the Noise Ordinance to insure compliance for the benefit of both the users and the surrounding community.

Based on the findings of the Study, the conclusions of the City Attorney's Opinion, and the Airport's obligations to the City and the FAA in managing its activities and operations, City staff recommends moving forward on the process for development of a FIS facility. The following concurrent steps, seeking CBP approval for UFA designation and negotiating with interested Long Beach carriers or operators a financial agreement for the FIS facility, are critical. The steps required to apply for designation as a UFA include:

- At the request of the City, the submission of a letter addressed to the CBP Commissioner from the Governor, supporting the UFA designation for the Airport;
- An initial site visit, coordinated through the local CBP Area Port Director, to discuss facility requirements, workload and services;
- Through a competitive process, a general contractor would be engaged to design and obtain permit approval for the facility, based on CBP concept approval;
- Periodic visits by CBP officials to verify that the facility construction is consistent with approved plans and requirements;
- Parallel to construction, completion by the City of a Memorandum of Agreement and Agricultural Compliance Agreement with CBP, which state responsibilities, fees, hours of service, and proper handling of international refuse;
- At 85 percent completion, CBP officials verify that facilities are 85 percent complete and adequate for inspectional services to be provided;
- CBP would begin the recruitment and training of dedicated CBP staff of the Airport facility and acquire the approved information technology and other required administrative improvements; and,
- Final site visit in which CBP officials verify that facilities are 100 percent complete and adequate for inspectional services to be provided before taking possession of those new dedicated facilities.

Once the Airport receives CBP designation and a financial agreement is executed with interested Long Beach carriers or operators, RFQs will be released for environmental review, as identified in the Environmental Compliance Assessment, and selection of a contractor for a design-build project for construction of the proposed FIS facility.

Authorization to award a design-build contract will be subject to future City Council approval.

The recommended action does not constitute approval of the project itself, but is a preliminary step to further define and refine the parameters of the project and determine if appropriate financing can be negotiated. Further engagement with CBP is also a crucial step, as this will determine the ultimate facility layout and overall square footage. If these incremental steps indicate the appropriateness of moving forward, a final project description and cost associated to develop and operate a FIS facility will be presented to the City Council for its consideration, together with appropriate environmental review and documentation.

This matter was reviewed by Deputy City Attorney Richard F. Anthony and by Budget Management Officer Rhutu Amin Gharib on January 11, 2017.

TIMING CONSIDERATIONS

City Council action on this matter is requested on January 24, 2017, to commence the estimated two-year process for the development of a FIS facility at the Airport.

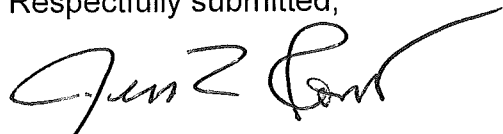
FISCAL IMPACT

The cost to develop and operate the Customs and Border Protection Facility is to be negotiated with interested Long Beach carriers or operators and will be brought forth to the City Council at a later date.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JESS L. ROMO, A.A.E.
DIRECTOR, LONG BEACH AIRPORT

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Attachments: A – Routes and Economics
B - Council District Eight Questions and Answers
C - Summary of Commission Meetings

APPROVED:


PATRICK H. WEST
CITY MANAGER

ROUTES AND ECONOMICS

Recently, additional questions related to the possible development of a Federal Inspection Service (FIS) facility at Long Beach Airport (LGB) have been posed, and while much of this information is contained in the Jacobs Feasibility Study (Study) or has been relayed to the greater public at City Commission or Council meetings, this information will focus on expanding on and clarifying specifics related to these questions. Three areas in particular relate to the size of a FIS and its relation to existing airport facilities and environmental issues, air service routes currently serving LGB and how they relate to convention business, and the Economic Impact of a FIS, whether locally, regionally, or impacts of trade and tourism between the city of Long Beach and select markets in Latin America.

FIS Facility Considerations

City staff met with JetBlue to gather information on additional design and process work. JetBlue shared information specific to Customs and Border Protection (CBP) functional needs with a FIS facility. This group subsequently met with local CBP personnel on January 5, 2017, to ensure JetBlue's envisioned concept was in line with CBP requirements and expectations. The square footage envisioned by JetBlue is smaller than the options shared in the Study and would yield a FIS facility with just under 15,000 square feet (SF). This represents a decrease of approximately 30 percent in net space from what was estimated in the Study. This excludes open and semi-open areas for circulation and queuing, but the preliminary figure of 15,000 SF well within the allowable square footage under the previously completed Environmental Impact Report. Additional environmental approvals would be required if this project were to move forward. CBP indicated preliminary support for JetBlue's concept, but they also shared that final approval would be subject to CBP's group in charge of facilities planning. While this meeting was a first step in gathering and sharing information with key stakeholders, it demonstrated a willingness of CBP to work collaboratively with airport partners.

Air Service Routes

The Study examined many aspects of air service routes, including the impact of introducing international service on existing domestic routes. In particular, the Study looked at historical utilization of airlines' slots, which revealed that over a ten-year period, the carriers were using about 79 percent of the overall allocation of slots - meaning that about 32.5 of the 41 allocated slots were used on average. The reason this metric is important is that the Study's modeling of international routes concluded that LGB could expect six to eight daily, International flights over a maturation period of five years. Based on the utilization rate above, these flights could be accommodated within the historical allocation of 41 slots. We now know that with the nine supplemental slots that were added in 2016, there are a total of 50 slots, and these nine slots were allocated between two incumbent carriers (JetBlue and Delta) and one new entrant carrier (Southwest). Because at the time of this allocation there was (and remains) only domestic air service at LGB, these slots naturally serve domestic markets.

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The question is, given a choice, would any carrier choose to serve an international destination in lieu of a domestic destination, and if so, would it be accomplished through eliminating a domestic destination or by adjusting the frequency a domestic destination is served? The answer is that it is an individual carrier decision; in part, how an international destination fits into their route and broader market strategy, and the need to position aircraft as part of the carrier's overall system, among other considerations. The takeaway here is that air carriers are free to choose where, when and how they fly, subject only to restrictions that exist based on landing rights (international) or slot control (LGB or other similarly controlled U.S. airports). It is, however, important to also consider local market forces. Specifically, carriers allocate a portion of their domestic versus international routes, and as indicated in the Study, international traffic on average has constituted about 20 percent of all air traffic in the U.S. Further, the LGB profile indicates a 12 percent to 16 percent allocation for international traffic after a three-year ramp up period. Other constraints to limit the international component will include minimizing the size of an FIS and limiting the hours of operation to comport with the Noise Ordinance and CBP's ability to staff the operation.

Another aspect of concern is route centers on regional routes (destinations to the north or intermediate points east) compared to long haul routes (transcontinental). Currently, LGB is well served on its regional routes. This is not uncommon and, in fact, mirrors what the other smaller airports in the Los Angeles Region offer. Apart from some differences between these airports, they typically offer connecting service through a hub east of California. In the case of LGB, these hubs are located in Phoenix and Salt Lake City. From these hubs, passengers are generally able to continue on to the East Coast without further stops. LGB, in fact, has more nonstop service to the East Coast than any other airport in the region, except for LAX (more about LAX below). Burbank Airport has one nonstop flight (New York) and John Wayne Airport has one nonstop flight (Newark – two, if one considers nonstop service to Atlanta). LGB currently has three nonstop flights (two to New York, one to Boston) and will add a Fort Lauderdale flight in May. LAX, being one of the busiest airports in the U.S. and in the world, offers several dozen nonstop flights to several cities on the East Coast. There are several reasons for this, but the key reasons include its dominance as a leader in airline competition for market share and its superior connecting service for both domestic and international markets.

Does a lack of transcontinental service impact LGB's ability to attract Convention Business?

Convention planners recognize Long Beach's attraction for convention business, and this has led to a reasonably healthy convention business. Long Beach does compete with certain nearby cities in the region, and the City of Los Angeles (like its airport) is a dominant force with respect to attracting convention business. Even so, Long Beach is able to garner its share of convention business. While the goal is to bring as many convention goers through LGB, many will opt to travel either through LAX or John Wayne airports for a number of reasons; mainly, a superior number of travel options to LAX from

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their departing city or merely the added travel choice of John Wayne. The impact of the City's Noise Ordinance is another factor that drives some air traffic to these and other nearby airports. While John Wayne Airport has operation limitations set by ordinance, their cap on daily commercial flights is about twice what is allowed at LGB. LAX has no such operational caps set by ordinance. While there are no data on the percentage of Long Beach convention visitors arriving at either LAX or John Wayne airports, having three airports to choose from is viewed as an advantage by convention planners.

As noted above, daily slots increased from 41 to 50 in 2016. Further, under the historical utilization rate of 79 percent, about 32 slots on average were flown per day. At this rate, convention activity was adequately supported, along with LAX and John Wayne Airport providing alternatives for convention visitors. With the increase to 50 slots, and a current (as of January 2017) utilization rate closer to 95 percent or 47 slots on average flown per day, there are at least five more slots to support potential convention travelers.

Economic Development—Trade and Tourism Opportunities

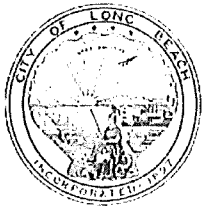
An important element of local economic development is the growth of traded industries that bring outside investment into the local economy. As opposed to locally-serving industries—real estate, health services, and construction—that provide goods and services to residents and businesses within the city, traded industries bring dollars from outside the region and into the local economy to grow both local businesses and jobs. Traded industries may include transportation, logistics, tourism, and business services among others. According to 2015 data from the Employment Development Department, approximately two-thirds of employers in the City of Long Beach are locally-serving businesses while only one-third of local employers are selling their goods and services to outside markets.

The introduction of a FIS facility at LGB has significant potential for the City to increase the volume of international trade, and grow the number of traded industry employers in the local economy. As currently proposed by the Study, there are 11 international cities across five Latin American countries that represent significant economic development opportunities for the City of Long Beach. These include:

1. Cancún, Mexico
2. Guadalajara, Mexico
3. Los Cabos, Mexico
4. Mexico City, Mexico
5. Monterrey, Mexico
6. Puerto Vallarta, Mexico
7. San Jose, Costa Rica
8. Liberia, Costa Rica
9. Guatemala City, Guatemala
10. Panama City, Panama
11. San Salvador, El Salvador

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The projected population of these 11 cities (not including their metropolitan areas) is over 15.3 million people and growing. Of the five biggest cities listed in the Study, McKinsey & Company estimated a total GDP of \$407 billion for 2010, growing to more than \$789 billion by 2050. Mexico City alone accounts for nearly one-fourth of gross domestic product of Mexico, with huge industry clusters in the service sector, manufacturing, and agriculture. Panama City is a major international finance center, and has a strong business and trade relationship with the United States for consumer goods such as cars, electronics, and clothing. These are just a few examples of how a FIS facility presents local businesses with growth opportunities.



City of Long Beach

Working Together to Serve

Memorandum

Attachment B

Date: January 4, 2017

To: Patrick H. West, City Manager *PL*

From: Jess L. Romo, Director, Long Beach Airport *JLR*

For: Mayor and Members of the City Council

Subject: **Federal Inspection Services (FIS) Feasibility Study – Council District Eight Questions and Answers**

At the City Council FIS Feasibility Study Session on December 13, 2016, the City Manager was requested to provide written responses to questions submitted by Eighth District Councilman Al Austin regarding Jacobs' FIS Feasibility Study (Study). Several questions from the community were duplicates and answered in previous documents. These questions and answers, along with the Study, City Attorney opinion, prior presentations and transcripts from prior study sessions, may be found on the Long Beach Airport (LGB) website at:

http://www.lgb.org/information/fis_feasibility_study/default.asp.

Below is a summary of the questions provided by Councilman Austin and includes appropriate responses.

1. *If 6 to 8 flights a day are expected to be international, will this take away from the number of domestic flights?*

The number of daily flights at the LGB varies and the number of slots flown changes daily.

The City's Noise Ordinance determines the maximum number of flights, or slots that may be operated on a daily basis. Currently, there are 41 permanent commercial air carrier slots and 9 supplemental air carrier slots for a total of 50 daily slots. The Study reviewed historical data from 2006 to 2015, when there were only 41 slots available. The analysis showed that slot utilization (percentage of available slots actually flown) was 32.5 a day or 79 percent of the maximum allowable. Currently, the scheduled flights for early 2017 indicate a slot utilization closer to 95 percent of the 50 allowable slots.

If 100 percent of an airline's slots are being used for domestic travel every day of the week and an airline shifts a slot to international travel, then the answer is "yes," it would use capacity from a domestic route. On the other hand, if an airline is not utilizing its slot allocation at 100 percent every day (a rare occurrence), then the answer is "no," adding an international flight would not take away from domestic travel. Furthermore, even with international service, the number of domestic destinations could remain the same with only the frequency of the destination changing.

If the airlines flew eight of their allocated slots internationally and the remaining 42 slots domestically, there would still be more domestic flights out of LGB than there has been over the last ten years.

Historically, slot utilization rarely reaches 100 percent on any given day and, over the last ten years, slot utilization was 32.5 a day or 79 percent of the maximum allowable. Airlines constantly adjust their schedules and routes base on a number of factors such as season, holidays, marketability, demand, yield, and competition among other factors. If a FIS facility is built, the over-all mix of domestic and international flights will vary, and it is difficult to determine at any given point in time if international flights are pulling capacity from domestic routes. National market data does reflect that the average mix of airports handling domestic and international traffic is approximately 80 percent domestic and 20 percent international.

JetBlue believes there is a demand for international service that will strengthen its product mix and its position in the LGB market. The commitment to fund a FIS facility would help strengthen JetBlue's presence in Long Beach and make certain that JetBlue continues to offer a variety of destinations, domestic and international.

2. Will 6 to 8 international flights a week hurt Long Beach's convention business?

The answer is no. Domestic flights are currently at an all-time high at LGB. Even if there were to be small decreases in domestic flights based on current schedules, which is not projected as part of the Study, there still could be more domestic flights than over the last ten years. With an average of 32.5 flights a day from 2006 to 2015, Long Beach's convention business has been booming even with very limited destinations and schedule options out of LGB. Convention participants currently utilize all of the region's airports with the majority coming from LAX or SNA; that will not change with or without a FIS facility.

Even though much of international traffic is expected to be outbound tourist traffic to Mexico and Central America, there will be a sizeable amount of inbound passengers traveling here for business and tourism. International traffic will be a new opportunity to gain convention and tourist business in Long Beach.

3. Wouldn't long-haul flights to the east coast be better for the City's convention business?

It is speculated that long-haul flights to and from destinations like Washington, DC, will be better for conventions in Long Beach. LGB destinations will remain impacted by the City's Noise Ordinance restrictions on the number of daily flights, making it unlikely that LGB would ever be the leading regional airport for convention traffic. Frequency plays a large role in convention traffic; hence, the importance of other local airports like SNA and LAX.

The City cannot dictate to airlines their destinations and schedules. Airlines consider many factors in determining their routes, profitability being just one of them.

Another consideration is that the long-haul flights to/from the East Coast are typically the flights that are impacted by weather conditions causing late night operations.

4. What is the economic impact of a FIS to Long Beach only, the Study analyzed the economic

Impact of the entire LA and OC region?

The Jacobs team received numerous requests from the public, Economic Development Commission and the City Council to extrapolate the economic impact of a FIS on Long Beach only. In response to those questions, Jacobs provided a separate analysis not contained in the original Study but presented to the City Council at the Study Session on December 13, 2016.

The original Study included an economic impact analysis that encompassed the entire Los Angeles/Orange County region but did not segregate the economic impact to Long Beach due to the commonly accepted standards of economic analysis software. There are only three “off-the-shelf” software tools available for economic impact analysis (IMPLAN, REMI, and RIMS). IMPLAN is regarded as the best of the three.

None of the economic software tools are able to do the more insular analysis, isolating economic impact to a local area that is part of a much larger economic region. It is important to note that generally accepted planning practices for determining economic impacts are to calculate on a regional basis, particularly in the case of inter-connected transportation facilities, such as an airport. Furthermore, such a local analysis would include a significant range of probability. The approach used by Jacobs estimates a range of economic impact on Long Beach only for the purpose of allowing the City Council to make an informed business decision.

The supplemental data that Jacobs presented to the City Council at the Study Session estimates local benefits of the proposed FIS facility in the range of \$20 to \$60 million of annual output.

To calculate the mid-point or statistical mean of the range, the following statistical methodology was applied to the results in the Study:

- Local impact values are estimated at 28 percent of direct regional impacts based on results from the 2016 tenant survey in the Study plus 3.6 percent of indirect regional impacts and 3.6 percent of induced regional impacts based on population for the City of Long Beach compared to Los Angeles and Orange Counties in 2015.
- More simply put: Local Economic Impact = 28 percent of Direct + 3.6 percent of Indirect + 3.6 percent of Induced Regional Impacts.

It is important to recognize that any endeavor in Long Beach that has a positive economic impact will have a regional impact that benefits Long Beach and the surrounding communities. That is true of all City development including Public Works projects, the Port of Long Beach and the new Civic Center. The ongoing impact of a FIS to Long Beach and the region is \$222 million annually.

5. *Why does JetBlue continually violate the Noise Ordinance with late night operations?*

JetBlue operates within the provisions of the Noise Ordinance (Long Beach Municipal Code Chapter 16.43). Per the Noise Ordinance, all air carrier operations must be scheduled to operate between the hours of 7:00 a.m. and 10:00 p.m. JetBlue complies with this requirement.

The Noise Ordinance also addresses Unanticipated Delays, which comprise the vast majority of the late night operations. The Noise Ordinance states, "Violations occurring during the period between ten p.m. and eleven p.m. which are the result of unanticipated delays beyond their reasonable control of the aircraft Owner/Operator shall be waived upon the presentation of evidence satisfactory to the Airport Manager that the delayed arrival or departure resulted from such circumstances. Delays caused by mechanical failure (but not by routine maintenance), by weather conditions or by air traffic control conditions will be considered beyond the Owner/Operator's control." All operations occurring between the hours of 10:00 p.m. and 11:00 p.m. are reviewed and evaluated for compliance with these provisions and operations that do not comply receive a noise violation.

JetBlue operations occurring after 11:00 p.m. are subject to the Alternative Enforcement provisions of the Noise Ordinance, which states "It is a misdemeanor, subject to the penalties applicable to misdemeanors, for the Owner/Operator of an aircraft to exceed any established SENEL limit without a reasonable basis for believing that the aircraft employed would comply with the applicable SENEL limit. Owner/Operators of scheduled Flights utilizing aircraft which comply with the standards of FAR Part 36 Stage 3 shall be presumed, for the purposes of this Section, to possess a reasonable basis for believing that such aircraft can be operated in compliance with applicable SENEL limits."

Under the Alternative Enforcement provisions, JetBlue operations that occur between the hours of 11:00 p.m. and 6:59 a.m. the following day are referred to the City Prosecutor's Office for appropriate action. Currently, the City Prosecutor has a Consent Decree in place to enforce these provisions in lieu of criminal prosecution. The penalties imposed by the City Prosecutor consist of a fine of \$3,000 per occurrence for the first six violations during a calendar quarter and \$6,000 for subsequent violations.

6. *Where does the money from curfew violation fines go to?*

Violation fines, officially termed, "noise surcharges," are payable to LGB. Noise surcharges are either \$100 or \$300 depending on the number of noise violations incurred by the aircraft operator.

The disposition of monies collected per Consent Decree violations is determined by the City Prosecutor. Currently, the JetBlue Consent Decree settlement specifies that monies are payable to the Long Beach Library Foundation to be distributed evenly throughout the Long Beach Public Library System for books, publications, and other learning materials, including electronic databases.

7. *Why does the LGB spend \$900,000 a year on a Noise Division to monitor JetBlue's violations?*

The Fiscal Year 2017 budget for the LGB Noise Division is \$951,346, which funds the Division's four staff, a consultant to independently verify noise data and perform analysis, the Aircraft Noise Monitoring System (ANOMS), and materials, equipment and supplies. These funds are from the Airport Enterprise Fund and do not impact the City's General Fund.

LGB's Noise Division does much more than just monitor late night activity. The key purpose of the Noise Division is to ensure LGB is adhering to the provisions of the Noise Ordinance. This includes ensuring the noise level data is accurate and correlated to the proper aircraft, the noise budgets are maintained within limits and violations are properly administered. The failure to properly manage any of these areas may bring a challenge to the Noise Ordinance.

LGB's Noise Division is responsible for ensuring LGB's compliance with California Airport Noise Standards (California Code of Regulations, Title 21, Section 5000 et seq.) and prepares noise reports each quarter for submission to the Caltrans Division of Aeronautics to monitor cumulative noise exposure in the communities. A monthly Noise Report is also prepared for presentation to the Airport Advisory Commission detailing late night activity, noise violations and noise complaints.

Noise Division staff participate at the federal level and serve on a number of panels addressing technical issues and policies related to aircraft noise exposure. These activities are sponsored by the National Academy of Science and are essential to ensure Long Beach is at the forefront of airport noise reduction efforts.

The Noise Division is also responsible for public outreach with regard to noise issues and regularly communicates with members of the aviation community to educate and encourage the use of community friendly flight procedures and also works with the surrounding residential communities to address their concerns.

8. *Will a FIS increase flight traffic even if the number of flights are within the Noise Ordinance limits?*

LGB traffic is limited by the Noise Ordinance, which specifies maximum cumulative noise levels in the communities nearest LGB. These cumulative noise levels are expressed as our Noise Budget. Cumulative noise exposure is determined based on the number of operations, the loudness of the operations and the time of day the operations occur. The FIS will not change the maximum cumulative noise exposure levels established by the Noise Ordinance.

LGB is currently operating well below the maximum permitted noise levels as the airlines and general aviation operations, on which the cumulative noise levels are based, are well below the maximum operational levels. Based on information contained in the Study and projected future operational levels provided by the airlines, flight traffic will not be significantly altered by a FIS.

Currently, the number of allowed air carrier flights are 50 inbound and 50 outbound, or in other words, LGB has 50 daily air carrier slots allowed under its Noise Ordinance. The actual number of air carrier flights occurring on any given day fluctuates depending on a number of factors. Over the last ten years, an average of 32.5 slots were utilized daily, whereas in November 2016, several days saw at least 47 flights per day, and January 2017 has several days with all 50 slots scheduled for operation. Over the long-run, it is impossible to determine if a FIS will encourage air carrier slot utilization near 100 percent of slots flown or if utilization will stabilize around the historical average of 79 percent. Regardless of slot utilization, total community noise exposure will be within the allowable limits of the Noise Ordinance.

9. Why were the impacts of the FAA Metroplex project not taken into consideration in the Study?

The SoCal Metroplex Project (Metroplex) is an FAA action completely independent of the FIS. The purpose of the Metroplex initiative is to optimize air traffic procedures and airspace on a regional scale. This is accomplished by developing procedures that take advantage of technological advances in navigation, such as area navigation (RNAV), while ensuring that aircraft currently not equipped to use RNAV will continue to have access to the National Airspace System.

Metroplex will alter arrival and departure paths at LGB; however, it will not change the type or number of operations because such restrictions are set forth in the Noise Ordinance. Similarly, the FIS will not alter the type or number of operations currently approved to operate at LGB. Results of the FAA's Metroplex Environmental Analysis concluded that there were no significant impacts, and the FAA issued a Finding of No Significant Impact (FONSI) and Record of Decision (ROD). All fixed wing aircraft operations arriving to and departing from LGB will be subject to Metroplex flight procedures and is not dependent on origin and destination of a flight.

10. What are the differences between Long Beach's Noise Ordinance and John Wayne's Noise Ordinance?

LGB is recognized as having one of the strictest noise control ordinances in the world. This is illustrated in the following figure summarizing noise control efforts based on a survey of world airports:

Noise Information Manual

Gulfstream

Highest Ranked Airports with Noise Restrictions

The following table provides a listing of the busiest, or most utilized, airports where Gulfstream aircraft are most operated.

NOTE: The restrictions at noise sensitive airports, such as these, are numerous; however, they are subject to change, so it is recommended that operators call their destination airport prior to arrival to determine what restrictions may be in place.

United States													
Airport	Code	City	State	APU	Curfew	Run-Ups	NAP	Noise Budget	Noise Limits	Noise Charges	Emissions Charges	Quotas	Stg3/Chpt3 Restrictions
Teterboro	TEB	Teterboro	NJ										
Westchester County	HPN	White Plains	NY										
Dulles Int'l	IAD	Chantilly	DC										
McCarran Int'l	LAS	Las Vegas	NV										
Van Nuys Airport	VNY	Van Nuys	CA										
Palm Beach Int'l	PBI	West Pa'm Beach	FL										
Chicago-Midwa/	MDW	Chicago	IL										
Laurence G. Hanscom	BED	Bedford	MA										
Morristown Municipal	MMJ	Morristown	NJ										
San Francisco Int'l	SFO	San Francisco	CA										
Love Field	DAL	Dallas	TX										
Long Beach	LGB	Long Beach	CA										
John Wayne	SNA	Santa Ana	CA										
Bob Hope	BUR	Burbank	CA										
Santa Monica Airport	SMO	Santa Monica	CA										
Europe													
Airport	Code	City	Country	APU	Curfew	Run-Ups	NAP	Noise Budget	Noise Limits	Noise Charges	Emissions Charges	Quotas	Stg3/Chpt3 Restrictions
Luton	LTN	Luton	UK										
Le Bourget	LBG	Paris	France										
Geneva-Cointrin	GVA	Geneva	Switzerland										
Barajas-Madrid	MAD	Madrid	Spain										
Cote D'Azur	NCE	Nice	France										
Sheremetyevo	SVO	Moscow	Russian Fed.										
Shannon	SNN	County Clare	Ireland										
Stansted Airport Ltd	STN	London	UK										
Farnborough	FAB	Hampshire	UK										
Zurich Airport	ZRH	Zurich	Switzerland										

NAP = Noise Abatement Procedures

☐ = Restrictions Exist

Source: Gulfstream Aerospace Corporation, Noise Information Manual, Revision 13, October 31, 2013.

The LGB Noise Ordinance, reflects consensus, derived through an extensive litigation history, between the City of Long Beach, FAA, and various aviation stakeholders on the nature and extent of aircraft operations and noise occurring at LGB. The LGB Noise Ordinance is grandfathered under the Airport Noise and Capacity Act of 1990 and, for over 20 years, the Ordinance has balanced the development of facilities and the growth of operational capacity with the legitimate environmental concerns of the surrounding communities.

Like the LGB Noise Ordinance, the John Wayne Airport Access Plan is grandfathered under the Airport Noise and Capacity Act of 1990 and is also recognized as one of the most restrictive airport noise control regulations in the world. Key differences between the LGB Noise Ordinance and the John Wayne Airport Access Plan are shown below. Two of the most significant differences are the number of commercial operations and the hours of operation. For example, Long Beach currently restricts operations to 50 air carrier operations per day. John Wayne Airport allows a total of 103 operations per day. Both airports impose curfews on

commercial aircraft operations. LGB specifies that operations must be scheduled between the hours of 7:00 a.m. and 10:00 p.m. John Wayne specifies that operations must be conducted between the hours of 7:00 a.m. and 11:00 p.m. for arrivals and 7:00 a.m. and 10:00 p.m. for departures.

Both airports impose significant penalties for operations outside of these hours. The John Wayne Airport Access Plan imposes penalties of \$2,500 for the first five violations, \$3,500 for the next five violations, and not less than \$5,000, or more than \$10,000, for each violation after ten violations. The LGB Noise Ordinance is much more lenient with regard to the first series of violations, imposing monetary fines of \$100 and \$300; however, the Alternative Enforcement provisions of the Noise Ordinance are as stringent as the John Wayne Airport Access Plan. For example, penalties imposed by the City Prosecutor as part of the JetBlue Consent Decree consist of a fine of \$3,000 per occurrence for the first six violations during a calendar quarter and \$6,000 for subsequent violations. Other operators have received fines of \$4,500 per occurrence. Fines of this amount have served to effectively curtail operations.

Topical Area	Long Beach Airport	John Wayne Airport
Number of Commercial Flights	Must provide a minimum of 41 Air Carrier and 25 Commuter flight slots. Additional flight slots must be made available up to the noise budget limits. Currently there are 50 Air Carrier flight slots and 25 Commuter flight slots.	Total Average Daily Departures (ADDs) are currently limited to 85 Class A ADDs for passenger service and 4 Class A ADDs for all-cargo service (for a total of 89 Class A ADDs). In addition, there are currently 14 permanent Class E ADDs. This limit will increase to 95 Class A ADDs for commercial passenger service and 4 Class A ADDs for all-cargo service (for a total of 99 Class A ADDs), January 1, 2021, through December 31, 2030. Additional Class E flights are allocated based on whether there is additional seat capacity available for allocation.
Number of Passengers	Unrestricted	10.8 Million Annual Passengers (MAP) through Dec 31, 2020; 11.8 MAP through Dec. 31, 2025, and 12.2 or 12.5 MAP through December 31, 2030, depending on prior annual capacity utilization.
Time of Day		
Commercial	Must be <u>scheduled</u> between the hours of 7:00 a.m. and 10:00 p.m. Unanticipated Delay provisions shall allow the Airport Director to waive violations occurring between 10:00 p.m. and 11:00 p.m. if the delay is due to circumstances beyond the reasonable control of the operator. Examples include emergencies, aircraft mechanical issues, weather or air traffic control conditions.	Must <u>operate</u> as follows: Departures – 7:00 a.m. – 10:00 p.m. (Monday-Saturday) and 8:00 a.m. – 10:00 p.m. (Sunday) Arrivals – 7:00 a.m. – 11:00 p.m. (Monday-Saturday) and 8:00 a.m. – 11:00 p.m. (Sunday) A departure/arrival outside permitted operations hours may be approved if flight delayed by not more than one-half hour by emergency, mechanical, air traffic control, or weather delays substantially beyond the control of the operator and based on the Director's discretionary approval subject to certain specified conditions.

Time of Day		
General Aviation	Unrestricted providing the following SENEL limits are met at the nearest monitor: (7:00 a.m. -10:00 p.m.) – 102.5 dBA Departure and 101.5 Arrival 10:00 p.m. – 11:00 p.m. – 90.0 dBA 6:00 a.m. – 7:00 a.m. – 90.0 dBA	Unrestricted providing the following SENEL limits are met at the nearest monitor: 7:00 a.m. – 10:00 p.m. – 102.5 dBA Departure and Arrival. 10:00 p.m. – 7:00 a.m. 87.5 dBA
Penalties		
Commercial	Penalty applicable to individual operations based on SENEL.	Penalty applicable to energy averaged SENEL during Noise Compliance Period (Calendar Quarter) and violations of the permitted operations hours (as well as other penalties for related capacity violations including minimum usage provisions).
	1st Violation – Notice 2nd Violation – Notice with request to provide written response regarding corrective action taken. 3rd Violation - \$100 surcharge 4th and Subsequent Violations - \$300 surcharge Alternative Enforcement – Referral to City Prosecutor for potential criminal prosecution.	Immediate disqualification of aircraft type from further service. May also be subject to an administrative penalty in an amount not to exceed \$500,000. Penalty for operating outside permitted commercial operations hours: \$2,500 for first five violations, \$3,500 for next five violations, and not less than \$5,000 or more than \$10,000 for each violation after ten violations.
General Aviation	Same as above	Three (3) or more violations will result in denial of use of the airport for a period of three years.

11. Why don't we modify the Noise Ordinance to make it more like John Wayne Airport's?

Trying to change the Noise Ordinance would provide the opportunity to challenge it and possibly result in the loss of its grandfathered status. If LGB were more like SNA, we would have much more noise overall. For example, John Wayne Airport currently has 103 daily commercial flights. The current maximum number of daily commercial flights at LGB is 50.

12. Will increasing the capacity of LGB with a FIS facility and new aircraft parking positions potentially open new legal challenges to the City's Noise Ordinance?

Potential legal challenges to the Noise Ordinance were addressed in a memorandum entitled City Attorney's Opinion Regarding Federal Inspection Station (FIS) dated October 4, 2016, and addressed to the Mayor and City Council. The opinion was developed in consultation with Ms. Lori D. Ballance, Esq., of Gatzke, Dillon & Ballance, LLP. Ms. Ballance is an attorney specializing in airport environmental and access law. The conclusion of the City Attorney is that, "the City's consideration of FIS facility improvements would not jeopardize the exempt and grandfathered ANCA status of the Noise Ordinance. However, if the Noise Ordinance is invalidated at some time in the future, the essential terms and existing regulatory conditions at LGB would continue. Any relaxation of the current restrictions would, with certain limited exceptions, require action by the City, including full compliance with

CEQA, and any planning or policy decisions by the City in the future would be required to take into account the unique history and unique operational characteristics at the Airport, as well as the residential and other sensitive land uses that are affected by Airport operations.”

13. Is there a risk that the federal government will interfere with the City's operation of LGB if a Federal Customs Facility is built?

The federal government's involvement with the City's operation of LGB will not change if a FIS facility is built. It will only add another agency, Customs and Border Protection (CBP), which will be responsible for the clearance of inbound cargo and passengers originating from foreign locations. It will have no other impact on operations, domestic or otherwise.

Federal agencies that are currently involved in certain operational aspects of a commercial airport like LGB include the Department of Transportation (DOT) via the Federal Aviation Administration (FAA), which sets minimum operating standards, provides funding and regulates traffic control among other things; the Department of Homeland Security (DHS) via the Transportation Security Administration (TSA), which regulates the security of the traveling public in the United States; and, the National Transportation Safety Board (NTSB), which is responsible for investigating public transportation accidents (including civil aviation) in the United States.

14. Are the Parking Lot B and new concourse projects fully paid for?

LGB has \$110 million in outstanding debt related to Lot B and the concourse projects. Annual debt service is \$9.2 million, \$3.6 million of which is backed by Passenger Facility Charges (PFCs).

LGB has also pledged to maintain a debt service coverage ratio of 1.75x and 365 days cash on hand. LGB currently meets that debt service coverage ratio and is in a strong financial position. These pledges assist LGB in maintaining its A3/Stable Outlook credit rating.

15. Where would a FIS facility be located?

Location of a FIS facility has not been determined; however, the Study evaluated three potential locations: one north of the historic terminal building and two south of the historic terminal building. Should the City Council decide to move forward, it is anticipated that a single building will be constructed adjacent to the new passenger concourse, with the final location being determined during the design process.

16. Would a new taxiway or other improvements be necessary to have a FIS?

The current taxiway system and future taxiway configuration contemplated in the Airfield Geometry Study (approved by the City Council) are sufficient to support the potential FIS facility and no new taxiways would be necessary. Option 1, as indicated in the Study, for a proposed FIS facility north of the historic terminal building would require the construction of two new aircraft parking positions and the decommissioning of one existing aircraft parking position for a total of 12 aircraft parking positions.

17. Is the Study incomplete in terms of an EIR, CEQA and NEPA?

A Feasibility Study is statutorily exempt per the California Environmental Quality Act (CEQA). Specifically, Section 15262, Feasibility and Planning Studies, of the State CEQA Guidelines states the following:

A project involving only feasibility or planning studies for possible future actions which the agency, board, or commission has not approved, adopted, or funded does not require the preparation of an EIR or Negative Declaration but does require consideration of environmental factors. This section does not apply to the adoption of a plan that will have a legally binding effect on later activities.

Therefore, as a Feasibility Study, the purpose of this evaluation is not to provide the City with a CEQA document; rather it is intended to give the City an understanding of the types of technical studies and environmental compliance documents that may be required should it decide to move forward with the subsequent project-level evaluation of the FIS facility. To aid in the evaluation, the questions from the CEQA Environmental Checklist from Appendix G of the CEQA Guidelines (California Code of Regulations, Title 14, Chapter 3, Sections 15000, et seq.) are used as a baseline to assess potential environmental effects of the FIS facility.

Results of the Environmental Compliance Assessment, including evaluation of the previous FEIR 37-03, CEQA, and NEPA are contained in Appendix B of the Study.

The preliminary evaluation of a FIS facility does not identify any significant impacts that were not previously addressed in FEIR 37-03. This analysis has been conducted without the benefit of detailed concept plans, which would be required prior to making a complete CEQA determination. However, based on the preliminary assessment, it would appear the FIS facility would be consistent with the Terminal Area Improvements Project evaluated in FEIR 37-03.

Once conceptual plans (with net square footage) are available, it is possible that size of the FIS facility would be consistent with the April 2007 City Council direction pertaining to the size of the terminal area improvements and number of aircraft parking positions. Therefore, should the City Council elect to do so, if it is determined that FIS facility fits within the parameters of the 102,850 square feet addressed in the FEIR, it could be implemented without further documentation because the type of facilities proposed for the FIS facility are generally consistent with the project description in FEIR 37-03.

CEQA is required to address environmental impacts of proposed actions. The environmental impacts associated with the construction of the FIS facility would not be substantially different from the impacts associated with the construction of the terminal facilities to accommodate domestic flights.

If the City Council recommends further consideration of the FIS, the determination of the appropriate CEQA document would be made at the time a detailed concept plan is available. The City would also coordinate with CBP and the FAA regarding the appropriate NEPA documentation.

18. Why did the Study not consider the impacts of pollution, noise and traffic congestion that a FIS would bring?

The Study first analyzed the market demand for international flights to/from Long Beach, and a simulated flight schedule was developed. The simulated flight schedule produced a maximum daily commercial flight activity of 50 air carrier flights and 3 commuter flights. This level of activity is below the "Optimized Flight Scenario" that was evaluated as part of FEIR 37-03 for the Terminal Area Improvements Project, certified June 20, 2006 by the City Council. The Optimized Flight Scenario within FEIR 37-03 contemplated a maximum daily commercial flight activity of 52 air carrier flights and 25 commuter flights.

FEIR 37-03 evaluated numerous environmental factors, including the potential pollution, noise and traffic impacts associated with this level of flight activity and supporting infrastructure and concluded that there would be no significant long-term environmental impacts, including impacts resulting from pollution, noise and traffic congestion, associated with this level of operational activity.

The operational activity associated with the FIS would be in conformance with the operational activity evaluated in FEIR 37-03.

Given that the fleet mix operating at LGB would not be expected to change as a result of the introduction of international flights, the air quality, noise, and traffic impacts associated with the FIS would be substantially consistent with the impacts evaluated in FEIR 37-03.

An Environmental Compliance Assessment, which details each of the environmental components required by CEQA, is included as a component of the FIS Feasibility Study.

19. Would a FIS increase the risk of terrorism?

As reviewed in the Study, the introduction of international flights and construction of a FIS facility does not negatively impact the risks to LGB and the Long Beach community compared with current risks from other Ports of Entry in the area. Additionally, a FIS facility would be staffed with armed officers, providing more security than what currently exists. The complete elimination of risk is seldom possible; however, LGB currently commits significant resources to provide a reasonable level of protection for the public. Regardless of the presence of international service, risks to LGB will continue to be managed with a robust security operation.

20. Will LGB need bomb sniffing dogs if there are international flights?

LGB currently has an explosive detection canine team.

21. How many international flights will take place in the evening?

The tables below are for illustrative purposes only. All FIS clearance activity would be subject to operating limitations of the LGB Noise Ordinance and also subject to approval by CBP.

The simulated flight schedule developed as part of the Study included three international arrivals between the hours of 5:30 p.m. and 8:15 p.m. and one international departure at 5:30 p.m.

Probable International Arrivals			
Airline	Equipment	Origin	Arrival
JetBlue	A320	GDL	0835
JetBlue	A320	LIR	1340
JetBlue	A320	XXX	1430
JetBlue	A320	PVR	1500
JetBlue	A320	MEX	1645
JetBlue	A320	XXX	1730
JetBlue	A320	SJD	1940
JetBlue	A320	CUN	2015

Probable International Departures			
Airline	Equipment	Destination	Departure
JetBlue	A320	PVR	0805
JetBlue	A320	MEX	0805
JetBlue	A320	CUN	0920
JetBlue	A320	XXX	0945
JetBlue	A320	SJD	1425
JetBlue	A320	XXX	1520
JetBlue	A320	LIR	1545
JetBlue	A320	GDL	1730

22. What are the requirements to obtain Port of Entry designation?

The following are considered the minimum criteria for establishing a Port of Entry. The requesting community must:

- Prepare a report that shows how the benefits to be derived justify the Federal Government expense;
- Be serviced by at least one major mode of transportation;
- Have a minimum population of 300,000 within the immediate service area (approximately a 70-mile radius); and,

- The actual workload in the area must be one or a combination of the following:
 - 15,000 international air passengers (airport), 2,000 scheduled international arrivals (airport);
 - 2,500 consumption entries (each valued over \$2,000), with no more than half being attributed to any one party (airport, seaport, land border port);
 - 350 vessels (seaport)
 - 150,000 vehicles (land border port).

23. Why did the Study not do a risk analysis of doing and not doing a FIS?

The Study examined all areas of risk to determine whether it is feasible to move forward with the development of a FIS facility and allow the arrival of international flights. The Study focused on six components: Market Analysis, Environmental Compliance, Economic Impact, Facility Location Alternatives, Financial Viability and Security Risk. Each component was evaluated for risk, benefit, cost, and practicality. Additionally, the City Attorney conducted an analysis of the potential risks to the City's Noise Ordinance if there were to be international service at LGB.

24. Why is the City in a rush to make a decision of a FIS project?

The City is not in a rush to make a decision of a FIS project. In fact, the City has been thoughtful, measured and transparent in its approach to this project. Should the City Council vote on a FIS project on January 24, 2017, it will be almost two years from the time JetBlue made a formal request for the City to explore the feasibility of allowing international flights into LGB. City Council has directed City staff to hold community forums, post online reports/data/ presentations, receive public input, answer questions and conduct study sessions on the proposed project. Below is a timeline of the process highlighting key dates:

- February 23, 2015 - JetBlue formally requested LGB and the City to begin the process to establish customs facilities at LGB;
- March 3, 2015 - City Council took action to stay any work on the matter until after elections and District 4 Council was seated;
- July 7, 2015 - City Council took action authorizing a FIS Feasibility Study;
- August 26, 2015 - a Request for Qualifications to Conduct a Feasibility Study for a FIS facility at LGB was issued by the Purchasing Division of the Financial Management Department;
- March 7, 2016 - the City executed an agreement with Jacobs;
- March 30, 2016 - the first community meeting was held to present the Jacobs team, answer questions about the scope of the Study and receive public input;

- April 20, 2016 - the second community meeting was held;
- August 9, 2016 – City Council took action to ensure the Feasibility Study was posted on relevant City websites at least 15 days before scheduling any Council item to discuss the Study; and further provide sufficient time before the scheduled City Council meeting to conduct a Fourth District Council community meeting for the purpose of receiving public input on the Study;
- October 4, 2016 - the Feasibility Study was posted for public viewing;
- October 4, 2016 - the City Attorney's legal assessment was posted for public viewing;
- October 11, 2016 - City Council took action to amend the City's agreement with Jacobs to extend the terms and increase the authority to provide additional public outreach;
- October 20, 2016 - the Feasibility Study was presented in a Study Session to the Airport Advisory Commission;
- October 25, 2016 - the Feasibility Study was presented in a Study Session to the Economic Development Commission;
- December 13, 2016 - the Feasibility Study was presented in a Study Session to the City Council
- January 24, 2017 – City Council decision on whether or not to move forward with a FIS is tentatively scheduled.

25. Isn't Southwest currently using some of JetBlue's underutilized slots? So wouldn't some domestic flights have to be cut, either by JetBlue or by Southwest?

Southwest has requested to use any available slots and has added operations in recent months making use of some of JetBlue's unused slots. JetBlue has increased its flights and destinations making fewer slots available. The recent actions of JetBlue and Southwest have pushed slot utilization close to 100 percent on some days with all 50 slots scheduled on certain days in January 2017.

With this high level of utilization, introducing international service would use existing capacity of domestic routes. This modeling reflects a point in time, and history has demonstrated that slot utilization fluctuates and cannot be predicted over the long run. When the Study was conducted, historical data from the last ten years indicated additional capacity with a normalized slot utilization pattern. The data reflected a utilization of 79 percent or about 32.5 flights per day of the 41 allowable at that time. Please refer to question and answer # 1 for a more detailed analysis.

26. *Is the 30 percent visitor rate that is used to calculate some of the economic impact based on looking at these actual potential destinations, or is it just some national standard or average for international flights that is used as an assumption for this Study?*

The estimated 30 percent of annual international passengers as visitors originating outside the U.S. is a conservative estimate determined through an evaluation of the Point of Origin data for the most probable destinations identified by the Market Analysis. The evaluation considered factors such as characteristics in the market mix, airline input, and historic data of like markets.

27. *In the November 2013 memo from then-Airport Director Mario Rodriguez, it stated that "Future revenues from a FIS will only serve to mitigate the cost of the facility and will not further enhance the Airport's financial position." Would you agree with that conclusion?*

The conclusion drawn in the November 2013 memo and attached report may have been accurate at the time. Analyses of airport operations are based on available historical data.

Historical data to that point indicated no greater than 79 percent slot utilization at 41 allocated slots. The report states, "While additional information from JetBlue on its international plans and slot utilization strategies would be useful to further refine out analyses . . .", and was a quick study based on internally available data (historical slot utilization and 41 slots) that did not consider JetBlue's international plans or slot utilization strategies. The data indicated that enplanements and slot utilization would remain flat.

Airport operations have changed significantly since 2013. Based on currently available historical data, enplanements and slot utilization have increased and are likely to continue. Additionally, today's snapshot of airport operations includes nine supplemental slots and the associated revenue.

The data available today leads to a different conclusion that revenues from a FIS facility will enhance LGB's financial position.

28. *That memo also stated that "Any other benefit, such as marketability, is negated by the fact that all flight slots are currently assigned." Do you agree with that assessment?*

Slots are regulated by the Noise Ordinance. The ability to fly to international destinations creates more options for incumbent air carriers by providing an opportunity to diversify routes. A diverse route structure is good for both air carriers and LGB. From this perspective, LGB is more marketable to passengers. The more choices a consumer has at a fair and reasonable cost, the better for passengers and air carriers alike.

29. *How will the construction and operation of a FIS be funded? Will the City be at financial risk if the facility is not completed or if JetBlue ceases operations in Long Beach?*

City funding has yet been determined, the Study considered a \$3 million contribution to the project that would come from future LGB PFCs. Should the City receive authorization from the City Council to proceed, the exact amount of City contribution would be negotiated and staff would return to the Council for a vote. As is standard practice for all construction projects

at LGB, payment and performance bonds will be required prior to the start of construction to ensure completion of the facility.

The potential FIS facility will not be for the exclusive use of JetBlue. Any other air carrier or general aviation operator may utilize the facility within the hours of operation established in the Memorandum of Understanding (MOU) between the City and CBP. In the event the FIS facility were not utilized in the future, CBP would redeploy their resources elsewhere and the FIS facility would be repurposed. The initial design of the FIS facility can be accomplished with an eye towards adaptive re-use to mitigate down time associated with repurposing the facility.

30. The Study describes a User Fee Customs Facility as only being staffed during certain hours when there are scheduled arrivals of international flights, is that correct?

Yes. The hours of operation of the FIS facility will be established in the MOU between the City and CBP.

31. Does the City and LGB, as the entity responsible for making the payment for the Customs officials, have any say in what hours the Customs facilities are available? Especially in regards to late night flights?

Yes. The hours of operation of the FIS facility will be established in the MOU between the City and CBP. The basis for the hours of operation within the MOU will come from the proposed flight schedules of airlines requesting to use the facility and within the confines of the Noise Ordinance.

32. How would this facility accommodate the General Aviation flights that need customs clearance? Would they also be parking in the commercial parking positions, and go access the FIS facility from there?

General Aviation flights requiring customs clearance will be required to call ahead to confirm hours of operation and the availability of CBP Officers. It is anticipated that arriving international general aviation flights will park in the commercial parking positions for inspection and clearance prior to repositioning to one of LGB's Fixed Base Operators (FBO). The Study estimated that approximately two flights per week of General Aviation use would utilize the FIS.

If you have any questions or require additional information, please contact me at (562) 570-2605.

JR:RR:AT:dw

cc: Charles Parkin, City Attorney
Laura L. Doud, City Auditor
Doug Haubert, City Prosecutor
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Rebecca Jimenez, Assistant to the City Manager

Federal Inspection Service Feasibility Study Summary of Commission Meetings

On February 23, 2015, JetBlue Airways (JetBlue) requested that the City begin work to seek the creation of a U.S. Customs Facility, or Federal Inspections Services (FIS), at the Long Beach Airport (Airport) to provide international commercial passenger and cargo service.

The Long Beach City Council awarded a contract to Jacobs Engineering Group, Inc. (Jacobs), to provide a comprehensive Feasibility Study (Study) for a FIS facility at the Airport. The components of the Study included market analysis, airport scope and capacity, financial feasibility, economic impact, environmental assessment, and security risk assessment. Additionally, the contract provided for two community meetings that were held prior to the completion of the Study to receive public input and answer questions about the scope of the Study. Jacobs compiled all of the questions from the public comment period, comment cards, and e-mail messages. These questions and a summary of the frequently asked questions were included in the final Study document.

A separate analysis conducted by the City Attorney examined possible effects on the City's Noise Compatibility Ordinance (LBMC 16343) and was released in early October 2016.

On October 4, 2016, City staff released the Study to the Mayor, City Council, the Airport Advisory Commission, and also posted the Study online for interested members of the community. At the request of the City Council, the Study was released a minimum of 15 days prior to any City Council action, to allow time for the community to review the Study, hear presentations from Jacobs, ask questions and provide feedback. The Airport hosted study sessions with the Airport Advisory Commission (AAC) on October 20, 2016, and the Economic Development Commission (EDC) on October 25, 2016. Additionally, the Airport received questions and feedback from the community via U.S. Mail and e-mail.

All relevant documents from the Study and meetings were posted to Airport's website at http://www.lgb.org/information/fis_feasibility_study/default.asp. The documents include the FIS Feasibility Study, City Attorney's Opinion, Federal Aviation Administration (FAA) Opinion, Jacobs' presentations, and transcripts from both the AAC and EDC Commissions' study sessions.

The AAC meeting was attended by 95 members from the community, and the EDC meeting was attended by 45 members from the community. Dave Tomber, Aviation Principal for Jacobs, provided a presentation on the Study, answered Commissioners' questions and heard comment from the Commission and the public.

Following is a summary of the comments made by the two Commissions and a summary of the most frequently asked questions and answers from the Commissioners and the public.

Federal Inspection Service Feasibility Study Summary of Commission Meetings

Attachment C

COMMENTS FROM THE AIRPORT ADVISORY COMMISSION

Commissioners generally expressed that the content of the presentation was good and characterized the issues adequately. Some emphasized that the main question is whether or not a FIS facility would trigger a lawsuit from an airline that is denied entry into the Airport. There was disagreement on this issue, with some Commissioners stating concern that the City's Noise Ordinance could be challenged in court, while other Commissioners believing that the ordinance could withstand a lawsuit and a FIS facility likely will not generate new litigation.

Major themes and comments from the AAC and the public are as follows:

- The format of the study session itself was questioned. Some Commissioners noted that the format did not allow the public to directly ask Jacobs questions;
- The presentation did not address many of the public's concerns about pollution and property values;
- The influence of JetBlue was questioned;
- It was noted that the INPLAN economic model is widely used, but has some deficiencies;
- Most travelers will be from the area, so a FIS facility is not really generating new growth. There will be the same number of flights and seats, just new destinations;
- This was a study session to an advisory committee – the AAC does not have the authority to make a decision; and,
- General Aviation is subject to the Noise Ordinance and must obey the same rules.

Federal Inspection Service Feasibility Study Summary of Commission Meetings

Attachment C

COMMENTS FROM THE ECONOMIC DEVELOPMENT COMMISSION

The EDC was generally pleased with the Study and the presentation of findings. The Commissioners expressed that they thought the Study was very thorough.

The EDC Commissioners had many detailed questions that were answered by Jacobs and City staff. Of particular interest to the commission was the Study's economic impact to Long Beach and the region; they emphasized the importance of the impact on Long Beach and noted that a FIS facility would be an economic benefit.

Major themes and comments from the EDC and the public are as follows:

- Economic impact will be created from the construction of a facility and from ongoing operations;
- Interested in data analyzing the economic impact of the new concourse completed in 2012. Staff reported that a study to analyze the impact has not been conducted;
- Expressed sympathy for those that live in the flight path and endure aircraft noise;
- Discussed noise limits and the fact that quieter aircraft allows more flights;
- Details of the Noise Ordinance were discussed by the Commissioners, stating that they are very familiar with it over the last 20 years and emphasized the importance of the ordinance;
- Slot utilization is currently below 100 percent and a FIS facility would not increase the number of flights;
- Potential for other airlines using the FIS was discussed;
- Commissioners expressed their preference to use Long Beach Airport over other local airports because of convenience;
- JetBlue was praised for being a good employer and community partner;
- There are a lot of opportunities for whomever uses a FIS facility;
- As an "international city," the City should encourage international visitors and business; and,
- Recommended "Made in Long Beach" products be offered on JetBlue flights.

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SUMMARY OF FREQUENTLY ASKED QUESTIONS

Each Commission meeting included a public comment period. Many comments and questions had to do with the City's Noise Ordinance, economic impact to Long Beach, environmental concerns, and potential frequency of international flights. Questions from the public in both study sessions were similar, and many of the same questions were asked. The Airport also received questions via U.S. Mail and e-mail. Below is a summary of the frequently asked questions and answers.

1) Will a FIS facility increase the risk of a legal challenge to the Noise Ordinance by increasing the number of potential carriers desiring to fly out of Long Beach?

City Council requested the City Attorney's Office to provide a legal opinion regarding "potential threats" to the Airport Noise Compatibility Ordinance if a FIS facility were to be built. Below is a summary of the conclusions from the City Attorney's Opinion:

- Considers the threat of litigation and the potential invalidation of the Noise Ordinance to be no greater than currently exists if a FIS facility was not located at the Airport;
- There is no action that the City can reasonably take to prevent an air carrier or other interested party from filing a complaint in court or with the FAA at any time in an attempt to invalidate the Noise Ordinance;
- The City has an acknowledgement from the FAA that its exemption from the Airport Noise and Capacity Act (ANCA) continues to exist, and the City likewise would be able to rely on a Federal Court-recognized settlement agreement;
- There are no facts to support the scenario of air carriers litigating to gain entrance, and it is just as likely that other economic factors could spawn litigation;
- The Noise Compatibility Ordinance has not been amended since its adoption by the City Council in 1995, nor has the Ordinance been challenged in court since its adoption;
- The City recognizes that the Noise Ordinance is essential to strike an appropriate, responsible, and desirable balance between the community's need for reasonable air transportation services;
- The Ordinance does not make any distinction between foreign or domestic flights, and does not specifically or implicitly limit flights that might depart to, or originate from, a country outside of the United States;
- A FIS facility would not increase aircraft operations, modify the current allocation procedures, nor increase the number of flights beyond the parameters defined in the Ordinance; and,

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- Any limitations placed on the origin or destination of flights at the Airport could arguably be determined by the FAA to be an amendment to the regulatory environment at the Airport that “reduces or limits aircraft operations” and, therefore, any such action or amendment would arguably not be exempt from ANCA and could jeopardize the grandfather status of the existing regulations. In addition, the City is required to “make its airport available as an airport for public use on reasonable terms, and without unjust discrimination, to all types, kinds, and classes of aeronautical uses.” Grant Assurance 22(a); 49 U.S.C. 47107.
- 2) *What is the Airport Noise Compatibility Ordinance? What time does the Airport have to shut down at night?*

Long Beach Municipal Code (LBMC) Chapter 16.43, commonly referenced as the LGB Airport Noise Compatibility Ordinance (Ordinance), reflects consensus, derived through an extensive litigation history, between the City of Long Beach, FAA, and various aviation and community stakeholders, on the nature and extent of aircraft operations and noise occurring at LGB. The Airport Noise Ordinance is grandfathered under Airport Noise and Capacity Act of 1990 (ANCA) and, for 20 years, the Ordinance has balanced the development of facilities and the growth of operational capacity with the legitimate environmental, social, economic and legal concerns of the surrounding communities. The Ordinance specifies maximum noise exposure limits, in terms of Single Event and Cumulative noise exposure, in the surrounding communities.

The Airport is open 24 hours per day. Per the Ordinance, all flights occurring between the hours of 10:00 p.m. and 7:00 a.m. must be much quieter than flights occurring during the daytime hours, within the Single Event Noise Exposure Level limits (SENEL). There is a violation process outlined in the Ordinance to enforce these limits.

In addition, commercial airlines (air carrier, charter and commuter operators) must schedule their operations to occur between the hours of 7:00 a.m. and 10:00 p.m. Commercial operations that occur outside of these hours are typically due to unanticipated flight delays such as adverse weather conditions, aircraft maintenance issues or delays imposed by air traffic control. Commercial flights operating between the hours of 10:00 p.m. and 11:00 p.m. may be excused per the unanticipated delay provisions of the Ordinance.

Commercial flights occurring between the hours of 11:00 p.m. and 7:00 a.m. are in violation of the Ordinance and are not excused from the violation, regardless of cause of the delay. Per the Ordinance, these operations are subject to significant fines and/or criminal prosecution.

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3) *What does the City do to enforce and protect the Noise Ordinance?*

The City protects the Ordinance through careful and determined stewardship of the Ordinance and its requirements. Risks to the Ordinance exist with, or without, a FIS facility. To mitigate these risks, the Airport maintains a state-of-the-art Airport Noise and Operations Monitoring System (ANOMS). The Airport uses Type I microphones, which are the best microphones available outside of a laboratory. The system uses strict correlation protocols to ensure accurate calibration and reporting, and staff ensures the validity of each violation. The system operates 24 hours per day to ensure compliance. The Airport is in frequent communication with the City Attorney and the City Prosecutor to ensure the legal requirements of the Ordinance are properly followed.

4) *If there is an international flight with a delay due to weather, will that flight come in?*

Inspection and clearance of late arriving international flights are under the jurisdiction of U.S. Customs and Border Protection (CBP). International flights arriving outside of the agreed hours of operation for the FIS facility may have to divert to another airport with an operating FIS facility.

5) *What will happen when general aviation flights can go international? What will that increase look like? Are they monitored by the noise ordinance?*

Based on feedback from interviews with the general aviation (GA) community, the study forecast an estimate of two flights per day that may potentially use the services of CBP for international clearance. GA flights are permitted under a noise budget established by LBMC 16.43.060, which defines General Aviation operations in compliance with the ordinance. Interviews with Fixed Base Operators at the Airport revealed a number of GA flights arriving at the Airport that originated outside the U.S. and had cleared customs at another airport before arriving at their intended destination, Long Beach.

6) *As aircraft become more noise efficient, does that mean more flights can come into the Airport?*

Possibly. As aircraft, as a group, become quieter, more flights may be accommodated under the annual noise budget established by the Noise Ordinance. The Airport looks at data each year in determining whether to make a recommendation to adjust the number of slots allowed under the Noise Ordinance. The Noise Ordinance does not consider the destination of flights (domestic vs. international) as it relates to allowable noise limits.

7) *Are we below the allocated flights, including the supplemental flights that we could have currently?*

Slot allocation is currently 50 commercial air carrier slots, including 9 supplemental slots that were awarded in spring 2016. Utilization of these slots fluctuates throughout the year and depends on a number of factors such as seasonality, airline schedules, demand, and the airlines market strategy. Utilization is typically below 100 percent over

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the long-run. The current allocation and utilization is in compliance with the Noise Ordinance.

- 8) *Why was the scope of Jacob's study limited to market analysis, airport scope and capacity, financial feasibility, economic impact, environmental assessment, and security risk assessment? Why did Jacobs not study some of the issues that the community brought up in the meetings?*

The scope of the Feasibility Study was developed by City staff and approved by the City Council on January 5, 2016. City Council included additional items such as the two initial community meetings. The scope is sufficient to adequately evaluate the feasibility of a FIS facility at the Airport.

- 9) *What are the economic impact numbers based on?*

The economic impact numbers are based on the output of IMPLAN, an economic impact modeling software that generates input-output models using data collected for a defined region. The model incorporates inputs like jobs, operational expenses, purchases (local and non-local), and calculates direct, indirect and induced economic outputs based on inter-industry and labor income spending multipliers.

- 10) *It was about two or three years ago that Long Beach State Economics Department did a financial economic study. The economic study said there was little to no financial impact for the FIS facility. Where is that study today?*

There was a Financial Study done by Frasca and Associates that determined a FIS facility would not have an appreciable impact on the Airport's finances. This study was a cursory document and did not include a Market Analysis or look at the economic impact of a FIS facility. However, the previous study was evaluated as part of this Feasibility Study.

- 11) *Why was LAX not included in the financial feasibility?*

LAX is a much larger scale FIS facility. It is not a comparable benchmark. LAX is a large international gateway operating under Port of Entry designation, and their cost and scale of operations is much larger than the Long Beach Airport.

- 12) *Have you looked at other airports, other communities where a FIS facility was built?*

Other airports were evaluated; however, the City's Noise Ordinance and associated flight restrictions for the Long Beach Airport are unique and precluded a direct comparison.

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- 13) *Why do we need international flights in Long Beach when there is service at other airports? Are not other Airports losing money on FIS services?*

A FIS facility in Long Beach would provide opportunity for a share of international markets, within the constraints of the Noise Ordinance. Given the cyclical nature of the aviation industry, over the long term, diversity of a broader product mix would provide the benefit of greater stability for the City, airport, tenants, vendors, and business partners. Other regional international operations are currently performing well.

- 14) *Do we know how many people for which Long Beach is their final destination? How many are here for business versus leisure?*

The statistics used in the Economic Impact Analysis estimated that 30 percent of the passengers arriving or departing would remain in Long Beach. Of that 30 percent, there is an additional split of 70 percent leisure and 30 percent business passengers.

- 15) *What happens if the demand is not there? What happens if the fees are inadequate? How is the \$3 million that is proposed in Jacobs' analysis to be repaid to the Airport? Does JetBlue agree with the projected ramp-up period of international flights, in the first year six right off the bat and then later years?*

These are all questions the City will have to negotiate in the financial deal should the City Council decide to move forward with the FIS facility.

- 16) *What happens to the FIS facility if JetBlue decides to leave the Airport?*

If JetBlue were to leave, other airlines would be able to use the FIS facility. The facility would not be for the exclusive use of JetBlue. Prior to construction of a facility, the City would enter into an agreement with interested Long Beach carriers or operators to ensure the construction and operation of the facility would be financed.

- 17) *Given the volatility of the industry or changes within JetBlue's model, what do we do with the \$20 million facility that's built if they decide we're not going to do international?*

First, we must recognize that the cost to construct a FIS facility, thus far, is only an estimate based on a high level conceptual model. That said, and whatever the final cost might be, the City will ensure it mitigates financial exposure to the greatest extent possible through the agreement negotiation process. During construction there is a risk of non-completion of the FIS facility. The City will require performance bonds that will financially guarantee the FIS facility would be completed. During operation of the FIS, the City will mitigate the risk by including operational performance for a minimum time period that could be secured through cash, bonds, letter of credit, or some similar guarantee. Furthermore, a FIS facility would be designed to accommodate adaptive reuse if it were to cease functioning as a FIS facility. Details of adaptive reuse would depend on the final design and location.

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- 18) *Was JetBlue the only one of the four current carriers that expressed any interest in flying international flights?*

As part of this study, interviews were conducted with each of the four airlines. At the time of the interviews, JetBlue was the only carrier who, thus far, expressed an interest in international service.

- 19) *How can you be sure there will only be 6 to 8 international flights a day, what would prevent JetBlue from flying more international?*

Airline route decisions cannot be forecasted with 100 percent certainty; however, 6 to 8 daily international flights, or 17 to 22 percent, of JetBlue's 35 allocated slots would provide for a comprehensive network of service to/from Long Beach. This amount of activity was also mentioned by JetBlue during the interviews with all of the airlines. It should be noted that the historical passenger split throughout the United States is 80 percent Domestic and 20 percent International.

- 20) *How do international flights benefit domestic flights?*

Airlines make business decisions about which routes they fly based on what is most profitable. International flights provide airlines the opportunity of leveraging their entire network. A complementary mix of international and domestic flights allows airlines to benefit from a potential increase in connecting passengers and overall efficiencies to support a profitable operation.

- 21) *Did the study review the impact a FIS facility would have on air pollution, property values, traffic, schools, and health concerns?*

Environmental effects from aircraft operations were evaluated in the Long Beach Airport Terminal Area Improvement Project Environmental Impact Report (EIR) No. 37-03 (SCH No. 200309112). A FIS facility does not increase the number of flights or alter the types of aircraft operating at the Airport. International operations will be conducted using identical aircraft or aircraft very similar to aircraft already operating at the Airport. A comprehensive analysis of these operations was evaluated in the EIR. Therefore, a FIS facility does not have environmental impacts beyond what was already studied, nor does it alter the conclusions regarding flight activities contained in this document.

- 22) *What will prevent airlines from flying larger/noisier aircraft to transcontinental destinations?*

Type of aircraft and destinations are individual business decisions made by each airline. However, the industry trend is towards more fuel-efficient and quieter aircraft. The type of aircraft and destinations are outside the control of the City. What is in the control of the City is enforcement of the Noise Ordinance and limitations on overall aircraft noise by category, regardless of origin or destination. Also, the physical limitations of a FIS

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facility at the Airport would not be conducive to the use of larger aircraft because of aircraft size and operations.

23) What effect does having a FIS facility do to traffic in the area?

The forecast daily activity of 50 commercial and 3 commuter flights does not exceed the Optimized Flight Scenario (52 commercial and 25 commuter flights) studied under FEIR 37-03. Therefore, traffic impacts are not anticipated to exceed those identified in FEIR 37-03.

24) Will international flights increase crime such as drug smuggling, illegal immigration and sex trafficking? What about GA and small aircraft arriving internationally, will they be cleared by customs FIS?

CBP onsite presence provides additional deterrence against illegal activity. Charter and small aircraft will be subject to CBP inspection and clearance.

25) Has the Airport considered noise abatement strategies for the community?

All properties within the 65 dB CNEL noise contour were included in the Airport's previous Quieter Home Program. Should the noise contour change to include additional properties, the Airport will apply for appropriate Federal grant funding to perform additional soundproofing.

26) When the City Council gets the Study, are they going to be voting to move forward with this, or are they going to continue to have additional hearings and studies prior to making a vote on this?

The City Council will decide whether to vote on moving ahead with next steps in applying for, and securing CBP support for, a FIS facility. They will also decide whether to vote to authorize the City to negotiate a financial agreement with airline(s) interested in securing international arrivals clearance services. If the City Council votes to approve these recommendations, staff will be required to return to the City Council for approval of other important aspects, such as placement and construction of the facility.