

COUNCIL AGENDA: 6/21/05

ITEM: 2.5

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** William F. Sherry, A.A.E.

**SUBJECT:** AIRPORT FINANCIAL  
FEASIBILITY CONSULTANT

**DATE:** June 6, 2005

Approved

Date

6/10/05

## RECOMMENDATION

Adoption of a resolution authorizing the City Manager to:

- (a) negotiate and execute an Agreement with Ricondo & Associates, Inc. to serve as airport financial feasibility consultant for the Airport for the period of July 1, 2005 to June 30, 2008 in an amount not to exceed \$300,000.
- (b) exercise up to two one-year options to extend the Agreement at the City's sole discretion and at no additional compensation.

## BACKGROUND

On October 31, 2000, the City Council adopted a Resolution #69978 authorizing the City Manager to negotiate and execute an Agreement with Landrum & Brown to serve as Airport financial feasibility consultant for the Airport Master Plan from October 16, 2000 to June 30, 2002 in an amount not to exceed \$500,000. The contract included three one-year options to extend the term of the Agreement at no additional compensation. The City exercised its third and final extension of the contract in June 2004 and the Agreement expires June 30, 2005.

To ensure that the City has the on-going resource of an airport feasibility consultant to assist it in undertaking various types of financial analyses related to the City's Airport Master Plan Program, the Airport issued a Request for Qualifications ("RFQ") in May 2005.

## ANALYSIS

The Airport initiated a competitive process to secure a qualified airport financial feasibility consultant in April 2005 by presenting a draft RFQ to the City Manager's Office for review and input. On May 2, 2005, the Airport issued an RFQ inviting experienced airport feasibility

consultants to submit responses to the RFQ for the purpose of contracting for financial feasibility consulting services. Specific areas that the Airport identified as expertise it was seeking included financial modeling for a new or modified rate setting methodologies, and analysis related to general airport revenue, PFC-backed and consolidated rental car facility financing including the completion of financial feasibility reports.

Five written responses to the RFQ were received by the submission deadline of May 18, 2005, and all five firms interviewed with the selection panel on June 1, 2005. The RFQ selection panel included Airport management staff, staff from the City Manager's Office, a representative from the airlines serving the Airport, and an airport finance manager from another Bay Area airport. All members of the selection panel rated both the written submissions and the interviews of each firm based on the City's criteria in order to evaluate the demonstrated, specialized experience and technical competence of each firm.

The RFQ included information and forms for the Small and Local Business Preferences as required by Chapter 4.06 of the San José Municipal Code, and the appropriate point values were included in the rating criteria. In this case there were no firms that qualified to receive either the local or small business preferences and, as a result, application of the local and small business preferences did not affect the outcome of the selection process.

Based on the completion of the above outlined process, the selection panel unanimously ranked Ricondo & Associates, Inc. ("Ricondo") as the best and most qualified firm to serve in the capacity of airport financial feasibility consultant for the Airport Master Plan projects. Based on the panel's review, Ricondo's oral and written presentation of their experience and pool of resources provided the best match against the City's objectives and evaluation criteria.

It is anticipated that Ricondo's scope of services will include tasks such as completion of financial modeling to evaluate options for a new or modified rate setting methodology, including financial modeling support during the negotiations with the airlines, the completion of financial feasibility reports related to future bond issues, and other additional services related to strategic financial planning work associated with the Airport.

The term of the Agreement is proposed to be from July 1, 2005 to June 30, 2008 in an amount not to exceed \$300,000 with up to two one-year options to extend the Agreement at the City's sole discretion. This first contract will be Phase I of a multi-phased work assignment. It is recommended that the City Manager be authorized to exercise each of the two one-year options to extend, so long as no additional compensation is being added. Staff will return to the City Council to amend the agreement in the event that additional compensation is being requested.

## **OUTCOME**

The outcome of this competitive selection process was to identify and select the most qualified firm to provide the City specialized services to complete financial analyses and modeling related

to the Airport Master Plan, feasibility reports related to potential Airport revenue, PFC and rental car financings, and to provide expertise and analyses in the area of new or modified rate setting methodologies.

### **PUBLIC OUTREACH**

A notice of the RFQ was published in the *Airport Report*, an airport industry periodical published by the American Association of Airport Executives, as well as a posting to the organization's website and release on their daily news brief to members. Additionally, a notice of the RFQ was posted to the Airport Council International (ACI) website. A notice of the RFQ was also posted on the Airport's website.

### **COORDINATION**

This report has been coordinated with the City Manager's Office and the City Attorney's Office.

### **COST IMPLICATIONS**

The feasibility consultant fees will be paid out of the Airport's Maintenance & Operations Fund. It is anticipated, however, that the Airport's Maintenance & Operations Fund could get reimbursed from bond proceeds for the portion of the feasibility consultant fees associated with the preparation of financial feasibility reports completed for and included in a bond issue's Official Statement.

### **BUDGET REFERENCE**

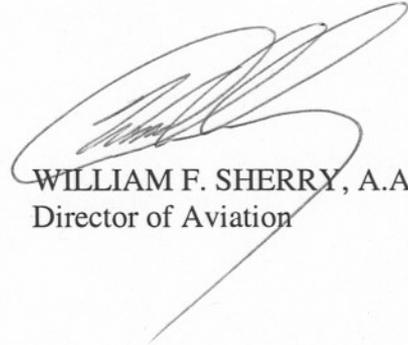
Fund #	Appn #	Appn. Name	RC #	Total Appn	Amt. for Contract	2005-2006 Proposed Operating Budget Page	Last Budget Action (Date, Ord. No.)
523	0802	NP/Equip-Airport	105110	\$300,000	\$	Page XI-3	

\*The 2005-2006 Operating Budget is scheduled for approval by the City Council on June 21, 2005

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**CEQA**

Resolutions No. 67380 and 71451, PP 05-128

A handwritten signature in black ink, appearing to read 'William F. Sherry', is written over the typed name and title. The signature is fluid and cursive, with a large loop at the end.

WILLIAM F. SHERRY, A.A.E.  
Director of Aviation