File No. 120452

Committee Item No. 1
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Sub-Committee **Date 7/25/12**

Board of Supervisors Meeting **Date** _____

Cmte	Board	
☐	☐	**Motion**
☒	☐	**Resolution**
☐	☐	**Ordinance**
☐	☐	**Legislative Digest**
☒	☐	**Budget and Legislative Analyst Report**
☐	☐	**Legislative Analyst Report**
☐	☐	**Youth Commission Report**
☐	☐	**Introduction Form (for hearings)**
☒	☐	**Department/Agency Cover Letter and/or Report**
☐	☐	**MOU**
☐	☐	**Grant Information Form**
☐	☐	**Grant Budget**
☐	☐	**Subcontract Budget**
☐	☐	**Contract/Agreement**
☒	☐	**Form 126 – Ethics Commission**
☐	☐	**Award Letter**
☐	☐	**Application**
☐	☐	**Public Correspondence**

OTHER **(Use back side if additional space is needed)**

☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	

Completed by: Victor Young **Date** July 19, 2012
Completed by: Victor Young **Date** _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages.
The complete document can be found in the file.

[International Terminal Equipment Maintenance and Operating Agreement with San Francisco Terminal Equipment Company, LLC]

Resolution approving the International Terminal Equipment Maintenance and Operating Agreement between the San Francisco Terminal Equipment Company, LLC, and the City and County of San Francisco, acting by and through its Airport Commission.

WHEREAS, The City and County of San Francisco, acting by and through its Airport Commission ("City"), owns certain equipment and systems ("Equipment") for the handling of flights and passengers at San Francisco International Airport; and

WHEREAS, San Francisco Terminal Equipment Company, LLC ("SFOTEC") currently maintains, operates, and uses the Equipment under Agreement No. 05-0138, as approved under Airport Commission Resolution No. 05-0138, dated August 2, 2005; and

WHEREAS, The current International Terminal Equipment Maintenance and Operating Agreement was extended for one (1) year and will expire on June 30, 2012 under Airport Commission Resolution No. 11-0096, dated April 5, 2011; and

WHEREAS, Airport staff and SFOTEC have negotiated a new International Terminal Equipment Maintenance and Operating Agreement ("Agreement") to continue SFOTEC's use and maintenance of the Equipment from July 1, 2012 through June 30, 2021; and

WHEREAS, On March 20, 2012, by Resolution No. 12-0064, the Airport Commission approved the Agreement, a copy of said Agreement being on file with the Clerk of the Board of Supervisors in File No. 120452, which is hereby declared to be a part of this resolution as if set forth fully herein; now, therefore, be it

RESOLVED, That this Board of Supervisors hereby approves the International Terminal Equipment Maintenance and Operating Agreement between San Francisco Terminal

Equipment Company, LLC and the City and County of San Francisco, acting by and through its Airport Commission.

Item 1 File 12-0452	Department: Airport

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would retroactively approve a new nine-year International Terminal Equipment Maintenance and Operating Agreement between the City, acting by and through the Airport, and the San Francisco SFOTEC Company, LLC (SFOTEC) from July 1, 2012 through June 30, 2021, with one option to extend the agreement by one additional year. Under the proposed agreement, SFOTEC would maintain and operate, on behalf of airlines located in the Airport's International Terminal the Airport-owned equipment and operating systems used for the handling of flights and passengers in the Airport's International Terminal. SFOTEC would reimburse the Airport for the Airport's actual costs associated with the maintenance and operations of this equipment, including utilities, custodial services, and internet infrastructure and charges.

- The proposed resolution would also provide for SFOTEC, on an as-needed basis, to (a) provide maintenance services for the Airport's Integrated Electronic Systems, which are the computer systems shared by the Airport and the airlines; (b) support the Airport's Network Operating Center in monitoring the Airport's information technology networks and providing Help Desk services; (c) provide Patron Assistance services; and (e) provide Document Verification services. The Airport would pay SFOTEC for these services in an amount not-to-exceed $18,000,000 over the nine-year term of the agreement.

Key Points

- The scope of all of the work, schedules, deliverables, and compensation structure for the maintenance services to be performed by SFOTEC and paid by the Airport must be approved by the Airport.

- Although the proposed Agreement is effective as of July 1, 2012, the proposed resolution does not provide for retroactive approval. Therefore, the proposed resolution should be amended to provide for retroactive approval of the subject Agreement as of July 1, 2012.

Fiscal Analysis

- Based on reimbursements paid by SFOTEC to the Airport in FY 2011-12 for the Airport's costs associated with the maintenance and operation of the Airport-owned equipment in the International Terminal, the SFOTEC would reimburse the Airport an estimated $18,258,680 over the ten-year term (nine years with one option to extend) of the proposed agreement.

- Based on payments made by the Airport to SFOTEC in FY 2011-12 for SFOTEC to provide maintenance services of operating systems and related services, the Airport would pay SFOTEC an estimated $16,684,140 over the ten-year term (nine years with one option to extend) of the proposed agreement.

- The estimated net payment to the Airport by SFOTEC under the proposed agreement is $1,574,540 ($18,258,680 less $16,684,140).

Policy Consideration

- The proposed resolution does not specify the not-to-exceed amount of $18,000,000 to be paid by the Airport to SFOTEC. The not-to-exceed amount should be included in the proposed resolution.

Recommendations

- Amend the proposed resolution to provide for retroactive approval of the subject Agreement to July 1, 2012.
- Amend the proposed resolution to reflect the not-to-exceed amount of $18,000,000 to be paid by the Airport to SFOTEC.
- Approve the proposed resolution as amended.

MANDATE STATEMENT/ BACKGROUND

Mandate Statement

In accordance with Charter Section 9.118(a), City agreements, or amendments to such agreements, with anticipated revenue of $1,000,000 or more are subject to approval of the Board of Supervisors. In accordance with Charter Section 9.118(b), City agreements with anticipated expenditures of $10,000,000 or more, or amendments to such agreements with anticipated expenditures of more than $500,000 are subject to approval by the Board of Supervisors.

Background

On October 16, 2000, the Board of Supervisors retroactively approved an initial Equipment Maintenance and Operating Agreement between the Airport and San Francisco Terminal Equipment Company, LLC (SFOTEC), for a term from September 19, 2000 through September 30, 2005 (Resolution No. 907-00). Under the 2000 agreement, the Airport licensed the right to SFOTEC[1] to maintain, operate, and use Airport-owned equipment and operating systems, including aircraft docking/guidance systems, baggage carousels, and a portion of the Integrated Electronic Systems' hardware and software at the International Terminal of the Airport. Under the license, SFOTEC fully reimbursed the Airport for the Airport's actual costs related to the Airport-owned equipment, including custodial services, utilities, and internet infrastructure and charges.

[1] SFOTEC is a consortium of airlines, and was created to (a) maintain, repair, operate and schedule the use of the Airport-owned equipment and operating systems at the International Terminal; (b) maintain, operate, and schedule the use of joint use ticket counters and gates; and (c) allocate the associated costs related to the Airport-owned equipment and operating systems among members and non-member users. SFOTEC members are airlines operating in the International Terminal who have signed a Member Agreement with SFOTEC and include the airlines (a) AeroMexico, (b) Air China, (c) Air France, (d) Air New Zealand, (e) Alaska, (e) All Nippon Airways, (g) Asiana Airlines, (8) British Airways, (9) Cathay Pacific, (10) Delta, (11) Emirates, (12) EVA Airways, (13) Japan Airlines, (h) KLM, (i) Korean Airlines, (j) LAN, (k) Lufthansa, (l) Mexicana, (m) Philippine Airlines, (n) Singapore, (o) Swiss International, (p) TACA, (q) United Airlines, (r) Virgin America, and (s) Virgin Atlantic. A non-member user is defined as an airline who is not a member of SFOTEC but wishes to utilize the equipment maintenance and operation services provided under the existing and proposed agreements. Non-member airlines include (a) Air Berlin, (b) Air Canada, (c) Hawaiian Airlines, (d) JetBlue, (e) Sun Country, (f) WestJet, and (g) XL Airways. Non-member airlines must sign a Non-Member User Agreement, defined as the agreement between SFOTEC and any airlines other than a member desirous of using the equipment under the existing and proposed agreements. Non-member users who wish to utilize the services provided under the existing and proposed agreements are subject to higher fees than member users.

On October 11, 2005, the Board of Supervisors retroactively approved a second Equipment Maintenance and Operating Agreement between the Airport and SFOTEC, with a term from October 1, 2005 through June 20, 2011 with one option to extend the agreement by one additional year through June 30, 2012. (Resolution No. 11-0096).

Additionally, under the existing agreement, subject to approval by the Airport, SFOTEC provides maintenance services for the Airport's Integrated Electronic Systems, which are electronic and computer systems shared by the Airport and the Airport tenants. These systems include flight information, passenger processing, and self-service kiosks. The Airport pays SFOTEC an amount not to exceed $8,500,000 for the period from October 1, 2005 through June 30, 2012.

On January 29, 2007, the Airport added a Letter of Agreement to the existing agreement with SFOTEC for SFOTEC to provide monitoring of the Airport's Wide Area Network (WAN) and Local Area Network (LAN), and Help Desk services after business hours. The Airport's Network Operating Center is responsible for monitoring and maintaining the Airport's WAN and LAN systems and providing Help Desk support. Under the Letter of Agreement, SFOTEC supports the Airport's Network Operating Center in these functions.

As shown in Table 1 below, the Airport paid SFOTEC $1,668,414 in FY 2011-12 for maintenance services of the Integrated Electronic Systems and Help Desk support, and SFOTEC paid the Airport $1,825,868 to reimburse the Airport for the Airport's actual costs for the maintenance and operation of the Airport-owned equipment in the International Terminal for (a) custodial fees, (b) electricity charges, (c) water and sewer charges, and (d) ITT Telecom charges for internet infrastructure and subscription access. Net payment to the Airport by SFOTEC in FY 2011-12 was $157,454 ($1,825,868 less $1,668,414).

Table 1: Summary of SFOTEC Payments to the Airport and Airport Payments to SFOTEC under the Existing Agreement, FY 2011-12

Expense	SFOTEC Reimbursements to the Airport	Airport Payment to SFOTEC	Net Payments by SFOTEC to the Airport
Custodial Fees	$71,000	n/a	$71,000
Electricity Charges	1,660,000	n/a	1,660,000
Water and Sewer Charges	74,000	n/a	74,000
ITT Telecom Charges for Internet Infrastructure and Subscription Access	20,868	n/a	20,868
Maintenance of the Integrated Electronic Systems, Network Monitoring and Help Desk Support,	n/a	1,668,414	(1,668,414)
Total	**$1,825,868**	**$1,668,414**	**$157,454**

Source: Airport

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a new nine-year International Terminal Equipment Maintenance and Operating Agreement between the City, acting by and through the

Airport, and the San Francisco SFOTEC Company, LLC (SFOTEC) from July 1, 2012 through June 30, 2021 with one option to extend the agreement by an additional year. Under the proposed agreement,

- SFOTEC would maintain, and operate Airport-owned equipment for use by the airlines, including aircraft docking/guidance systems, and baggage carousels in the International Terminal of the Airport. SFOTEC would reimburse the Airport for the Airport's actual costs incurred for the operation, use, and maintenance of the Airport-owned equipment in the International Terminal, including (a) custodial fees, (b) electricity charges, (c) water and sewer charges, and (d) ITT Telecom charges for internet infrastructure and subscription access. (See Attachment for list of the Airport-owned equipment and systems).

- SFOTEC would also provide maintenance services for the Airport's Integrated Electronic Systems, used by the Airport and the airlines, at the Airport's request. The Airport would pay SFOTEC for the Airport's share of actual costs incurred by SFOTEC for such services. SFOTEC would also provide network monitoring for the LAN and WAN systems and Help Desk support after business hours, at the request of the Airport's Network Operating Center. All such services to be provided by SFOTEC to the Airport must be approved in advance by the Airport.

- Additionally, the Airport would pay SFOTEC for providing new services that include (a) Patron Assistance[2] services and (b) Document Verification[3] services on an as-needed basis. The Airport would reimburse SFOTEC for the costs of these services.

The Airport's payments to SFOTEC for maintenance of the Integrated Electronic Systems, network monitoring and Help Desk support, Patron Assistance services, and Document Verification services are not-to-exceed $18,000,000, over the nine-year term of the agreement. The scope of work, schedules, deliverables, and compensation structure of these services performed by SFOTEC and reimbursed by the Airport must be approved by the Director of the Airport.

According to Ms. Teresa Rivor, Senior Property Manager for the Aviation Management Division of the Airport, the proposed agreement with SFOTEC was awarded in accordance with the Lease and Use Agreements between the Airport and airlines operating at the Airport. Under the terms of the Lease and Use Agreements, airlines are required to pay for equipment maintenance of Airport-owned equipment and operating systems. Airlines can choose to perform such maintenance and operating work individually with their own employees or can select another company to do such work. The airlines located in the International Terminal, which consists predominantly of international airlines operating only one to two daily flights, selected SFOTEC as the company responsible for the maintenance and operations of the Airport-owned equipment and systems which these airlines share in the International Terminal.

[2] Patron Assistance is comprised of providing assistance to Airport patrons with special needs requiring mobility or other types of assistance between the International Terminal and other Airport locations, such as the Rental Car Center or remote parking facilities as well as providing patron direction and performing line management as directed by Airport staff.

[3] Document Verification services are the verification and validation of documents, such as boarding passes, at security checkpoints.

Ms. Rivor advises that the maintenance on the Integrated Electronic Systems provided by SFOTEC for the Airport and paid by the Airport to SFOTEC involves proprietary software which SFOTEC has been responsible for maintaining since 2001 when ARINC, the company who developed the software for the Airport, originally contracted with them to do so and therefore was approved by the Human Rights Commission as a sole source procurement. In addition, according to Ms. Rivor, the Patron Assistance provided by SFOTEC under the proposed agreement is limited in nature and requires staff providing the services to respond with very short notice. SFOTEC was selected to provide Patron Assistance services because SFOTEC staff are present daily in the Airport. Finally, the Airport anticipates that the Network Monitoring and HelpDesk services provided after business hours in the future will be conducted by the Airport's Network Operating Center in-house staff in FY 2013-14, once sufficient Airport staff has been hired.

The Budget and Legislative Analyst notes that although the proposed Agreement is effective as of July 1, 2012, the proposed resolution does not provide for such retroactive approval. Therefore, the proposed resolution should be amended to provide for retroactive approval of the subject Agreement as of July 1, 2012.

FISCAL ANALYSIS

Fees Paid by SFOTEC to the Airport

Under the proposed agreement,a ll reimbursements made by SFOTEC to the Airport are required to fully reimburse the Airport for the Airport's actual costs related to the maintenance and operations of the Airport-owned equipment in the International Terminal provided by SFOTEC for (a) custodial services, (b) electricity charges, (c) water and sewer charges, and (d) ITT Telecom internet infrastructure charges. If the reimbursements paid by SFOTEC to the Airport each year under the proposed agreement are the same as the reimbursements previously paid by SFOTEC to the Airport in FY 2011-12 under the existing agreement, including the one-year option to extend the proposed agreement, then the total estimated amount to be reimbursed by SFOTEC to the Airport over the ten year term would be $18,258,680 ($1,825,868[4] x 10 years).

Fees Paid by the Airport to SFOTEC

Under the proposed agreement, the Airport would reimburse SFOTEC to provide maintenance services, detailed in Table 2 below, not to exceed $18,000,000. As noted above, all maintenance services to be provided by SFOTEC must be approved by the Director of the Airport.

[4] See Background section above

Table 2: Breakdown of Not-to-Exceed Amount of $18,000,000 the Airport Would Pay SFOTEC Under the Proposed Agreement

Maintenance Services	Portion of Not-to-Exceed Amount
Integrated Electronic Systems Services	$16,650,000
Network Monitoring, Fault Resolution, and Help Desk Support	1,000,000
Patron Assistance and Document Verification Services	350,000
Total Not-to-Exceed Amount	**$18,000,000**

If the reimbursements paid to SFOTEC by the Airport each year under the proposed agreement are the same as the reimbursements paid by the Airport in FY 2011-12 under the existing agreement, including the one-year option to extend the proposed agreement, then the total estimated amount to be reimbursed by the Airport to SFOTEC under the proposed agreement would be $16,684,140 ($1,668,414[5] x 10 years), or $1,315,860 less than the not-to-exceed amount of $18,000,000.

The estimated net payment to the Airport by SFOTEC under the proposed agreement is $1,574,540 ($18,258,680 less $16,684,140).

POLICY CONSIDERATION

The proposed resolution does not specify the not-to-exceed amount of $18,000,000 to be paid by the Airport to SFOTEC. Therefore, the Budget and Legislative Analyst recommends that the proposed resolution be amended to reflect the not-to-exceed amount of $18,000,000 to be paid by the Airport to SFOTEC.

RECOMMENDATIONS

1. Amend the proposed resolution to provide for retroactive approval of the subject Agreement to July 1, 2012.

2. Amend the proposed resolution to reflect the not-to-exceed amount of $18,000,000 to be paid by the Airport to SFOTEC.

3. Approve the proposed resolution as amended.

[5] See Background section above.

EXHIBIT A
EQUIPMENT

1) AIRCRAFT AND AIRLINE SUPPORT SYSTEMS

a) **Aircraft Guidance / Docking Systems.** Twenty-three (23) units; with the exception of Gate A10 which does not have a unit, each gate has one (1) unit.

b) **Baggage Handling System** (excluding federally-owned security screening equipment), as more fully described in Exhibit C.

c) **Baggage Claim Carousels.** Twelve (12) devices, as more fully described in Exhibit C.

d) **Baggage Makeup Carousels.** Seventeen (17) devices, as more fully described in Exhibit C.

e) **Baggage Handling Area Lighting**, including, but not limited to, overhead lighting and lighting under baggage handling systems to illuminate walkways and work areas in the baggage handling areas and the baggage makeup areas and overhead lighting above baggage conveyor belts located behind ticket counters, but excluding the Checked Baggage Resolution Area (CBRA) and public baggage claim areas. General leasehold lighting is covered and further described by the terms of the relevant Air Carrier's Lease.

f) **Passenger Boarding Bridges.** Forty-eight (48) passenger boarding bridges (twenty-three (23) on Boarding Area A and twenty-five (25) on Boarding Area G), as more fully described in Attachment 1 to Exhibit D.

g) **Preconditioned Air Hoses, Reels and Carts.** Fifty-three (53) hoses with aircraft connectors, thirty (30) carts and fifty-three (53) reels, located at twenty-four (24) gates.

h) **400 Hz GROUND POWER AIRCRAFT CABLES And Hoist Assemblies.** Fifty-three (53) cables connected to thirty (30) 400 Hz GPU units (fourteen (14) 140 KVA; nine (9) 180 KVA; seven (7) 90 KVA) located at the gates.

i) **Potable Water Systems.** Twenty-seven (27) stainless steel cabinets, each containing one hose, one reel, lighting, plumbing and a water filter.

2) FURNISHINGS AND FIXTURES

a) **Counters for Airline Use.**

i) One Hundred Sixty-Eight (168) ticket counters with scales, in the International Terminal, Level 3.

ii) Twenty-Seven (27) recheck counters with scales, in the International Terminal, Level 2.

iii) Twelve (12) tour check counters with scales, in International Terminal, Level 1, six (6) on the North (G) and six (6) on the South (A) side of the building. Twenty-four (24) gate podiums (one (1) per gate) with four (4) service positions each and forty-eight (48) gate doorway podiums (two (2) per gate) with single service positions.

iv) One (1) Airline Customer Service Counter with two (2) service positions on Boarding Area A, Level 3, at Gate A3.

v) Two (2) airline information counters in Federal Inspection (FIS) area, one (1) with four (4) service positions on the Boarding Area G side, and one (1) with five (5) service positions on the Boarding Area G side.

vi) Three (3) airline service podiums in the baggage claim areas, one (1) single position podium near Baggage Claim 12, one (1) single position podium near Baggage Claim 3, and a four (4) position podium near Baggage Claim 9.

b) **Ticket Counter Scales**. Two Hundred Seven (207) scales, one (1) at each ticket counter, recheck counter, and tour check counter.

3) PNEUMATIC TUBE SYSTEM

Swisslog Pneumatic Tube Systems	Cash Terminals	Four Position Transfer Units	Six Position Transfer Units	Cashier Stations	Blower Units	Status
Island #1	12	3	3	4	3 in common with #2	Inactive
Island #2	12	3	Shared with Island #1	1	3 in common with #1	Inactive
Island #3	12	0	4	0	2	Inactive
Island #4	12	0	4	1	2	Inactive
Island #5	12	0	4	0	2	Inactive
Island #6	12	0	4	2	2	Inactive
Totals	**72**	**6**	**19**	**8**	**11**	

4) INTEGRATED ELECTRONIC SYSTEMS

a) Integrated Electronic Systems hardware and software, as described in Exhibit K.

i) Information Display System (IDS)

ii) Airport Operations Data Base (AODB).

iii) Resource Management System (RMS) including baggage system, gate, and ticket counter management modules.

iv) Agent-facing Passenger Processing System (PPS) including peripheral devices.

v) Common Use Self Service (CUSS) platform.

b) Integrated Electronic Systems support as described in Exhibit K.

SFO

San Francisco International Airport

April 6, 2012

File 120452

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2012 APR 27 PM 1:49

Ms. Angela Calvillo
Clerk of the Board
Board of Supervisors
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

Subject: Approval of the International Terminal Equipment Maintenance and Operating Agreement with San Francisco Terminal Equipment Company, LLC

Dear Ms. Calvillo:

Pursuant to Section 9.118 of the City Charter, I am forwarding for the Board of Supervisors' approval the International Terminal Equipment Maintenance and Operating Agreement ("Agreement") between the City and County of San Francisco, acting by and through its Airport Commission, and San Francisco Terminal Equipment Company, LLC ("SFOTEC") for the maintenance, operation, and use of Airport-owned equipment. This Agreement was approved by Airport Commission Resolution No. 12-0064, adopted March 21, 2012.

The major business terms of the Agreement are:

Purpose:	Maintenance and operation by SFOTEC of certain Airport-owned operating systems and equipment including baggage handling systems, passenger boarding bridges, passenger processing systems, common use information systems, ticket counters, and scales.
Term:	Nine (9) years, commencing July 1, 2012 and terminating June 30, 2021, with a sole one (1) year option, to be exercised by the Airport, commencing July 1, 2021 and terminating June 30, 2022.
Fees:	Fee based upon recovery of Airport's cost of procurement and/or installation of additional equipment for common use in the International Terminal. Fee may be adjusted by application of Passenger Facility Charges.
Amount:	Not to exceed Amount of Eighteen Million Dollars ($18,000,000.00) over the term of the Agreement.

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE *MAYOR* | LARRY MAZZOLA *PRESIDENT* | LINDA S. CRAYTON *VICE PRESIDENT* | ELEANOR JOHNS | RICHARD J. GUGGENHIME | PETER A. STERN | JOHN L. MARTIN *AIRPORT DIRECTOR*

Post Office Box 8097 San Francisco, California 94128 Tel 650.821.5000 Fax 650.821.5005 www.flysfo.com

The following is a list of accompanying documents (five sets):

- Board of Supervisors Resolution;
- Approved Airport Commission Resolution No. 12-0064;
- Commission Memorandum;
- Form SFEC-126: Notification of Contract Approval; and
- Equipment Maintenance and Operating Agreement between SFOTEC and City.

You may contact Teresa Rivor, Senior Property Manager, of Airport Aviation Management at (650) 821-4525 regarding this matter.

Very truly yours,

Jean Caramatti

Jean Caramatti
Commission Secretary

Enclosures

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 12-0064

APPROVAL OF THE INTERNATIONAL TERMINAL EQUIPMENT MAINTENANCE AND OPERATING AGREEMENT WITH SFOTEC FOR MAINTENANCE, OPERATION, AND USE OF AIRPORT-OWNED EQUIPMENT

WHEREAS, By Resolution Nos. 00-0337 and 05-0138, dated September 19, 2000 and August 2, 2005, respectively, the City and County of San Francisco, acting by and through the Airport Commission ("City"), entered into equipment maintenance and operating agreements with San Francisco Terminal Equipment Company, LLC ("SFOTEC") for the maintenance, operation, and use of certain Airport-owned air carrier equipment ("Equipment") for the handling of flights and passengers in the International Terminal; and

WHEREAS, By Resolution No. 11-0096, dated April 5, 2011, the current International Terminal Equipment Maintenance and Operating Agreement was extended for one (1) year and will expire on June 30, 2012; and

WHEREAS, SFOTEC desires to continue to maintain, operate, and use the Equipment and the City desires to have SFOTEC continue to maintain, operate, and use the Equipment; and

WHEREAS, the City and SFOTEC have negotiated a new International Terminal Equipment Maintenance and Operating Agreement to maintain, operate, and use the Equipment under the following terms and conditions:

- **Term.** Nine (9) years, commencing July 1, 2012 and terminating June 30, 2021, with a one (1) year option to be exercised at the Airport's sole discretion commencing July 1, 2021 and terminating June 30, 2022;

- **Equipment Use Fee.** The Agreement provides for SFOTEC to pay an Equipment Use Fee that allows the Airport to recover the cost of procurement and/or installation of additional Equipment for common use in the IT on a straight-line basis over the useful life of each such piece of Equipment;

- **Maintenance, Operation, Refurbishment, and Repair of Equipment.** SFOTEC shall, at SFOTEC's cost, operate, maintain, refurbish, and repair all Equipment in accordance with the Agreement;

- **Airport Oversight of Maintenance and Repair.** SFOTEC's operator and vendor selection, scope of work, and performance standards are subject to review and approval by the Airport;

- **Equipment Replacement.** In the event any Equipment is near or at the end of its useful life, is unrepairable, or is in such disrepair that it would be economically unreasonable to repair, the Airport and SFOTEC will agree upon a program to either refurbish or replace the Equipment;

- **Airport Use of SFOTEC Vendor Services.** Under limited circumstances, the Airport may utilize SFOTEC to perform services and reimburse SFOTEC for such services;

now, therefore, be it

RESOLVED, that this Commission hereby approves and authorizes the Airport Director to execute that certain International Terminal Equipment Maintenance and Operating Agreement with San Francisco Terminal Equipment Company, LLC, on the terms described herein; and be it further

RESOLVED, that the Commission Secretary is hereby directed to request approval of said Agreement by Resolution of the Board of Supervisors pursuant to Section 9.118 of the Charter of the City and County of San Francisco.

I hereby certify that the foregoing resolution was adopted by the Airport Commission

at its meeting of MAR 20 2012

Jean Caramatti

Secretary

SFO

San Francisco International Airport

MEMORANDUM

March 20, 2012

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Eleanor Johns
Hon. Richard J. Guggenhime
Hon. Peter A. Stern

FROM: Airport Director

SUBJECT: Approval of International Terminal Equipment Maintenance and Operating Agreement with San Francisco Terminal Equipment Company, LLC ("SFOTEC")

DIRECTOR'S RECOMMENDATION: APPROVE THE INTERNATIONAL TERMINAL EQUIPMENT MAINTENANCE AND OPERATING AGREEMENT WITH SFOTEC FOR MAINTENANCE, OPERATION, AND USE OF AIRPORT-OWNED EQUIPMENT, AND DIRECT THE COMMISSION SECRETARY TO FORWARD THE AGREEMENT TO THE BOARD OF SUPERVISORS FOR APPROVAL.

Executive Summary

The San Francisco Terminal Equipment Company, LLC ("SFOTEC") is a limited liability company formed in 1998 by Air Carriers to maintain, operate, and use Airport-owned equipment ("Equipment") for the handling of flights and passengers in the International Terminal ("IT"). The Airport desires to enter into a new nine (9) year agreement with SFOTEC, effective from July 1, 2012 through June 30, 2021, granting SFOTEC the right and obligation to maintain, operate, and use the Equipment, and granting the Airport a one (1) year option to extend the Agreement through June 30, 2022.

Background

By Resolution No. 00-0337, dated September 19, 2000, the Commission approved an Equipment Maintenance and Operating Agreement with SFOTEC, effective from September 19, 2000 to September 30, 2005. By Resolution No. 05-0138, dated August 2, 2005, the Commission approved a new 2005 International Terminal Equipment Maintenance and Operating Agreement

THIS PRINT COVERS CALENDAR ITEM NO. 12

("2005 Agreement") granting SFOTEC the right and obligation to maintain, operate, and use the Equipment. The 2005 Agreement was effective from October 1, 2005 through June 30, 2011. By Resolution No. 11-0096, dated April 5, 2011, the Commission authorized the Airport to exercise its one (1) year option extending the 2005 Agreement through June 30, 2012.

The Airport's new Lease and Use Agreement (effective July 1, 2011 through June 30, 2021) authorized IT Air Carriers to select a "Terminal Company" to carry out their contractual responsibilities regarding the use, maintenance, and operation of Airport-owned Equipment. The Air Carriers selected SFOTEC as their desired Terminal Company, leading the Airport to commence negotiations with SFOTEC. Airport staff has completed negotiations of a new International Terminal Equipment Maintenance and Operating Agreement with SFOTEC which runs contemporaneously with the new Lease and Use Agreement.

Key Provisions of the Agreement

Term. Nine (9) years, from July 1, 2012 through June 30, 2021, including Airport's option to extend the Agreement by one (1) year through June 30, 2022.

Equipment. Agreement specifies SFOTEC's responsibilities to maintain mechanical equipment such as baggage handling systems and passenger boarding bridges; electronic systems such as passenger processing systems and other common use information systems; and furnishings such as ticket counters and scales.

Maintenance, Operation, Refurbishment, and Repair of Equipment. SFOTEC is responsible, at SFOTEC's cost, to operate, maintain, refurbish, and repair all Equipment. The cost of such operation, maintenance, refurbishment, and repair is allocated by SFOTEC to its members and other Air Carriers using the Equipment.

Airport Oversight of Maintenance and Repair. If SFOTEC selects an operator/vendor to perform or assist in completing obligations under the Agreement, then said operator/vendor selection, scope of work, and performance standards are subject to Airport's review and approval.

Equipment Replacement. In the event Equipment is near or at the end of its useful life, is unrepairable, or is in such disrepair that it would be uneconomical or unreasonable to repair, the Airport and SFOTEC will agree upon a program to refurbish and/or replace the Equipment.

Equipment Use Fee. The Agreement requires SFOTEC to pay an Equipment Use Fee allowing the Airport to recover costs of procurement and/or installation of additional Equipment on a straight-line basis over the useful life of the Equipment.

Airport Use of SFOTEC Vendor Services. Under limited circumstances, the Airport may utilize and reimburse SFOTEC to provide services benefiting both the Airport and Air Carriers. These services may include maintenance of integrated electronic systems licensed to SFOTEC and which are operationally dependent on other Airport systems not licensed to SFOTEC, so

integrated with other Airport systems that they cannot be separated for maintenance purposes, or are services SFOTEC provides to Air Carriers and are beneficial and economical to the Airport.

Recommendation

I recommend adoption of the attached Resolution approving the International Terminal Equipment Maintenance and Operating Agreement with SFOTEC for the maintenance, operation, and use of Airport-owned Equipment, and request that the Commission Secretary be directed to request approval of the attached Resolution by the Board of Supervisors.

Tonya McCay

John L. Martin Co-
Airport Director

Prepared by: Leo Fermin
Deputy Airport Director
Business and Finance

Attachment

INTERNATIONAL TERMINAL EQUIPMENT MAINTENANCE AND OPERATING AGREEMENT

SAN FRANCISCO INTERNATIONAL AIRPORT

By and between

Airport Commission of the City and County of San Francisco

and

San Francisco Terminal Equipment Company, LLC, a Delaware Limited Liability Company

Mayor Edwin M. Lee

AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Eleanor Johns
Hon. Richard J. Guggenhime
Hon. Peter A. Sterns

John L. Martin
Airport Director

July 1, 2012

** Complete copy of document is located in

File No. 120452

Agreement No. _____

TABLE OF CONTENTS

INTERNATIONAL TERMINAL
EQUIPMENT MAINTENANCE AND OPERATING AGREEMENT

ARTICLE 1	**DEFINITIONS; INTERPRETATION**	
1.01	Definitions	1
1.02	Interpretation	5
1.03	Appendices, Exhibits, and Schedules	6
ARTICLE 2	**USE AND OPERATION OF EQUIPMENT**	
2.01	Right to Operate and Maintain Equipment	6
2.02	Permitted Uses	6
2.03	Limitations Upon Use	6
2.04	Compliance with Laws and Regulations	7
2.05	Access to the Equipment	7
2.06	City Acceptance of Equipment	8
2.07	Refurbishment of, Alterations to or Replacement of the Equipment	8
2.08	Operator and SFOTEC Vendors	10
2.09	Title to the Equipment	11
2.10	Wireless Equipment	11
ARTICLE 3	**FEES**	
3.01	Equipment Use Fee	11
3.02	Other Fees	11
3.03	Payment of Fees	12
3.04	Accounting and Reports	12
3.05	Member Agreement	12
3.06	Operating Reserve Account and Payment Obligations	13
ARTICLE 4	**TERM**	
4.01	Term of Agreement	13
4.02	Surrender of Possession	13
4.03	Reversion	13
4.04	Effect of Holding Over	13
ARTICLE 5	**REPAIR AND MAINTENANCE**	
5.01	SFOTEC Maintenance Responsibilities	13
5.02	Inspection and Notification	14
5.03	Inspections by City; Performance by the City upon Failure by SFOTEC	14
5.04	"As-Is" Condition	14
5.05	City Property	15
5.06	Warranties	15
5.07	SFOTEC Waiver	15
5.08	Liaisons	15
ARTICLE 6	**SFOTEC MEMBERSHIP, RATES AND CHARGES, OTHER EQUIPMENT USAGE**	
6.01	Rates and Charges	15
6.02	ITB Domestic Fee	15
6.03	Proposed Programs	16
6.04	City Consent Rights	16
6.05	Access by Users	16
ARTICLE 7	**REPRESENTATIONS AND WARRANTIES**	
7.01	Representations of SFOTEC	16
7.02	Representations of City	16
ARTICLE 8	**SERVICES AT CITY'S EXPENSE**	
8.01	Integrated Electronic System	17
8.02	Network Monitoring and HelpDesk Services	17

8.03	Patron Assistance and Document Verification Services	18
8.04	Not-to-Exceed Amount	19
ARTICLE 9	**INDEMNITY; INSURANCE; ENVIRONMENTAL LAWS; HAZARDOUS MATERIALS AND RELEASE**	
9.01	Indemnity	19
9.02	Insurance Maintained by SFOTEC and the Airport	21
9.03	Environmental Laws	23
9.04	Hazardous Materials; Release	23
ARTICLE 10	**DAMAGE, DESTRUCTION, AND CONDEMNATION**	
10.01	Damage or Destruction	24
10.02	Condemnation	25
ARTICLE 11	**LIENS AND CLAIMS**	
11.01	Taxes, Assessments, Licenses, Permit Fees, and Tax Liens	26
11.02	Other Liens	26
ARTICLE 12	**EVENTS OF DEFAULT AND TERMINATION**	
12.01	Events of Default	27
12.02	City's Remedies	28
12.03	Remedies; No Waiver	30
12.04	Rights and Duties Upon Termination or Expiration	30
ARTICLE 13	**CITY AND OTHER GOVERNMENTAL PROVISIONS**	
13.01	Charter	30
13.02	United States Department of Transportation Provisions	30
13.03	Subordination to Sponsor's Assurance Agreement	31
13.04	Declaration Regarding Airport Private Roads	31
13.05	Conflict of Interest	31
13.06	Federal Nondiscrimination Regulations	31
13.07	Federal Affirmative Action Regulations	32
13.08	Nondiscrimination; Penalties	32
13.09	MacBride Principles – Northern Ireland	33
13.10	Tropical Hardwood and Virgin Redwood Ban	33
13.11	Drug-Free Workplace Policy	33
13.12	Resource Conservation	33
13.13	Compliance with Americans with Disabilities Act	33
13.14	Sunshine Ordinance	33
13.15	Limitations on Contributions	34
13.16	First Source Hiring Program	34
13.17	Prohibition on Political Activity with City Funds	37
13.18	Preservative-Treated Wood Containing Arsenic	37
13.19	Labor Peace/Card Check Rule	38
13.20	Pesticide Prohibition	38
13.21	Requiring Minimum Compensation	38
13.22	Airport Intellectual Property	39
13.23	Requiring Health Benefits for Covered Employees	40
13.24	No Relocation Assistance; Waiver of Claims	41
ARTICLE 14	**MISCELLANEOUS**	
14.01	Successors and Assigns	41
14.02	Sublicensing, Subcontracting, and Assignment by SFOTEC	41
14.03	Notices	42
14.04	Interpretation	42
14.05	No Additional Waiver	42
14.06	Supervision of Minors	43
14.07	Severability	43
14.08	Graffiti Removal	43
14.09	Food Service Waste Reduction Requirements	43

14.10 Labor Disputes 44
14.11 Slavery Era Disclosure 44
14.12 Suspension and Abatement 44
14.13 Force Majeure 44
14.14 No Advertising or Promotions; Prohibition of Tobacco Advertising 44
14.15 City's Right of Access and Inspection 44
14.16 Effect of City Approvals 45
14.17 No Joint Venture 45
14.18 Survival of Indemnities 45
14.19 Entire Agreement 45
14.20 Amendments 46
14.21 Agreement Made in California; Venue 46
14.22 Cooperative Drafting 46
14.23 Dispute Resolution Procedure 46
14.24 Execution in Counterparts 46
SIGNATURE PAGE 47
EXHIBITS
A Equipment
B SFOTEC Company Property
C Baggage Handling System, Maintenance Responsibilities and Standards
D Passenger Boarding Bridges, Accessories, and Fixed Walkways, Maintenance Responsibilities and Standards
E Integrated Electronic Systems Maintenance Standards
F Other Equipment Maintenance Standards
G International Terminal Ticket Counter and Other Shared use Resources Management Protocols
H International Terminal Gate Management Protocols
I International Terminal Domestic Fee Policy
J Mandatory City Contracting Provisions
K Integrated Electronic Systems Support Project Description
L Annual Calculation of Custodial Fee
M Network Monitoring, Fault Resolution, and HelpDesk Services Project Description
N Patron Assistance and Document Verification Services Project Description

** Complete copy of document is located in File No. 120452

SAN FRANCISCO INTERNATIONAL AIRPORT
INTERNATIONAL TERMINAL
EQUIPMENT MAINTENANCE AND OPERATING AGREEMENT

THIS INTERNATIONAL TERMINAL EQUIPMENT MAINTENANCE AND OPERATING AGREEMENT ("**Agreement**"), dated as of _____ ____, 2012, is made and entered into by and between the CITY AND COUNTY OF SAN FRANCISCO ("**City**"), a municipal corporation acting by and through its Airport Commission ("**Commission**"), and San Francisco Terminal Equipment Company, LLC, a Delaware limited liability company ("**SFOTEC**").

RECITALS

A. WHEREAS, The City, acting by and through its Commission, owns and operates the International and Domestic Terminals ("**Terminal**") at San Francisco International Airport ("**Airport**") and has the power to grant rights and privileges with respect thereto; and

B. WHEREAS, City owns certain equipment and systems serving the Terminal; and

C. WHEREAS, SFOTEC represents and warrants that it is qualified to perform the services required by City as set forth under this Contract; and,

D. WHEREAS, SFOTEC (defined in Article 1) is comprised of Air Carriers (defined in Article 1) as its members. SFOTEC is also the Terminal Company (defined in Article 1) designated by each Air Carrier, under the Lease & Use Agreement (defined in Article 1) or the Airline Operating and Space Permit, to perform those obligations and responsibilities arising out of the Air Carriers' use of Joint Use Space (defined in Article 1) and Equipment (defined in Article 1) in the International Terminal. As the Terminal Company, SFOTEC assumes all responsibilities, duties, and obligations of these Air Carriers, as set forth in the Lease and Use Agreement and Airline Operating and Space Permit, regarding the Air Carriers' use of the Joint Use Space and Equipment in the International Terminal; and

E. WHEREAS, SFOTEC desires to obtain from City, and City desires to grant to SFOTEC, the right to maintain, operate, and use the City-owned equipment and systems, defined as the "**Equipment**", below, on the terms and conditions of this Agreement; and

F. WHEREAS, Other portions of the City-owned equipment and systems, defined below as the "**Integrated Electronic Systems**," are integrated with the Equipment and/or the Company Property. The parties anticipate that in certain limited situations, it will be practical and appropriate for SFOTEC to perform, directly or through the SFOTEC Vendors or Operators (as defined in Article 1), certain services on the Integrated Electronic Systems, with the cost thereof to be borne or shared by City; and

G. WHEREAS, Commission awarded this contract to SFOTEC on March 20, 2012, pursuant to Resolution No. 12-0064, and the Board of Supervisors approved the contract on _____ pursuant to Resolution No. _____; and

H. WHEREAS, approval for this Agreement was obtained when the Civil Service Commission approved Contract number _____ on _____;

NOW, THEREFORE, the parties agree as follows:

ARTICLE 1. DEFINITIONS; INTERPRETATION

1.01. Definitions. The following terms and phrases shall have the following meanings for purposes of this Agreement:

(a) "Additional Equipment" means any equipment and/or systems required to meet new customer service or technology requirements in order to maintain SFO's International

BOARD OF DIRECTORS / MANAGEMENT COMMITTEE

AEROMEXICO	Jorge Pacheco
AIR CHINA	Zhihang Chi
AIR FRANCE	Marc Masclet
AIR NEW ZEALAND	Ed Barnes
ALASKA	Mukesh Patel
ALL NIPPON AIRWAYS	Yuuji Furukawa
ASIANA AIRLINES	Jon gon Park
BRITISH AIRWAYS	Matt Roberts
CATHAY PACIFIC	Ernie Papagono
CHINA AIRLINES	I-Chieh Chen
DELTA AIRLINES	Donnell Harvey
EMIRATES	James Baxter
EVA AIRWAYS	Jackie Kang
JAPAN AIRLINES	Turner Maynor
KLM	Marc Masclet
KOREAN AIRLINES	Young Yoon
LAN PERU	Juan Pablo Sanhueza
LUFTHANSA	Steve Woodward
MEXICANA	Maru Johansen
PHILIPPINE AIRLINES	Norman D'Souza
SINGAPORE AIRLINES	Hao Yu Dai
SWISS INTERNATIONAL	Marc Suhr
TACA INTERNATIONAL	Dalina Trjo
UNITED AIRLINES	Lori Peters
VIRGIN ATLANTIC AIRWAYS	Gary Barnhart
VIRGIN AMERICA	Jim Smith

CHAIRMAN:	Eric Starks
VICE CHAIRMAN:	Ernie Papagano
VICE CHAIRMAN:	Matt Roberts

EXECUTIVE DIRECTOR:	Jeff Seid

File No. 120452

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL

(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information *(Please print clearly.)*	
Name of City elective officer(s): Members, SF Board of Supervisors	City elective office(s) held: Members, SF Board of Supervisors

Contractor Information *(Please print clearly.)*	
Name of contractor: **San Francisco Terminal Equipment Company, LLC**	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary. (1) See attached list (2) Included in attached list (3) SFOTEC is a LLC with multiple owners (airlines); their liquidated value and expenses are based on a percentage of what they contribute and on what they have been charged. This is done through a 10/45/45 based formula each month. The only airline over 20% would be United Airlines, who would have an approximate 34% share. (4) ARINC, IER, ALCATEL & SFO Custodial Services. (5) None	
Contractor address: P. O. Box 250400 San Francisco, CA 94125-0400	
Date that contract was approved: TBD	Amount of contract: Total Not-to Exceed Amount of Eighteen Million Dollars ($18,000,000)
Describe the nature of the contract that was approved: International Terminal Equipment Maintenance and Operating Agreement	
Comments:	

This contract was approved by (check applicable):

☐ the City elective officer(s) identified on this form

☑ a board on which the City elective officer(s) serves San Francisco Board of Supervisors
Print Name of Board

☐ the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

_____
Print Name of Board

Filer Information *(Please print clearly.)*	
Name of filer: Angela Calvillo, Clerk of the Board of Supervisors	Contact telephone number: (415) 554-5184
Address: 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102-4689	E-mail: Board.of.Supervisors@sfgov.org

_____ _____
Signature of City Elective Officer (if submitted by City elective officer) Date Signed

_____ _____
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk) Date Signed