



Memorandum

TO: Honorable Mayor and
City Council

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

SUBJECT: SEE BELOW

Date: June 3, 2008

Approved

Date

6/10/08

COUNCIL DISTRICT: Citywide

**SUBJECT: APPROVAL OF AMENDMENTS TO VERIFIED IDENTITY PASS
SMALL CONCESSION AGREEMENT AND LEASE OF AIRPORT PREMISES**

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to negotiate and execute:

- a. a First Amendment to the Small Concession Agreement with Verified Identity Pass, Inc. to extend the term from December 1, 2008 through November 30, 2010, with projected annual revenue to the City of approximately \$153,000;
- b. a First Amendment to the Lease of Airport Premises with Verified Identity Pass, Inc. to extend the term from December 1, 2008 through November 30, 2010, with annual lease revenue to the City of \$73,944.96;
- c. a Second Amendment to the Small Concession Agreement with Verified Identity Pass, Inc. to extend the term from December 1, 2010 to November 30, 2012, on the same terms and conditions; and
- d. a Second Amendment to the Lease of Airport Premises with Verified Identity Pass, Inc. to extend the term from December 1, 2010 to November 30, 2012, on the same terms and conditions.

OUTCOME

Should Council approve the amendments, Verified Identity Pass, Inc. (VIP) will continue operations at the Airport through November 30, 2010 with the City's option to extend the Small Concession Agreement and Lease of Airport Premises through November 30, 2012.

BACKGROUND

On November 30, 2005, the Director of Aviation entered into a Small Concession Agreement with VIP to provide a Private Sector Registered Traveler Program (Registered Traveler). At that time, VIP was the only company offering this service and the Airport did not engage in a competitive selection process. The Transportation Security Administration (TSA) approved the Registered Traveler program for use at the Airport in 2006 and VIP began operations in January 2007.

On November 1, 2006, the Director of Aviation entered into a Lease of Airport Premises to provide VIP with office space in support of its operations at the Norman Y. Mineta San Jose International Airport (Airport). The Small Concession Agreement and Lease will expire on November 30, 2008.

The Small Concession Agreement provides three options to extend the agreement for two years, provided that any extension must be pursuant to an amendment to the agreement, approved by City Council and VIP.

ANALYSIS

The TSA and private industry developed Registered Traveler to provide expedited security screening for airline passengers who volunteer to undergo a security threat assessment (STA). The STA is performed by the TSA to confirm that passengers are not suspected of posing a threat to aviation or national security.

An airport must be a Sponsoring Entity of Registered Traveler before the TSA grants approval of the program. As a Sponsoring Entity, the Airport works closely with the TSA to manage Registered Traveler and coordinates with the TSA to amend the Airport's Security Plan to incorporate updates to the Registered Traveler program.

The TSA acts as the facilitator for Registered Traveler. The TSA is responsible for setting program standards, conducting the STA, physical screening at the checkpoints and oversight. VIP is responsible for enrollment of new customers and verification of existing customers prior to passing through security checkpoints. VIP has branded its service as "Clear" to the traveling public.

To enroll, applicants voluntarily provide VIP with biographic and biometric data. The TSA checks each applicant's identity against databases related to terrorism, law enforcement and immigration. Registered Traveler applicants who receive an approved STA result become program participants. Registered Traveler participant benefits include reduced security checkpoint wait times, dedicated queues and integrated security checkpoint lanes.

The Small Concession Agreement provides that the City receives a concession fee of 11.5% of total gross revenue generated at the Airport plus 0.5% of revenues generated by VIP at all other airports where it operates Registered Traveler, currently 19 Airports including Oakland and San Francisco. The Small Concession Agreement is non-exclusive and should another company enter into an agreement to provide Registered Traveler, the concession fee to the City would be reduced by 50%. The City received a concession fee of \$89,617 in calendar year 2007 and is projected to receive a concession fee of approximately \$153,000 in calendar year 2008.

The City generates additional revenue through the Lease of Airport Premises which includes office space and terminal space used for enrolling new customers. VIP is currently paying \$73,944.96 per year, which is subject to Rate Resolution No. 73885.

The Airport is recommending extension of the Small Concessions Agreement without conducting a competitive process. There are currently only two companies that offer complete Registered Traveler programs. One is VIP and the other is rtGo. VIP is a nationwide provider of Registered Traveler while rtGo is only operating a complete Registered Traveler program at Reno-Tahoe International Airport. The benefits of VIP continuing as a Registered Traveler at the Airport are a revenue stream from VIP customers from 18 other airports, a company with consumer brand recognition and successful working partnerships that VIP has developed both with the Airport and the TSA. In addition, the Small Concessions Agreement is non-exclusive which allows opportunities for other companies in the future that provide Registered Traveler services.

EVALUATION AND FOLLOW UP

The Director of Aviation shall be responsible for coordination of these Agreements and shall render overall supervision of the progress and performance of these Agreements.

PUBLIC OUTREACH/INTEREST

- Criterion 1: Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website posting)**
- Criterion 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)**
- Criterion 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)**

HONORABLE MAYOR AND CITY COUNCIL

Subject: Amendments to Verified Identity Pass Concession Agreement and Lease Agreement

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This item does not meet the above criteria requiring additional notification; however, it will be posted on the City's Council Agenda Website for the June 24, 2008 Council Meeting.

COORDINATION

This memorandum has been coordinated with The City Attorney's Office and the City Manager's Budget Office.

COST SUMMARY/IMPLICATIONS

The City is projected to receive approximately \$153,000 in concession fees and \$73,944.96 in lease revenue per year.

CEQA

Resolutions No. 67380 and 71451, PP 08-102.



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

For more information or answers to questions, please contact William Sherry, Director of Aviation, at (408) 501-7669