



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: SEE BELOW

DATE: November 10, 2008

Approved

Date

11/10/08

SUBJECT: SECOND AMENDMENT TO THE AGREEMENT FOR INTEGRATED SYSTEMS BETWEEN THE CITY OF SAN JOSE AND AIR-TRANSPORT IT SERVICES, INC.

RECOMMENDATION

Adoption of a resolution:

1. Authorizing the Director of Finance to execute the second amendment to the Integrated Systems Agreement with Air-Transport IT Services, Inc., to expand the system into Terminals A and B; extend the term of the agreement by an additional two years from December 31, 2008 to December 31, 2010; and increase the total compensation by \$2,431,846 from \$6,492,877 to \$8,492,723 to include all hardware, installation, and all applicable sales tax.
2. Increasing the contingency amount by \$468,154 from \$850,000 to \$1,318,154 and authorizing the Director of Finance to execute change orders as required to cover unanticipated changes in the system design and/or installation.
3. Amending Council Resolution No. 73082 to amend the Director of Finance's authority to execute the remaining three (3) option years for ongoing maintenance and support without further Council action other than the appropriation of funds, with total compensation not to exceed the following amounts for the periods listed below:

Year 3 (01/09 - 12/09)	\$1,252,139
Year 4 (01/10 - 12/10)	\$1,352,266
Year 5 (01/11 - 12/11)	\$1,506,141

OUTCOME

Approval of this recommendation will allow a seamless extension of the shared use systems into the new and existing terminals under construction at the Norman Y. Mineta San José International Airport.

BACKGROUND

On February 28, 2006, the City Council authorized the Director of Finance to execute an agreement with Air-Transport IT Services, Inc. (AirIT) to purchase integrated systems for the Norman Y. Mineta San José International Airport (SJC) which provides for the purchase, installation, configuration and support of a set of fully integrated, scalable systems designed to carry SJC through its changing business environment over the next several years. The integrated and base IT functions defined within the scope include:

- Data and telecommunications transport functions – To allow the transfer of data, voice and video.
- Visual information displays – To provide the public and tenant operations with displays showing times and locations of flights and baggage for all airlines.
- Dynamic signage – To broadcast information at various display points identifying flight, gate, time, and status information.
- Planning and resource allocation tools – To assist Airport operations in managing day-to-day business needs.
- Shared use equipment – To support common use at gates and ticket counters and to provide for self-service kiosks improving customer experience and reduce terminal congestion.
- Local Departure Control System – To provide a software package for airlines that do not have a reservation system of their own.

At the time of execution (February 28, 2006) of the Integrated Systems Agreement (Agreement), the North Concourse was the only component of the Terminal Area Improvement Project (TAIP) sufficiently defined to identify systems requirements. As the design for the TAIP progressed, the City identified portions of the existing Terminal C that would remain in use, necessitating the retrofit of those remaining areas for and deploy the new system. City staff determined that the most cost effective course would be to perform this retrofit concurrent with the installation of the new systems in the North Concourse. This impacted the amount of equipment to be purchased and installed under the agreement as well as the maintenance and support requirements to support the additional equipment. Whereas the original Agreement required AirIT to provide support primarily for the installation, start up, testing and networking of the IT systems prior to occupancy of the new North Concourse building, the expansion into Terminal C meant that the systems were put into immediate use, on a real time basis, supporting current airport and airlines operational needs. As a result, Amendment 1 to the agreement initiated maintenance and support effective January 1, 2008 (referred to as Year 2 of Support and Maintenance in the Agreement) because the system was put into operation earlier than anticipated.

To accommodate these operational changes, staff has effectively utilized the City's change order process and allocated \$778,812 of the authorized contingency of \$850,000 in the original Agreement to acquire and install equipment and deploy the system within this expanded area and to pay for the increased support and maintenance services.

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Subject: Second Amendment to Air-Transport IT Agreement

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The integrated suite of systems provided by AirIT consists of centrally located equipment and systems, plus peripherals located throughout the SJC environment. The servers and software have been successfully installed and configured and the peripherals have been deployed to Terminal C. The AirIT shared use system has performed well during its initial deployment and has enabled the TAIP to realize significant savings in phasing costs over the last several months.

ANALYSIS

The TAIP design-build team and SJC have completed design and begun construction on the remaining elements of the program. The proposed Amendment includes the purchase of peripherals and system components such as shared use hardware for gate and ticket counter locations, shared used self-service kiosks for passenger check-in, flight information display screens, and dynamic signage displays as well as miscellaneous devices and interfaces associated with the new baggage system and related installation costs to expand the system to Terminals A and B. The needed system components and peripherals were identified in the original Agreement and line item pricing was negotiated for future expansion. These prices have been used to arrive at the requested amendment amount of \$2,431,846 for system components and peripherals. Additionally, this action recommends increasing the contingency amount by \$468,154 to cover unanticipated changes in the system design and/or installation.

The deployment of peripherals will be phased to coordinate with the TAIP construction schedule. A notice to proceed (NTP) will be issued to AirIT as each set of equipment is required, avoiding the need to store equipment on-site for the two-year duration of the work. All hardware and installation pricing is fixed, and AirIT will be compensated by the City upon completion and City's acceptance of each NTP. In addition, there will be a 15% payment withhold as each NTP is complete and each withhold will be added to the final payment milestone, which is the City's final acceptance of the entire system scheduled for the final maintenance year of the Agreement.

The original AirIT Agreement included nine shared use gates and twenty shared use self-service kiosks. The fully deployed program in Terminals A and B will include twenty shared use gates, forty shared use ticket counters, and eighty-five shared use self-service kiosks. The expansion of the system will increase support and maintenance costs which were established by determining the additional time required to support the expanded system and extended by the labor rates as established in the original agreement. On-site support for the shared use systems is currently provided by AirIT staff and is renewable each year at the City's option.

Because of the mission critical nature of this system, maintenance and support of the system will require six full time on-site technicians, to allow for the immediate response to any emergency service condition during the Airport standard business hours of 4:00AM to 11:00PM, seven days per week. The service response time has been established to be no longer than twenty minutes from the time the call is made to AirIT. In addition, AirIT provides all non-emergency hardware warranty service during the post warranty period to include all new additions, modifications, repairs, adjustments and general routine preventative maintenance. Software patches and updates

are also included in this maintenance agreement. Maintenance and support pricing for each additional year beyond the current year (years 3 – 5) have been itemized in the Cost Summary/Implications section below. In the event that the City's maintenance requirements change during the term of the agreement, the contract allows prices to be adjusted per an itemized rate schedule.

After successful deployment of the system throughout the entire Airport and final City acceptance, scheduled for the final maintenance year of the Agreement, the Aviation Department will evaluate transferring daily operational responsibilities for the system to City staff.

The equipment and support requirements outlined in the amendment have been coordinated with the airlines, as has the Airport's policy regarding the integrated technology systems. The capital costs for this amendment are covered within the original program budget; the ongoing operation and maintenance costs are compliant with the existing airlines leases.

EVALUATION AND FOLLOW-UP

Staff does not anticipate any follow-up regarding this contract at this time.

POLICY ALTERNATIVES

Alternative #1: Continue with original Agreement without Amendment.

Pros: Save \$\$2,431,846 in costs.

Cons: The Airport will not be able to support Terminals A and B shared use operations.

Reason for Not Recommending: The Amendment for expansion of the base system is critical for operation of the existing and new terminal.

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)**

This item meets Criterion 1. Therefore, this memorandum will be posted on the City's website for the December 2, 2008 Council Agenda.

COORDINATION

This memo has been coordinated with the Aviation and Information Technology Departments, the City Attorney's Office, and the City Manager's Budget Office.

FISCAL/POLICY ALIGNMENT

The San José Municipal Code requires that capital projects at the Airport be consistent with the adopted Airport Master Plan. As the proposed amendment would support the implementation of the TAIP, the project components of which are expressly identified in the Airport Master Plan, it is consistent with the Master Plan pursuant to Municipal Code Section 25.04.210(B)(2).

This project is consistent with several initiatives identified in the Economic Development Strategy adopted by Council in November 2003, and aligns most significantly with Strategic Initiative #1: Build a World-Class Airport and Air Services.

COST SUMMARY/IMPLICATIONS

1.	AMOUNT OF RECOMMENDATION:	\$2,900,000
2.	COST ELEMENTS OF AMENDMENT:	
	Equipment and installation	\$2,431,846
	Contingency (if required)	\$ 468,154
	Amendment total (including contingency)	\$2,900,000
3.	SOURCE OF FUNDING:	
	520 – Airport Capital Improvement Fund	
	523 – Airport Maintenance and Operation Fund	
	526 – Airport Revenue Bond Improvement Fund	
4.	MAINTENANCE AND SUPPORT YEAR 3 – 5 OF THE AMENDED AGREEMENT	
	Year 3 (01/09 - 12/09)	\$1,252,139
	Year 4 (01/10 - 12/10)	\$1,352,266
	Year 5 (01/11 - 12/11)	\$1,506,141

BUDGET REFERENCE

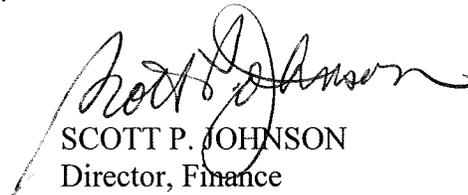
The table below identifies the funds and appropriations proposed to fund the agreement recommended as part of this memo.

Fund #	Appn #	Appn. Name	Total Appn	2008-2009 Adopted Capital Budget	Last Budget Action (Date, Ord. No.)
520	4657	North Concourse Building	\$14,016,000	V-994	06/24/08 28349
523	0802	Non-personal/Equipment	\$43,788,729	XI-3	06/24/08 28349
(526) 548	4657	North Concourse Building	\$12,212,000	V-994	06/24/08 28349
(526) 554	5253	Terminal Area Improvement, Phase I	\$129,733,000	V-998	06/24/08 28349
		Totals	\$199,749,729		

Services performed by AirIT under this Agreement will be authorized by NTP. An appropriation is not required for execution of the Master Agreement, but is required for each NTP authorized under this Master Agreement. The appropriations listed above are included in the 2008-2009 Adopted Budget and will be utilized for the Agreement in 2008-2009. Funding in the out years is allocated in the 5-year Capital Improvement Program while maintenance and support funding increases will be incorporated in the development of the 2009-2010 Maintenance and Operation budget.

CEQA

Resolution Nos. 67380 and 71451, PP 08-224.


 SCOTT P. JOHNSON
 Director, Finance

For questions please contact Walter C. Rossmann, Chief Purchasing Officer, at (408) 535-7051.

