

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** John Aitken

**SUBJECT:** AIR SERVICE CONSULTANT  
AGREEMENTS

**DATE:** July 22, 2019

Approved



Date

7/31/19

## RECOMMENDATION

- (a) Approve Master Agreements with AviaSolutions, Inc. and ASM North America/UBMi Princeton LLC to provide on-call air service development consultant services for the Norman Y. Mineta San José International Airport, each in an amount not to exceed \$975,000, with a combined total budget for both agreements not to exceed \$975,000, and each for a term of five years from the date of Council approval.

## OUTCOME

Rather than select a single firm to fulfill the requirements of the agreement, the selection of two companies provides the Norman Y. Mineta San José International Airport (SJC) management team substantial flexibility with respect to dedicated air service development consulting resources. It is anticipated that the firms' relative strengths and staff resources will be used to determine specific domestic and international assignments, in addition to providing greater resource options and depth of overall experience.

## EXECUTIVE SUMMARY

Mineta San José International Airport has achieved industry-leading success among major airports in the development of new airline services and the growth of passengers since initiating a strategic air service development plan five years ago. With the addition of many new routes and substantially increased competition for Silicon Valley travelers, millions more are flying through SJC every year and new all-time records continue to be established.

Going forward, however, the landscape for attracting new airline services will remain extremely competitive, and substantial recruitment efforts must continue in both the domestic and international arenas. Without question, air service is a massive investment on the part of commercial airlines, requiring not only costly aircraft but also the ongoing investment in fuel, flight crews, maintenance, and airport operations.

Like the use of other professional advisory services (legal, engineering, planning, financial, etc.), commercial service airports routinely supplement their own resources with those of air service consultants. Although tasks may vary from one airport to another, SJC has used such professional resources in both domestic and international engagements, often in the preparation of “outside expert” route forecasts or to further support strategic initiatives launched by airport staff. With contract terms for the existing consultants scheduled to end in mid-September 2019, a new Request for Qualifications (RFQ) was issued. Recommendations from the review committee are to again select two individual firms, AviaSolutions, Inc. and ASM North America/UBMi Princeton LLC, with this request for Council to approve five-year master agreements with each company.

## **BACKGROUND**

The Airport is a strategic asset for achieving the City’s economic development goals. Air service provides an essential link to support and sustain Silicon Valley’s quality of life by moving people and products between San José and both domestic and global destinations. Gaining better access to national and international markets and technology centers has long been a priority of the region’s businesses. Community and business leaders and travelers have clearly expressed their strong desire to the Airport for improved access between San José and key domestic and international cities.

Over the past several years, SJC has continued to outpace the nation’s major airports in terms of growth, with calendar 2019 projected to be the fourth consecutive year of increases of one million or more total passengers. The Airport’s all-time passenger record of 14.2 million was broken in December 2018, 12 month totals are now reaching 15 million, and it is expected that 16 million or more will travel through SJC in 2020. Many new domestic and international routes have been added, with San Jose and greater Silicon Valley travelers having significantly more options for air service.

However, SJC remains in a very competitive environment, with other Bay Area airports as well as those across the U.S. aggressively seeking expanded airline services. To support its airline recruitment initiatives, SJC has long engaged in the industry practice of using professional air service consultants to provide additional resources under the direction of airport staff.

## **ANALYSIS**

A formal RFQ was issued on June 10, 2019, and distributed through the City’s formal Bid Sync process. The period for submittals was three weeks, and the RFQ was reviewed by 29 different organizations. Due to the very specialized nature of the work, many chose not to further pursue the opportunity, yet five full submittals were received in accordance with the July 1 deadline.

Consistent with the most recent award process in 2014, the firms were evaluated by a selection panel on criteria outlined in the RFQ: Experience, content of submittal, plans to address SJC’s

requirements under the scope of services, relevant client activity, identification of potential conflicts of interest with SJC’s own air service initiatives, fee structure, and additional consideration given for Local Business Enterprise and Small Business Enterprise status.

Continuing with a successful model of retaining two companies for purposes of flexibility of assignments and strengths of resources relative to specific tasks, the evaluation panel members reached consensus based on the best combination of resources, experience, talent, and value. Those firms were as follows, with evaluation committee scores shown in Table 1 below:

AviaSolutions, Inc.

This firm was also selected in the 2014 process, and has provided strong partnership and valuable services in the successful pursuit of SJC’s international routes.

ASM North America/UBMi Princeton LLC

Although ASM will be new to SJC, the firm is well known across the industry and has a well-established leadership team that will complement airport staff resources.

Table 1: Air Service Consultant RFQ Scores

| <b>Evaluation Criteria</b>                           | <b>Possible Points</b> | <b>Avia-Solutions</b> | <b>ASM/UBMi Princeton LLC</b> | <b>ICF SH&amp;E, Inc.</b> | <b>Accenture LLP</b> | <b>Crawford, Murphy, and Tilly, Inc.</b> |
|--|------------------------|-----------------------|-------------------------------|---------------------------|----------------------|--|
| Submittal Requirements                               | Pass/Fail              | Pass                  | Pass                          | Pass                      | Pass                 | Pass                                     |
| Minimum Qualifications & Experience                  | Pass/Fail              | Pass                  | Pass                          | Pass                      | Pass                 | Pass                                     |
| Experience of Proposer                               | 50                     | 49                    | 46                            | 46                        | 43                   | 28                                       |
| Customer References and Firm Reputation              | 20                     | 19                    | 19                            | 19                        | 19                   | 9  |
| The Content of the Statement of Qualifications (SOQ) | 20                     | 20                    | 19                            | 14                        | 13                   | 11                                       |
| Local Business Enterprise                            | 5                      | 0                     | 0                             | 0                         | 0                    | 0  |
| Small Business Enterprise                            | 5                      | 0                     | 0                             | 0                         | 0                    | 0  |
| <b>Total of Committee Blended Scores</b>             | <b>100</b>             | <b>88</b>             | <b>84</b>                     | <b>79</b>                 | <b>75</b>            | <b>48</b>                                |

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

This item requires no further evaluation or Council follow-up. Airport staff will manage all consultant work assignments and budgets and will remain responsible for ensuring professional, high quality deliverables by both firms throughout the complete five-year term.

### **POLICY ALTERNATIVES**

**Alternative #1:** The City Council may choose not to approve the master agreements with AviaSolutions, Inc. and ASM North America/UBMi Princeton LLC to provide professional on-call air service development consulting services to SJC.

**Pros:** None.

**Cons:** If Council does not approve the master agreements for air service consulting services, airport staff will no longer have access to professional outside resources, manpower, or expertise in the pursuit of domestic and international airline routes. This situation would likely place SJC at a competitive disadvantage to the majority of major airports that employ multiple air service development staff members and/or actively use professional air service advisors.

**Reason for not recommending Alternative #1:** Air service development is a very unique professional discipline, requiring knowledge of route and aircraft economics, competitive analysis, policy constraints, airline decision-making processes, airport operations, regional economics and business development, and a number of complex data sources. Having access to outside resources places SJC in a stronger position to aggressively pursue additional airline flights and destinations to serve the City's constituents as well as visitors to Silicon Valley.

### **PUBLIC OUTREACH**

The RFQ process has been successfully completed, with the Bid Sync distribution reaching a widely targeted audience that was viewed by 29 different organizations across 15 states. No further public outreach is required. This memorandum will be posted on the City's website for the August 13, 2019 Council Agenda.

### **COORDINATION**

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

### **COMMISSION RECOMMENDATION**

This item does not have explicit input from the Airport Commission, although Commission members have been aware of SJC's use of professional advisors in the pursuit of commercial airline service.

### **FISCAL/POLICY ALIGNMENT**

This project aligns with the City's Economic Development Strategy #9 "Keep Developing a Competitive, World Class Airport, and Attract New Air Service."

### **COST IMPLICATIONS**

Each master agreement will cover a five year period, and all compensation will be subject to the annual budgeting process and the continued approval of funds by City Council. As was done in the previous consultant agreements and to provide flexibility to allocate tasks between the two firms, compensation for each agreement will not exceed the same \$975,000 amount from the previous five-year awards. However, the total budgeted compensation for both agreements also will not exceed \$975,000. SJC is not required to expend maximum funds to these consulting firms, and the allocation of funds between the two companies within the total \$975,000 budget will be managed by Airport staff and remain at the discretion of the City.

To put these consulting costs into perspective, the airline fees collected from all of SJC's carriers currently generate approximately \$20 million more annually than were produced only five years ago. Although greatly simplified, the impact of additional air service creates significant financial benefits from direct fees, spending on airport concessions, parking, and other services, and advances the strategic goal of serving the City's domestic and international traveling passengers.

**BUDGET REFERENCE**

The table below identifies the fund and appropriation to fund the actions recommended as part of this memorandum.

| Fund #                                 | Appn # | Appn. Name                      | Total Appn.         | Amt. for Contract | 2019-2020 Proposed Operating Budget Page | Last Budget Action (Date, Ord. No.) |
|--|--------|---------------------------------|---------------------|-------------------|--|-------------------------------------|
| 523                                    | 0802   | Airport Non-Personal/ Equipment | \$45,690,740        | \$195,000*        | X-3                                      | 6/18/19, Ord. No. 30286             |
| <b>Total Current Funding Available</b> |        |                                 | <b>\$45,690,740</b> | <b>\$195,000</b>  |  |                                     |

\*The amount of \$195,000 is recommended to fund this contract in 2019-2020 and funding for subsequent fiscal years (not exceeding \$975,000) is subject to appropriation of funds by City Council.

**CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/  
JOHN AITKEN, A.A.E.  
Director of Aviation

For questions, please contact John Aitken, Director of Aviation at (408) 392-3611.