



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: April 9, 2012

Approved

Date

4/17/12

SUBJECT: THIRD AMENDMENT TO THE AIRPORT SHUTTLE BUS SERVICES AGREEMENT

RECOMMENDATION

Adopt a resolution authorizing the City Manager to:

- (a) Execute the third amendment to the Airport Shuttle Bus Services Agreement with ShuttlePort California, LLC (Oak Brook, IL), to change the compensation structure from a cost per hour of operation to a hybrid model that includes a fixed monthly rate plus a cost per hour of operation, for the term March 1, 2012 through February 28, 2013; and adding one six month option to extend the Agreement to no later than August 27, 2013, if required, in the event that additional time is required to complete a Request for Proposal (RFP) process to evaluate and select a shuttle bus operator after the current agreement terms out; and
- (b) Exercise the option and to add or reduce the amount of maximum compensation, as required, to reflect market conditions at the Airport, subject to the appropriation of funds.

OUTCOME

Approval of this action will allow the Airport greater flexibility in adjusting service levels to reflect current utilization, at a reduced cost, and improve the customer experience at the Airport.

BACKGROUND

On February 26, 2008 (item 6.5), the City Council approved an agreement with ShuttlePort California LLC to provide Airport Shuttle Bus Services to transport passengers between Airport facilities including the long term parking lot, the rental car center, and the airline terminals. The

initial term of the Agreement was for three years for the term March 1, 2008 through February 28, 2011.

On October 6, 2009 (item 2.8), the City Council approved the first amendment to add an additional compensation tier for operating hours to the compensation rate table.

On February 2, 2011, the City executed the second amendment to modify contractor staffing requirements and costs associated with reduced shuttle bus hours.

The agreement is currently in its final option period which ends on February 28, 2013.

ANALYSIS

Compensation to ShuttlePort is currently based on a fixed rate for each hour that buses are in-service. The hourly rate to operate the buses decreases as the total annual service hours increase (see Table 1 below):

Table 1

OPERATING HOURS STEP	ANNUAL BUS OPERATING HOUR RANGE	HOURLY BILLING RATE
1	55,000 - 59,999	\$83.67
2	60,000 - 79,999	\$81.02
3	80,000 - 99,999	\$75.85
4	100,000 - 119,999	\$70.43
5	120,000 - 159,999	\$65.61
6	160,000 - 200,000	\$62.09

Due to the current economic conditions at the Airport, staff negotiated a hybrid compensation schedule with ShuttlePort for the purpose of reducing costs. The new compensation schedule eliminates the operating hour steps and includes a fixed price per month plus a reduced cost per hour that buses are in operation. Assuming current levels of bus service, the estimated savings under the proposed compensation arrangement would be \$290,800 for the final year of the agreement. (See Table 2 below)

Table 2

Cost Element	Current Annual Compensation	New Annual Compensation	Annual Savings
Fixed Cost per Month @ \$97,776 (Management Fee)		\$1,173,312	
Variable Cost (basic hourly rate of \$58.15/hour)		\$3,472,418	
Total	\$4,936,530	\$4,645,730	\$290,800

Summary of ShuttlePort Amendment: This amendment will modify the compensation schedule as demonstrated in Table 2 above.

EVALUATION AND FOLLOW-UP

No subsequent Council action on this issue is necessary. Staff will monitor the impact of this action and communicate any issues to the City Council.

POLICY ALTERNATIVES

Alternative #1: Leave the current contract scope and Service Hour Rate structure intact as is.

Pros: The current contract Service Hour Rate structure and service hours would continue.

Cons: The current contract provides service level at a higher cost, does not provide the ability to manage service hours for maximum benefit or reduce excess operating costs, and does not provide a mechanism to ensure bus availability.

Reason for not recommending: Maintaining the current compensation model does not allow the Airport to realize benefits of the cost plus rate for service model or provide staff the ability to match the service provided to the passenger loads.

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)**

Although this item does not meet any of the above criteria, this memorandum will be posted on the City's website for the May 1, 2012 City Council agenda.

COORDINATION

This memorandum has been coordinated with the Airport, the City Manager's Budget Office, and the City Attorney's 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” and “We must continue to streamline, innovate, and simplify our operations so that we can deliver services at a higher quality level, with better flexibility, at a lower cost.”

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Cost for Final Year of Option Period 3/1/12 – 2/28/13	\$4,645,730
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2. COST ELEMENTS OF AGREEMENT:

Shuttle Bus Operator		Annualized
Fixed Management Fee	\$ 97,776 Per month	\$ 1,173,312
Basic Hourly Rate	\$ 58.15 Per hour	\$ 3,472,418
Maximum Compensation		\$ 4,645,730

3. SOURCE OF FUNDING: Airport Maintenance and Operating Fund (#523)
 Airport Customer Facility and Transportation Fee Fund (#519)

4. FISCAL IMPACT: Cost for the final year of the agreement is funded by existing appropriations. The proposed compensation model would result in the savings of \$290,800.

BUDGET REFERENCE

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

Fund	Appn #	Appn. Name	RC #	Total Appn	Amt. for Contract	2011-12 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
523	0802	Airport Non-Personal/Equipment	405140	\$35,764,440		XI-3	11/29/11 Ord. # 28998
519	0802	Airport Non-Personal/Equipment	417140	\$3,064,974	\$4,645,730 (Final Year)	XI-1	2/14/12 Ord. # 29036

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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