

**CITY AND COUNTY OF SAN FRANCISCO**

**BOARD OF SUPERVISORS**

**BUDGET AND LEGISLATIVE ANALYST**

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**TO:** Government Audit and Oversight Committee

**FROM:** Budget and Legislative Analyst



**SUBJECT:** June 1, 2023 Government Audit and Oversight Committee Meeting

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<b>Item 4</b> <b>File 23-0474</b>	<b>Department:</b> San Francisco International Airport (Airport)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolution would approve a parking management and operations contract between the San Francisco International Airport (Airport) and SP Plus SF Joint Venture (SP Plus) for a term of five years, from July 2023 through June 2028, and an amount not to exceed \$214,947,987.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>The Airport uses private contractors to manage the public and employee parking facilities at the Airport. In December 2022, the Airport issued a Request for Proposals (RFP) to select a new parking management operator. SP Plus, which is a joint venture partner of the existing provider New South Parking, was deemed the highest scoring proposer and was awarded a contract.</li> <li>Under the contract, SP Plus would manage and operate the public and employee parking facilities and the Airport Impound Lot for towing and storage of abandoned and public vehicles. Services include collecting all public parking fees and charges, processing credit card charges, distributing employee permits and collecting all fees and charges associated with the employee parking program, providing security, maintenance, and janitorial services for the parking facilities.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>The proposed contract would have a total expenditure of \$214,947,987 over the five-year term offset by \$738,791,114 in projected revenues, resulting in \$523,843,127 in net revenues to the Airport over the five-year term.</li> <li>The contract budget includes \$10 million in annual expenditures, starting in Year 3, to fund operations at a potential off-site parking facility that the Airport may consider acquiring. Funding is also included for remote airline check-in and curbside valet services, as well as additional staffing while the Parking Access and Revenue Control System (PARCS) is replaced.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Approve the proposed resolution.</li> </ul>	

## MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

## BACKGROUND

The San Francisco International Airport (Airport) operates approximately 15,508 public parking spaces as well as 7,225 employee parking spaces. The Airport has used private contractors to manage the public and employee parking facilities at the Airport, including collecting all public parking fees and charges, processing credit card charges, distributing employee permits and collecting all fees and charges associated with the employee parking program, providing security services for the parking facilities, and providing maintenance and janitorial service for the parking facilities.

In December 2022, the Airport issued a Request for Proposals (RFP) to select a new parking management operator. The Airport received two proposals and an evaluation panel reviewed and scored them, as shown in Exhibit 1 below.<sup>1</sup>

### Exhibit 1: Proposals and Scores from RFP

Proposer	Score (Out of 1000)
SP Plus SF Joint Venture <sup>2</sup>	838.75
ABM Aviation Inc.	768.00

Source: Airport

SP Plus SF Joint Venture (SP Plus), which is a joint venture partner of the existing provider New South Parking, was deemed the highest scoring proposer and was awarded a contract. In March 2023, ABM Aviation sent the Airport two protest letters over the award to SP Plus.<sup>3</sup> After consulting with the City Attorney's Office, Airport staff determined that the protest had no merit. In April 2023, the Airport Commission approved a contract with SP Plus.

<sup>1</sup> The evaluation panel consisted of an Airport Parking Operations Manager from the Port of Oakland, a Senior Manager of Commercial Revenue Development from Seattle-Tacoma International Airport, a Security Access Office Manager from SFO, a Director of Budget & Capital Planning from SFO, and an Acting Chief Information Officer from SFO.

<sup>2</sup> SP Plus SF Joint Venture is comprised of SP Plus Corporation and SF Parking, LLC.

<sup>3</sup> ABM protested on the grounds that oral interview questions were not provided one week in advance (as stated in the RFP) and that the Airport did not provide SP Plus's RFP response to ABM after it was selected for contract award. Citing relevant case law, the Airport and City Attorney's Office determined that the protests had no merit.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would approve a parking management and operations contract between the Airport and SP Plus for a term of five years, from July 2023 through June 2028, and an amount not to exceed \$214,947,987.

**Scope of Services**

Under the contract, SP Plus would manage and operate the public and employee parking facilities and the Airport Impound Lot for towing and storage of abandoned and public vehicles.<sup>4</sup> In addition to the 22,733 parking spaces mentioned above, the Airport is preparing an RFP for a design-build contract for a new employee parking facility that would have approximately 1,100 spaces and would be anticipated to open in December 2025. Due to facilities reaching capacity in peak travel periods, the Airport is also considering acquiring an off-site parking facility that could be for employees, public use, or a mix of both. The Airport has not determined an approximate size for this potential facility.

The services provided under the contract include:

- Collecting all public parking fees and charges, including the processing of credit card charges, Pay on Foot transactions, ParkFAST, FasTrak, and other sources;<sup>5</sup>
- Using the City's Parking Access and Revenue Control System (PARCS) to provide reports and effectively manage and operate the parking facilities;<sup>6</sup>
- Distributing employee permits and collecting all fees and charges associated with the employee parking program;
- Providing maintenance, janitorial, and security services for the parking facilities; and
- Furnishing all management, technical, and administrative personnel required to perform required services, including through the use of subcontractors (with prior Airport approval), and supervising and training these personnel as needed.

Under the contract, SP Plus would provide services that would be reimbursed by the Airport, plus an initial monthly management fee of \$24,667. The contract would initially fund approximately 238 full-time equivalent (FTE) employees.

**Performance Monitoring and Incentive Program**

The Airport has developed a scorecard for rating SP Plus's performance on various customer service and operational metrics, with a possible score of 200 points. The points achieved would translate to a percentage of the initial budgeted incentive fee of \$320,000 annually. SP Plus would

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<sup>4</sup> SP Plus manages the Airport's Grand Hyatt hotel parking lot under a separate contract.

<sup>5</sup> Pay on Foot refers to stand-alone walk-up payment stations that patrons use before exiting the parking facilities. ParkFAST is a reserved parking area in the Domestic Terminal Parking Garage with 105 spaces. FasTrak is the California electronic toll collection system and can be used to pay Airport parking fees.

<sup>6</sup> PARCS is the Airport's parking management and revenue accounting software and hardware system.

submit a self-evaluation every six months, and the Airport would use a third-party evaluator to review and adjust the point total.

## FISCAL IMPACT

The proposed contract would have a total amount not to exceed \$214,947,987 over the five-year term. The estimated expenditures by year are shown in Exhibit 2 below.

### Exhibit 2: Projected Expenditures by Year

Expenditures	Year 1 (FY 2023-24)	Year 2 (FY 2024-25)	Year 3 (FY 2025-26)	Year 4 (FY 2026-27)	Year 5 (FY 2027-28)	Total
Salaries & Benefits	\$19,993,206	\$21,873,538	\$23,026,311	\$23,832,232	\$24,666,360	\$113,391,647
Taxes	3,515,359	3,638,397	3,765,740	3,897,541	4,033,955	18,850,993
Insurance	974,876	1,008,997	1,044,312	1,080,862	1,118,693	5,227,739
Management & Incentive Fees	616,000	637,560	659,875	682,970	706,874	3,303,279
Marketing/Advertising <sup>7</sup>	730,525	756,093	782,557	809,946	838,294	3,917,415
Credit Card Fees	3,808,452	3,941,748	4,079,709	4,222,499	4,370,286	20,422,694
Remote Airline Check-In	387,500	802,125	830,199	859,256	889,330	3,768,411
Curbside Valet	-	569,250	589,174	609,795	631,138	2,399,356
Mobile Security Enforcement Solution <sup>8</sup>	500,000	517,500	535,613	554,359	573,762	2,681,233
Additional Staff Due to PARCS Upgrade	-	-	1,088,841	1,088,841	1,088,840	3,266,522
Additional Staff and Services due to Off-Site Parking Facility	-	-	10,000,000	10,000,000	10,000,000	30,000,000
Other Reimbursable Costs <sup>9</sup>	1,425,363	1,493,101	1,545,359	1,599,447	1,655,427	7,718,697
<b>Total Not-to-Exceed</b>	<b>\$31,951,281</b>	<b>\$35,238,308</b>	<b>\$47,947,689</b>	<b>\$49,237,749</b>	<b>\$50,572,960</b>	<b>\$214,947,987</b>

Source: Airport

The contract budget includes \$10 million in annual expenditures, starting in Year 3, to fund operations at a potential off-site parking facility that the Airport may consider acquiring. According to Adam Gubser, Airport Parking Manager, the Airport estimated this amount based on the increase in operational costs from opening the long-term parking garage in 2019, adjusted for escalation. Although the Airport has not accounted for the anticipated opening of the employee parking facility in December 2025, Parking Manager Gubser believes that it can likely be absorbed within the not-to-exceed amount.

<sup>7</sup> Advertising and marketing were not included in the previous contract. According to Parking Manager Gubser, the Airport would use these funds to support a comprehensive digital marketing campaign to attract and retain customers to drive revenue growth.

<sup>8</sup> Mobile Security Enforcement Solution is a system that uses mobile technology and license plate recognition technology to facilitate parking for employees, rather than using traditional parking permits or access cards.

<sup>9</sup> Other reimbursable costs include exterminator services, auto expenses, bank charges, computer maintenance, laundry and uniforms, office supplies, refunds and fee adjustments, repairs and maintenance, revenue control tickets and forms, tools and supplies, telephone and communications, performance bond expense, mystery shops, Bay Area Toll Authority (BATA) fees, janitorial operating expenses, contract services, security and traffic control operating expenses, trash removal services, commuter benefits, lien sale services, portable restrooms, permits and licenses, Cal Chamber, miscellaneous expenses, revenue development and management, and a third-party evaluator for the performance based incentive fee.

According to Parking Manager Gubser, the PARCS system has been at the end of its useful life, but system replacement was delayed due to the COVID-19 pandemic. The Airport is preparing an RFP to replace the PARCS system and anticipates that the transition to the new system will begin during Year 3 of the proposed contract. Annual funding of approximately \$1.1 million is included in the contact budget to fund additional staffing during this transition, as kiosks and other automated systems are disabled.

Funding is also included for remote airline check-in and curbside valet services, which would be new services under the proposed contract. According to Parking Manager Gubser, the remote airline check-in service would utilize cashiers in a skycap role to assist passengers with checking into their flights and checking bags. BAGS, a subsidiary of SP Plus, provides similar services at various airports. Parking Manager Gubser anticipates that the curbside valet program would likely begin in the International Terminal, but the program is still conceptual at this time.

### Revenues

Over the five-year term of the contract, the Airport projects total parking revenues of approximately \$739 million. After deducting the costs of the SP Plus contract, the net parking revenues would be approximately \$524 million, as shown in Exhibit 3 below.

#### Exhibit 3: Projected Airport Parking Revenues

Year	Revenues	Costs	Net Revenues
Year 1 (FY 2023-24)	\$139,154,684	(\$31,951,281)	\$107,203,403
Year 2 (FY 2024-25)	143,329,324	(35,238,308)	108,091,016
Year 3 (FY 2025-26)	147,629,204	(47,947,689)	99,681,515
Year 4 (FY 2026-27)	152,058,080	(49,237,749)	102,820,331
Year 5 (FY 2027-28)	156,619,822	(50,572,960)	106,046,862
<b>Total</b>	<b>\$738,791,114</b>	<b>(\$214,947,987)</b>	<b>\$523,843,127</b>

Source: Airport

### RECOMMENDATION

Approve the proposed resolution.