



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Julia H. Cooper

**SUBJECT:** SEE BELOW

**DATE:** September 26, 2011

Approved

Date

9/30/11

**SUBJECT: THIRD AMENDMENT TO THE AGREEMENT FOR AN INTEGRATED SYSTEM BETWEEN THE CITY OF SAN JOSE AND AIR-TRANSPORT IT SERVICES, INC.**

## RECOMMENDATION

Adopt a resolution authorizing the City Manager to:

- (a) Execute the third amendment to the agreement with Air-Transport IT Services, Inc. ("AirIT") to extend services for system maintenance and support for an additional 12 month period ending on December 31, 2012, for a total compensation amount not to exceed \$1,587,824, for the one year of maintenance services.
- (b) Exercise an option for an additional one-year term ending on December 31, 2013, with a compensation adjustment based on the Consumer Price Index, not to exceed 3%, subject to the appropriation of funds.

## OUTCOME

Approval of this recommendation will allow continued maintenance and support of the shared-use systems at the Norman Y. Mineta San José International Airport (Airport) and provide staff with sufficient time to complete a cost benefit analysis to determine the best approach for providing maintenance and operations support for this system in the future.

## BACKGROUND

In February 2006, the Council authorized the Director of Finance to execute an Agreement with AirIT to purchase an Integrated System for providing Shared-use technology for gates and ticket counters and for communicating airline activity to Airport staff and the public. The Agreement

included the purchase, installation, configuration, and support of fully integrated and scalable applications designed to support the Airport through its changing business environment. The integrated applications and IT infrastructure defined within the scope included:

- Airport Operational Database – The heart of the systems that contains all necessary flight information that supports all other integrated systems.
- Visual Information Displays – To provide the public and tenants 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 the Airport Operations organization in managing day-to-day business needs of the shared resources.
- Shared Use Equipment – To support shared-use at gates and ticket counters and to provide for self-service ticketing kiosks that improve the customer experience and reduce terminal congestion.
- Local Departure Control System – To provide a software application for airlines that do not have a reservation system of their own.
- Data and Telecommunications Transport Functions – To allow the transfer of data, voice, and video across the Airport campus.

Amendments one and two to the agreement were approved by Council in June and December, 2008 respectively. These amendments revised the project timeline and added various system components and functionality.

The integrated suite of applications provided by AirIT consists of centrally located equipment plus peripherals located throughout the Airport terminals. The servers and software have been successfully installed and configured and 100% of the peripherals have been deployed. Staff is now performing an evaluation to determine the most effective method of supporting the daily operational needs of these systems over the long term.

## **ANALYSIS**

The Integrated System was accepted and fully commissioned by the City on July 1, 2010. Since that time, the Systems have stabilized and staff now has the time to complete a thorough analysis of the options to provide ongoing operations and maintenance. The fifth and final option year for AirIT to provide maintenance and support services expires on December 31, 2011. Pricing for the initial five years was established through a competitive RFP process. Pricing for year six was established by negotiating service level reductions with AirIT that resulted in a price reduction of \$84,317 from the current year.

The extension period(s) are recommended to provide staff sufficient time to complete a cost benefit analysis and make recommendations for the ongoing maintenance and support that best serves the Airport's future needs. Options that will be explored include in-sourcing some or all

of the service, reducing the required level of service, assessing if there are competitive alternatives, and if there are alternative sources, issuing a competitive Request for Proposal.

### **EVALUATION AND FOLLOW-UP**

Staff does not anticipate any follow-up.

### **POLICY ALTERNATIVES**

*Alternative #1: Allow the current agreement to expire.*

**Pros:** Allows the Airport to use existing City staff to provide basic operating and maintenance support required for the shared use system and to procure required software licensing and support on a system-by-system basis.

**Cons:** There is currently not sufficient City staffing available to respond to service issues in a timely manner. Some components of the system are proprietary to the vendor and may not be supported by City staff. City may not be able to contract directly with system manufacturers, which could increase software licensing and support costs.

**Reason for not recommending:** Will adversely affect customer satisfaction at the Airport due to potential service disruptions due to delayed staff response to system issues. It is currently unknown whether pricing will be improved by providing support on a system-by-system basis.

### **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 memorandum meets Criterion 1 and will be posted on the City's website for the October 18, 2011, Council Agenda.

**COORDINATION**

This memorandum has been coordinated with the Airport, 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. | Current Agreement Amount:  | \$14,929,524.26       |
|    | Amendment Amount:  | \$ 1,587,824.00       |
|    | Total Maximum Compensation   | <hr/> \$16,517,348.26 |
| 2. | COST ELEMENTS OF AMENDMENT:  |                       |
|    | Maintenance and Support Year 6 Fixed Costs   | \$1,421,824.00        |
|    | Time and Materials Allowance   | \$ 150,000.00         |
|    | Kiosk and Airline Software Support   | \$ 16,000.00          |
|    | TOTAL (Third Amendment)  | <hr/> \$1,587,824.00  |
| 3. | SOURCE OF FUNDING: 523 – Airport Maintenance and Operation Fund  |                       |
| 4. | FISCAL IMPACT: Cost for the term of the extension is funded by existing appropriations and maintains costs at current budget levels. |                       |

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**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                      | RC #   | Total Appn.  | Amt. for Contract                | 2011-2012 Proposed Operating Budget Page | Last Budget Action (Date, Ord. No.)* |
|--------|--------|---------------------------------|--------|--------------|----------------------------------|--|--------------------------------------|
| 523    | 0802   | Airport Non-Personal/ Equipment | 333141 | \$37,581,440 | Year 6 Not to exceed \$1,587,824 | XI-3                                     | 6/21/11 Ord # 28928                  |

**CEQA**

Not a project, File No. PP10-066(e), Services that involve no physical changes to the environment.

/s/

JULIA H. COOPER  
Acting Director of Finance

For questions please contact Mark Giovannetti, Purchasing Division Manager at (408) 535-7052.

