


**CITY AND COUNTY OF SAN FRANCISCO  
BOARD OF SUPERVISORS**

**BUDGET AND LEGISLATIVE ANALYST**

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November 1, 2012

**TO:** Budget and Finance Committee   
**FROM:** Budget and Legislative Analyst  
**SUBJECT:** November 7, 2012 Budget and Finance Committee Meeting

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**Item 1**  
**File 12-1032**

**Department:**  
San Francisco Airport

## EXECUTIVE SUMMARY

### Legislative Objectives

The proposed resolution would approve a new professional services agreement between the City, acting by and through the Airport, and the SFO Shuttle Bus Company to provide shuttle bus services at the San Francisco International Airport from December 1, 2012 through June 30, 2016, with three two-year options to extend the contract. The Airport would pay SFO Shuttle Bus Company for these services in an amount not-to-exceed \$39,000,000 over the initial three year and seven month term of the agreement and in an amount not-to-exceed \$105,000,000 over the nine year and seven month term of the agreement, if all three two-year options are exercised.

### Key Points

- The Airport provides free shuttle bus services to employees and airline passengers between the Airport's terminals, public long-term parking lots, employee parking lots, an employee parking garage, and various other locations. The Airport originally entered into an agreement with the SFO Shuttle Bus Company in 1983 through a competitive process to provide shuttle bus services at the San Francisco International Airport. The existing agreement between the Airport and SFO Shuttle Bus Services, as previously approved by the Board of Supervisors, is for 14 years and 11 months, from January 1, 1998 through November 30, 2012.
- On June 5, 2012, the Airport issued a new competitive Request for Proposal (RFP). Of the four proposals received by the Airport, only two proposals met the minimum qualifications set in the RFP. The SFO Shuttle Bus Company was selected based on the two firms' written proposal scores, oral interviews, and financial liquidity as measured by the Airport's Risk Manager.

### Fiscal Impacts

- The FY 2012-13 projected costs for the Airport shuttle bus service is \$10,456,084 (see Table 1 below), which is an average monthly cost of \$871,340.
- The total cost of the proposed initial three year and seven month agreement beginning on December 1, 2012 through June 30, 2016 is estimated to be \$38,739,176 (see Table 2 below), which is \$260,824 less than the not-to-exceed amount of \$39,000,000.
- If all three of the two-year options are exercised, the total estimated not-to-exceed cost of the nine year and seven month agreement is \$105,000,000 including an average 2% increase in annual costs.

### Recommendations

- Amend the proposed resolution to include a not-to-exceed agreement amount of \$105,000,000 for the agreement's total period of nine years and seven months if all three two-year options are exercised.
- Approve the proposed resolution as amended.

## MANDATE STATEMENT

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

The Airport provides free shuttle bus services to employees and airline passengers between the Airport's terminals, public long-term parking lots, employee parking lots, an employee parking garage, and other various locations<sup>1</sup>. The Airport originally entered into an agreement with the SFO Shuttle Bus Company in 1983 through a competitive process to provide shuttle bus services at the San Francisco International Airport. On November 17, 1997, the Board of Supervisors approved the existing agreement between the Airport and SFO Shuttle Bus Company for an initial term ten-year from January 1, 1998 through December 31, 2007 with five one-year options to extend the agreement (Resolution No. 1042-97). The Airport exercised four one-year options and one eleven-month option that were allowed in the agreement. The existing agreement terminates on November 30, 2012. According to Mr. Abubaker Azam, Assistant Deputy Director for Operations, San Francisco International Airport, total estimated expenditures under the existing 14 year and 11 month agreement from January 1, 1998 through November 30, 2012 is \$99,230,000.

On June 5, 2012, the Airport issued a new competitive Request for Proposal (RFP). Of the four proposals received by the Airport, only two proposals met the minimum qualifications set in the RFP. The SFO Shuttle Bus Company was selected based on the two firms' written proposal scores, oral interviews, and financial liquidity as measured by the Airport's Risk Manager.

## DETAILS OF PROPOSED LEGISLATION

Based on a competitive RFP, the proposed resolution would approve a new three-year and seven month agreement between the City, acting by and through the Airport, and the SFO Shuttle Bus Company to provide shuttle bus services at the San Francisco International Airport from December 1, 2012 through June 30, 2016, with three two-year options to extend the agreement. The Airport would pay SFO Shuttle Bus Company for shuttle bus services in an amount not-to-exceed \$39,000,000 over the initial three year and seven month term of the agreement. If all three additional two-year options are exercised by the Airport, from July 1, 2016 through June 30, 2022 the total estimated not-to-exceed amount of this agreement would be \$105,000,000.

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<sup>1</sup> "Other locations" include bus service to transport passengers for special or emergency situations such as AirTrain closures to the Rental Car Center, Aircraft emergency support, and special events (on-site construction tours, Presidential/VIP visits, on-airport sponsored tours).

According to the proposed agreement, the Airport's shuttle bus services are provided 24 hours a day, seven days a week, 365 days a year. Under the proposed agreement, SFO Shuttle Bus Company will provide the following shuttle bus services:

- Manage and operate the Airport's shuttle bus service;
- Provide all supplies, equipment, operating personnel, maintenance and repair, and all other labor and materials necessary or required for continued performance of the shuttle bus service;
- Furnish drivers, supervisors, mechanics, dispatchers, and such other employee necessary for efficient operation of the shuttle bus service;
- Ensure that all SFO Shuttle Bus employees possess valid permits, licenses, approvals and certificates required;
- Clean and maintain the City-owned fleet of shuttle buses;
- Obtain Compressed Natural Gas (CNG) fuel for the shuttle fleet at a reduced cost at the Airport's CNG fueling facilities; and
- Obtain all insurance, permits, franchises, approvals, licenses, certificates and other authorizations necessary to conduct and operate the Airport's shuttle bus service.

## FISCAL IMPACTS

Based on a competitive RFP, the Airport would enter into an agreement with SFO Shuttle Bus Company for an amount not-to-exceed \$39,000,000 over the initial term of three years and seven months, from December 1, 2012 through June 30, 2016. If all three options under the agreement of two-years each are exercised by the Airport, the total not-to-exceed estimated cost of this agreement would be \$105,000,000 for the nine year and seven month term from December 1, 2012 through June 30, 2022.

According to Mr. Azam, the FY 2012-13 projected costs for the Airport shuttle bus service are \$10,456,084, as shown in Table 1 below, which is an average monthly cost of \$871,340<sup>2</sup>. The FY 2012-13 projected costs of \$10,456,084 include five months under the existing agreement and seven months under the proposed agreement. The Airport's FY 2012-13 budget, as previously approved by the Board of Supervisors, included \$9,135,874 for the Airport's shuttle bus service, which is \$1,320,210 less than the total estimated \$10,456,084 cost. Mr. Azam reports that this budget deficiency of \$1,320,210 will be absorbed within the Airport's existing operating budget for FY 2012-13.

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<sup>2</sup> According to Mr. Abu, the monthly cost will change due to fluctuations in fuel, lubrication and utilities pricing.

<b>Table 1. FY 2012-13 Projected Shuttle Bus Costs</b>	
FY 2012-13 Estimate	
Management Fee	\$ 1,180,131
Projected Labor Cost	5,366,792
Other Contract Costs	\$ 3,409,160
Fuel, Lubricants, Utilities	916,363
Liability Insurance	132,414
Worker's Compensation	257,040
Property Insurance	5,692
Bus Maintenance	645,000
Employee Pension Costs	489,600
Employee Health and Welfare Costs	963,051
Total Projected Annual Costs	\$ 9,956,083
Plus Hilton Lot Service <sup>1</sup>	500,000
<b>Total FY 2012-13 Costs</b>	<b>10,456,083</b>
FY 2012-13 Projected Monthly Invoice	\$ 871,340

<sup>1</sup> Under the proposed agreement, existing employee parking in Lot D will be replaced by long-term passenger parking. Employee parking will be relocated to the Hilton Hotel parking lot, with shuttle bus service costs of \$500,000 per year.

The proposed agreement's average monthly cost of \$871,340 for FY 2012-13 is \$2,288 or 0.26% more than the \$869,052 average monthly cost under the last 11-month extension period of the existing agreement.

As shown in Table 2 below, Mr. Azam reports the total cost of the proposed initial three year and seven month term of the proposed agreement from December 1, 2012 through June 30, 2016 is estimated at \$38,739,176, which is \$260,824 less than the not-to-exceed amount of \$39,000,000 as specified in the agreement.

<b>Table 2. Total Estimated Proposed Agreement Cost from December 1, 2012 through June 30, 2016.</b>	
First Seven Months of New Contract, through June 30, 2013	\$ 6,099,382
FY 2013-14 – 2% Increase	10,665,205
FY 2014-15 – 2% Increase	10,878,509
FY 2015-16 – 2% Increase	11,096,080
<b>Total Estimated Agreement Cost</b>	<b>\$ 38,739,176</b>

As shown in Table 2 above, the estimated cost of the proposed agreement includes a 2% average annual increase in costs. If all three of the two-year options under the proposed agreement are exercised, the total estimated not-to-exceed cost of the nine year and seven month agreement is \$105,000,000.

## RECOMMENDATIONS

1. Amend the proposed resolution to include the not-to-exceed agreement amount of \$105,000,000 for the agreement's total period of nine years and seven months if all three two-year options are exercised.
2. Approve the proposed resolution as amended.