



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: SEE BELOW

DATE: April 28, 2009

Approved

Christine J. Shippy

Date

5/1/09

**SUBJECT: REPORT ON RFP FOR AIRPORT BAGGAGE HANDLING
CONVEYOR SYSTEM SERVICES**

RECOMMENDATION

Report on Request for Proposal (RFP) for the operation, maintenance and repair services of the Airport Baggage Handling Conveyor Systems in Terminals A and B and adoption of a resolution authorizing the Director of Finance to:

1. Execute an agreement with Vanderlande Industries (Marietta, GA), for the operation, maintenance and repair of the Airport Baggage Handling Systems in Terminals A and B including all required spare and replacement parts, for an initial three year term with total compensation not to exceed \$5,168,360 subject to the annual appropriation of funds; and
2. Execute change orders not-to-exceed a contingency amount of \$387,627 to cover any unanticipated changes to the scope of services; and
3. Execute two additional one-year options to extend the agreement after the initial term subject to the annual appropriation of funds.

OUTCOME

Provide efficient and cost effective operation, maintenance and repair services for the Norma Y. Mineta San José International Airport's (Airport) mission critical Baggage Handling Systems in support of Airlines' requirements.

EXECUTIVE SUMMARY

The memorandum reports on the request for proposal process and recommends award of contract for baggage handling system maintenance, repair and operation services at the Airport to Vanderlande Industries, the company which submitted the most advantageous proposal.

BACKGROUND

The Airport is currently responsible for the operation, maintenance and repair of the current Baggage Handling System (BHS) in Terminal A for inbound and outbound baggage. As part of the Airport's Terminal Area Improvement Program (TAIP), Terminal A is undergoing a major upgrade on the outbound BHS including new equipment and controls and a new Terminal B is under construction.

The TAIP Public Works project include the purchase and installation of a new BHS for Terminals A (outbound baggage) and B (inbound and outbound baggage) by the Original Equipment Manufacturer (OEM) JB Webb under the direction of the design-builder Hensel Phelps Construction Company. The new computer controlled system is a state-of-the-art centrally monitored system that supports high volume baggage throughput, while assuring bag-tracking accuracy from bag drop off at check-in to the outbound carousels/piers. In addition, the System includes the following features and functionality:

1. State of the art tracking: every bag will be tracked with a sophisticated control system that identifies missed bag tag reads using bag tracking technology (motor control sequencing; baggage sorting, data collection and fault detection).
2. Automation of the screening process to allow security personnel to check baggage more efficiently by moving through the automated in-line baggage screening equipment to help the Airport meet security guidelines.
3. Supervisory control to ensure bags are delivered accurately, efficiently and on time including features such as bag tag translation from bar code tag to conveyor system destination and a host interface that integrates the baggage system with inputs of flight information from other systems.
4. User Interface for easy configuration of password security; graphical status displays; alarms for system status; and sorting/configuration of multiple flight schedules.

Under the existing Public Works contract, the OEM is required to install and maintain the system for a period of 30 days after final acceptance by the City. After final acceptance, the system will require specialized on-going preventative maintenance and repairs from skilled technicians to keep the system running at peak performance during Airport operating hours.

The 24/7/365 operation of the BHS is critical in support of the Airlines transportation business model. Due to Airport staff's unfamiliarity with this new and highly technical system, the Airport and Airlines determined that the best strategy was to contract with a service provider that specializes in BHS systems. As the primary stakeholders, the Airlines will reimburse the City for this service through "Airline Landing Fees and Terminal Rents". "Airline Landing Fees and Terminal Rents" are calculated annually pursuant to the methodology outlined in the Airline Operating and Lease Agreement. The operation and maintenance costs of the terminal facilities, including the BHS, are incorporated in this methodology.



ANALYSIS

On November 27, 2008, the Finance Department released a Request for Proposal (RFP) on the City's e-procurement system. A total of twenty-five companies viewed the RFP and nine proposals were received by the January 20, 2009 deadline:

- Axima (Dallas, TX)
- Elite Line Services (Carrollton, TX)
- ERMIC (Forth Worth, TX)
- JBT Aero (Ogden, UT)
- Linc Facility (Alexandria, VA)
- Professional Terminal Operations and Services (Los Angeles, CA)
- Siemens (DFW Airport, TX)
- ThyssenKrupp Airport Systems (Forth Worth, TX)
- Vanderlande Industries (Marietta, GA)

Minimum Qualifications (Pass/Fail): The initial evaluation was a pass/fail assessment of each proposal to ensure that all required forms and documentation were complete and minimum qualifications were met. Purchasing staff determined that all proposals were responsive.

Evaluation Team: A four member evaluation team was named with representatives from the Airport Department and Southwest Airlines, a major stakeholder. Proposals were scored by each team member independently and discussed only in a group setting with a Purchasing representative present to facilitate the discussion.

Written Proposals (60%): The evaluation team evaluated and scored the written proposals against the criteria and weights defined in the RFP.

Cost Proposals (25%): Cost proposals were opened at the conclusion of the technical proposal evaluation.

Oral Presentations: The overall scores were tabulated to establish a short list of finalists that would be invited for oral presentations. The top three ranked proposers, Elite, Vanderlande and Axima, scoring in the 90th percentile or above, were invited to participate in the oral presentations.

Oral presentations were conducted on March 11, 2009. Each finalist was asked to address a set of pre-defined technical questions. At the conclusion of the oral presentation, the scores were finalized as appropriate.

Best and Final Offer (BAFO): A BAFO was issued to revise the dates the contractor was expected to perform work on the baggage handling systems, modify the requirements for the transition period from the OEM to the ongoing service provider, and obtain best pricing. All three finalists submitted a BAFO by the March 26, 2009 deadline.



Local and Small Business Preference (10%): In accordance with City policy, ten percent of the total evaluation points were reserved for local and small business preference. None of the proposers requested the preference; therefore, it was not a factor in the award.

Environmental Preference (5%): In alignment with the City's Environmentally Preferable Procurement Policy (EP³), Proposers were required to specifically address how their proposals would support the goals and objectives of the City's EP³ program.

The final scores of the finalists are summarized in the table below:

Evaluation Criteria	Max Points	Vanderlande Industries (Marietta, GA)	Elite Line (Carrollton, TX)	Axima (Dallas, TX)
Technical Capabilities	30	26	24	18
Experience	30	26	22	21
Cost	25	24	21	25
EP ³	5	3	4	3
Local/Small Business Preference	10	0	0	0
TOTAL	100	79	71	67

Objections and Protest Period: The RFP process included a ten-day protest period that commenced on March 27, 2009. The protest period ended on April 6, 2009. No protests were received.

Recommendation Summary: Staff recommends award of contract to Vanderlande Industries (VI) because the evaluation committee deemed VI's proposed solution to be the most advantageous proposal. VI's proposal met or exceeded all of the RFP specifications; provided the most detailed and comprehensive proposal; and demonstrated a superior understanding of the City's requirements. Specifically, VI's technical proposal was found to be superior in the following key areas:

- They demonstrated an excellent transition plan to engage the OEM, as required; ensuring the completion of punch list items.
- They will leverage their worldwide purchasing power for spare parts.
- They will assume full responsibility to ensure that the OEM is responsible for parts and labor that are under OEM warranty.
- The most comprehensive staffing levels to ensure 24 x 7 x 365 operation of the systems.
- A comprehensive training program to ensure well qualified and cross trained personnel.
- Demonstrated experience in the maintenance and operations of BHS at major airports including Munich Airport International, Heathrow Airport and Amsterdam Airport Schiphol.

Summary of Agreement: The agreement will include the 24/7 operation, planned preventative and unplanned maintenance and repair services of the Airport's Baggage Handling Systems in



Terminals A and B based on staggered start dates that correspond with construction completion dates, including the provision of spare parts management as may be required. The agreement includes a detailed scope of services, performance measures, and a compensation schedule with monthly payments in arrears as follows.

Payment	Initial Term			Option Terms	
	Year 1	Year 2	Year 3	Year 4	Year 5
Monthly Payments	\$115,253.70*	\$129,859.75	\$135,582.67	\$140,474.75	\$146,713.50

*Average monthly payment (3 month transition, 9 months full operation for Terminal A, and 3 month full operation Terminal B)

The agreement is subject to the Airport Living Wage Ordinance and the Office of Equality Assurance will ensure compliance. When the RFP was released in late November, the Airport Living Wage Ordinance had been adopted by Council but had not yet become effective. Although the RFP did not include the Ordinance language regarding worker retention, labor peace or administrative enforcement, the negotiated contract language includes these requirements.

In their proposal, VI agreed to pay the prescribed prevailing wage rates identified in the RFP document and submitted the required Employee Work Environment Questionnaire. Because Prevailing Wage rates are higher than the Living Wage Rates, the Ordinance requirement will be met. Regarding other Living Wage requirements, one of the questions asked in the Questionnaire was whether the company had an employee complaint resolution procedure. VI responded "yes" and provided a copy of their Employee Handbook. VI was also requested, per the Ordinance requirements, to provide assurances of labor peace. They have provided that assurance. VI provides established and detailed programs to ensure a productive and supportive work environment for its employees. The programs are set forth in the Employee Handbook and include attractive benefits, discrimination and harassment prevention policies, grievance processes and an open-door policy with management. The contract will include provisions regarding labor peace based on VI's assurances.

The existing inbound component of the baggage handling system in Terminal A is not part of the TAIP upgrade project due to budget constraints. The current Airport Terminal Equipment Mechanics (ATEM) crew will continue to operate and maintain this 19 year old system at current staffing levels.

At the conclusion of the initial three year term of the agreement, Staff will have a better understanding of the requirements and skills to support the BHS and be able to assess the viability and cost effectiveness of hiring and training internal staff to perform the services required under this agreement.

EVALUATION AND FOLLOW-UP

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

POLICY ALTERNATIVES

Alternative #1: Reject all proposals and negotiate and execute a change order with the existing Contractor/OEM Agreement to extend operation, maintenance and repair services after the initial 30 days.

Pros: This approach will ensure the use of factory trained technicians.

Cons: Does not take advantage of the benefits of conducting a competitive process to ensure the best available service and pricing.

Reason for not recommending: Airport staff and Airline representatives determined that the competitive RFP process as described in this memorandum has provided the best value solution.

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 memorandum meets Criterion 1 and will be posted on the Council Agenda for May 19, 2009.

COORDINATION

This memorandum has been coordinated with the Norman Y. Mineta San José International Airport, the Office of Equality Assurance, the City Attorney's Office, and the City Manager's Budget Office.

FISCAL/POLICY ALIGNMENT

This Council item is consistent with Council approved Budget Strategy Memo General Principle #2, "We must focus on protecting our vital core City services."



COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Three-year initial Term	\$5,168,360
Contingency	\$387,627
Initial Three Year Total	\$5,555,987

2. COST ELEMENTS OF AGREEMENT/CONTRACT:

<u>Description</u>	<u>Cost</u>
Initial Term: Operations	\$3,145,211
Maintenance	\$1,423,149
Spare Parts	\$600,000
Contingency	\$387,627
Initial Three Year Total	\$5,555,987

3. SOURCING OF FUNDING: 523 – Airport Maintenance and Operation Fund

4. OPERATING COST: The agreement will have no adverse impact on the General Fund operating budget. The extension will be fully funded out of Airport revenue sources.

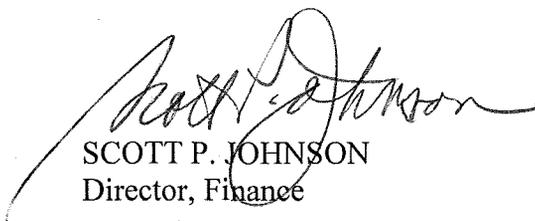
BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Amt. of Agreement	2008-2009 Adopted Budget Page	Last Budget Action (Date, Ord. No.)
523	0802	NP/Equip-Airport	\$44,156,934	\$5,555,987	Page XI-3	2/10/09, Ord # 28492

* The 2009-2010 Operating Budget and the implementing appropriation ordinance are scheduled for approval by the City Council on June 23, 2009.

CEQA

Not a project.


 SCOTT P. JOHNSON
 Director, Finance

For questions please contact Walter C. Rossmann, Deputy Director, at (408) 535-7051

