



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: FIRST AMENDMENT TO
AIRPORT SHUTTLE BUS
SERVICES AGREEMENT

DATE: September 14, 2009

Approved

Date

9/18/09

RECOMMENDATION

Adopt a resolution authorizing the Director of Finance to execute the first amendment to the Airport Shuttle Bus Services Agreement with ShuttlePort California, LLC to add an additional tier for operating hours to the compensation rate table.

OUTCOME

Approval of this action will allow the Airport greater flexibility in adjusting service levels to reflect current utilization, at a reduced hourly rate, that will not negatively impact the customer experience at the Airport.

BACKGROUND

On March 1, 2008, the City entered into an Agreement with ShuttlePort California, LLC (ShuttlePort) to provide Airport Shuttle Bus Services 24 hours per day, seven days per week, transporting passengers between Airport facilities; including the long term parking lot, the rental car center, and the airline terminals. The initial term of the Agreement is three years, which ends on February 28, 2011.

Under the Agreement, compensation is based on an hourly rate calculated on the total annual hours of service provided in accordance with the following Table:

OPERATING HOURS STEP	ANNUAL BUS OPERATING HOUR RANGE	HOURLY BILLING RATE
1	80,000 – 120,000	\$72.39
2	120,001 – 160,000	\$62.51
3	160,001 – 200,000	\$59.16

Currently (Year 2 of the Agreement), shuttle bus operations are scheduled for 120,071 annual hours at \$62.51 per service hour at an annual cost of \$7,505,638. The rental car companies reimburse the Airport for a portion of this cost. At this service/compensation level, the Airport's share of the total compensation is \$4,867,840.

ANALYSIS

The current economic environment has caused a major downturn in Airline passenger volume, which has resulted in severe under utilization of the bus service. The proposed amendment adds a step to the compensation rate table at the 100,000 - 119,999 operating hour range at an hourly rate of \$67.10 per hour (see below).

OPERATING HOURS STEP	ANNUAL BUS OPERATING HOUR RANGE	HOURLY BILLING RATE
1	80,000 – 99,999	\$72.39
2	100,000 – 119,999	\$67.10
3	120,000 – 159,999	\$62.51
4	160,000 – 200,000	\$59.16

The addition of this step will provide additional flexibility for the Airport to reduce service hours to levels that reflect current demand at an hourly rate that is 7.3% less than the current hourly rate for this level of operation.

Long-term parking and inter-terminal bus route service hours are currently being reviewed by staff. Any reductions in service hours will be determined such that appropriate passenger service levels are maintained.

EVALUATION AND FOLLOW-UP

This amendment will allow the Airport greater flexibility to control expenses during these current economic conditions and enables the staff to better manage passenger loads for the services provided. Staff will monitor service levels and passenger volumes to ensure that benefits from cost savings do not negatively impact service levels for Airport passengers.

POLICY ALTERNATIVES

Alternative: Leave the current contract Service Hour Rate structure intact as is.

Pros: Maintains the current contract Service Hour Rate structure with reduced service hours.

Cons: Establishes reduced service level above current passenger load requirements, maintains underutilized bus services on the road thereby eliminating some of the clean fuel bus benefits, and does not provide the ability to manage service hours for maximum benefit or reduce excess operating costs.

Reason for not recommending: Maintaining the current Service Hour Rates does not allow for the reduction of expenses for the Shuttle Bus program or the ability to match the service provided to the passenger loads.

PUBLIC OUTREACH/INTEREST

The proposed hourly rates and the resulting impact on bus schedules were discussed with the rental car industry during their industry meetings on July 14, 2009 and September 8, 2009.

- 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)**

Although this item does not meet any of the above criteria, this memorandum will be posted on the Council Agenda for October 6, 2009.

COORDINATION

This memo was coordinated with the Airport, the City Attorney's Office and the Budget Office.

FISCAL/POLICY ALIGNMENT

This action is consistent with the following General Budget Principles “We must focus on protecting our vital core city services for both the short- and long-term”.

COST IMPLICATIONS

The addition of a compensation step with a compensation rate of \$67.10 per service hour for a bus operating hour range of 100,000 – 119,999 annual service hours allows for the reduction in shuttle bus service to a level that meets customer needs and provides an estimated savings in fiscal year 2009-2010 of over \$500,000 from the original rate depending on the hours used within this service level range. The not to exceed amount for the agreement is \$9,500,000 for the second year of the Agreement, which has already been factored into the 2009-2010 Adopted Budget. There are no additional costs to the City that result from this contract amendment.

BUDGET REFERENCE

N/A

CEQA

Resolutions No. 67380 and 71451, PP 09-156



SCOTT P. JOHNSON
Director of Finance

For questions please contact Scott P. Johnson, Director of Finance at (408) 535-7001.