



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: SEE BELOW

DATE: August 9, 2006

Approved

Date

8/15/06

SUBJECT: AMENDMENT TO LEASE AND MAINTENANCE OF AIRPORT SHUTTLE BUS AGREEMENT

RECOMMENDATION

Adoption of a resolution authorizing the Director of Finance to execute the third amendment to the Agreement for the Lease and Maintenance of Airport Shuttle buses with Penske Truck Leasing Co., L.P. to extend the term of the lease for an additional one (1) year period, from April 1, 2007 to March 31, 2008, increasing total compensation by \$1,400,000 from \$15,097,145 to a not to exceed amount of \$16,497,145 subject to an earlier termination at the City's option and including the right to return six (6) rental car shuttle buses for sale by Penske.

OUTCOME

To comply with the Airport Master Plan mitigation measures associated with air quality, the Airport has been converting the entire rental car busing operation to alternative fuel buses. This action is the final transition to accomplish this measure.

BACKGROUND

On October 5, 1999, the City Council approved an Agreement for a seven-year term for the lease and maintenance of a new fleet of twenty (20) shuttle buses with Penske Truck Leasing Company (Penske). These buses have provided inter-terminal and parking lot service.

On March 28, 2000, Council approved the First Amendment to add seventeen (17) used buses to provide shuttle services for the rental car customers at the Airport. The additional seventeen (17) used buses were leased for a two-year period from April 1, 2000 to March 31, 2002, with an additional one-year option.

On February 19, 2002, Council approved the Second Amendment to exercise the final option to renew the lease agreement of the seventeen diesel buses for the period April 1, 2002 through March 31, 2003 at a reduced rate for the final four months of the option period. This Amendment left twenty (20) buses remaining on the Agreement through March 31, 2007.

ANALYSIS

The Airport received a grant in April 2006 from the Bay Area Air Quality Management District (BAAQMD), Project number 05R33, to administer the Transportation Fund for Clean Air (TFCA) funds. The grant requires retrofitting all 20 diesel buses prior to their deletion from the fleet. The grant will also offset the cost of transitioning the rental car bus fleet to alternative fuel.

The Third Amendment to the contract extends the term of the Agreement for fourteen (14) of the twenty (20) diesel buses for the Airport Shuttle Bus Operation for an additional one (1) year period, from April 1, 2007 to March 31, 2008, with an option to end the lease agreement at any time within this one (1) year extension. The remaining six (6) diesel buses will be returned to Penske for a savings in lease and maintenance costs. Penske has agreed to look for buyers of these buses and as buyers are found, buses will be removed from the Lease Agreement with a corresponding reduction in lease payments. In order to complete the return of these buses, removal of existing exterior paint and artwork must take place. The Airport will pay the Contractor for this expense at a total cost not to exceed \$7,000 per bus (\$42,000 total).

Costs will remain fixed throughout the term of the lease extension, however a CPI increase will be added to the maintenance portions of the lease agreement. CPI adjustments are in accordance with section C6 of the agreement, which may request for an adjustment on the anniversary of the performance period. The adjustment shall be computed based on the Consumer Price Index for Urban Wage Earners and Clerical Workers for the San Francisco-Oakland-San Jose area.

The amount of the lease agreement for the extended year will increase the agreement with Penske by an amount not to exceed \$1,400,000. Approval of this extension will allow for the time necessary to complete a Request for Proposal (RFP) to retain a Contractor to provide fourteen (14) new Compressed Natural Gas (CNG) powered buses. An estimated delivery date for the new buses is December 2007.

The current diesel bus fleet of twenty (20) buses will be retrofitted to comply with higher emissions and smog standards. The retrofit costs are \$194,000 for the twenty diesel buses. The major portion of the costs (\$160,000 total) is funded from the Bay Area Quality Management District (BAAQMD) grant. The balance of \$34,000 will be funded through the approved time and materials funding within the current Agreement. Once all six buses are returned to Penske, staff expects the cost savings to be \$31,704 per month.

POLICY ALTERNATIVES

Not Applicable.

PUBLIC OUTREACH/INTEREST

Airport stakeholders, including Penske Truck Leasing, Shuttleport LLC (bus operator), and the rental car companies, have been coordinated with regard to this amendment and the resulting financial and operating impacts.

PUBLIC OUTREACH/INTEREST

- ✓ **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item meets Criteria 1: Requires Council action on the use of public funds equal to \$1 million or greater. Airport stakeholders, including Penske Truck Leasing, Shuttleport LLC (bus operator), and the rental car companies, have been coordinated with regard to this amendment and the resulting financial and operating impacts.

COORDINATION

This item has been coordinated with the Airport, the City Attorney's Office, and the City Manager's Budget Office.

COST SUMMARY/IMPLICATIONS

Taking into account the grant funding, previously accepted by City Council, the estimated cost for painting the six buses returned to Penske (\$42,000) and retrofitting the diesel bus fleet (\$32,000) will be funded through the time and materials funding within the current Agreement. Once all six buses are returned the monthly savings will be \$31,704 per month.

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Costs associated with the extension of the lease agreement are programmed in the Customer Facilities and Transportation Fee fund.

TOTAL AGREEMENT/CONTRACT AMOUNT: \$1,400,000.

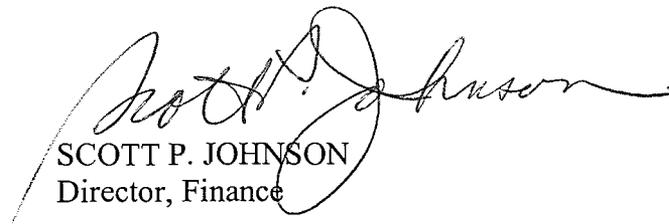
BUDGET REFERENCE

Fund #	Appn.#	Appn. Name	RC#	Total Appn.	Amount of Contract	2006-07 Proposed Budget Page*	Last Budget Action (Date, Ord. No.)
519	0802	NP/Equip-Airport	417120	\$4,686,073	Not to exceed \$1.4M	Page XI-1	2006-2007 Adopted Operating Budget 06/27/06

* The 2006-2007 Adopted Operating Budget was approved by Council on June 27, 2006

CEQA

Not a project.


SCOTT P. JOHNSON
Director, Finance

For questions, please contact Walter C. Rossmann, Chief Purchasing Officer, at 535-7051.