



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Maria Öberg
Mukesh (Mookie) Patel

SUBJECT: See Below

DATE: January 8, 2025

Approved

Date:

1/10/25

COUNCIL DISTRICT: Citywide

SUBJECT: Airport Parking Garage and Surface Lot Management Services at the San José Mineta International Airport

RECOMMENDATION

Adopt a resolution authorizing the City Manager or her designee to:

- a) Negotiate and execute the third amendment to the existing agreement with SP Plus Corporation (Chicago, IL) for Airport Parking Garage and Surface Lot Maintenance Services at San José Mineta International Airport;
- b) Increase the maximum compensation by \$32,172,222 resulting in an increase of the total not-to-exceed amount from \$25,157,809 to \$57,330,031, subject to the appropriation of funds;
- c) Negotiate and execute amendments and/or change orders with a not-to-exceed amount for contingencies of \$3,217,222 for unanticipated changes such as changes to the list of parking facilities, service levels, and in-scope augmentations to the service offerings, subject to the appropriation of funds;
- d) Extend the term of the agreement and exercise five additional one-year option terms, resulting in a total of five one-year options to extend the potential term of the agreement starting on February 1, 2025, and ending on or about January 31, 2030, subject to the appropriation of funds.

SUMMARY AND OUTCOME

The City executed an agreement with SP Plus Corporation (Chicago, IL) for an initial two-year term beginning December 1, 2019, and ending on or about November 30, 2021. This agreement was for management services at parking garages and surface lots (collectively, the “parking facilities”), including operations, janitorial services, minor

repairs, and supplemental services, for a maximum compensation not to exceed \$8,784,576 for the two-year term. The City then exercised three options to extend the term of the agreement through January 31, 2025, subject to the appropriation of funds.

The approval for additional funds to the original not-to-exceed amount and extension of the agreement for an additional five years will allow the San José Mineta International Airport (Airport) to develop a comprehensive and dynamic pricing program for the Airport public parking lots, resulting in added value for customers, and added parking revenue for the Airport. Additionally, this extension will result in the ongoing management, operations, and janitorial services at the Airport's parking facilities, thus ensuring that the parking facilities are safe, clean, convenient, and accessible to the traveling public, tenants, and staff.

BACKGROUND

The parking facilities at the Airport are an economic driver for the City and a natural extension of the Airport's infrastructure. They also offer the first impression of San José for many visitors, and first impressions are important as visitors are welcomed into San José.

These parking facilities generate approximately \$32 million in gross revenue annually and include over 5,200 public parking spaces located in three parking garages and three surface lots. The addition of commercial revenue management services, commercial revenue marketing services and commercial software as a service will allow the Airport to institute a dynamic pricing model that would leverage discounted parking reservations based on supply and demand. These additional commercial services are projected to bring a return on investment of up to three times their cost through additional airport parking volume.

In October 2018, the Finance Department issued a Request for Proposal (18-19-01) for Airport Parking Garage and Surface Lot Management Services through the City's e-procurement system. A total of 12 companies attended a pre-proposal conference, followed by an onsite visit to the Airport's parking facilities. All 12 companies submitted proposals by the deadline. A five-member evaluation team independently reviewed and scored the proposals based on the criteria outlined in the Request for Proposal. SP Plus Corporation emerged as the highest-ranked responsive and responsible proposer.

On October 31, 2019, the City of San José executed an agreement with SP Plus Corporation for an initial two-year term. The agreement facilitated ongoing management, operations, and janitorial services at the Airport's parking facilities, thus ensuring that the parking facilities are safe, clean, convenient, and accessible to the traveling public, tenants, and staff. Subsequently, the City then executed three one-year options to maintain these services.

ANALYSIS

The current option to the SP Plus Corporation contract expires on January 31, 2025. Although the City plans to conduct a new competitive solicitation, circumstances have prohibited ample time to do so. The Airport is currently working on adding a new parking reservation system through SP Plus that requires additional time to implement. In addition, the Airport is working to incorporate commercial revenue management, commercial revenue marketing services, and commercial revenue software as a service into the existing SP Plus contract. These added services would allow the Airport to generate dynamic parking pricing based on supply and demand, utilizing an online parking reservation system to market Airport parking options to a broad public audience. A contract extension of five years would allow the City adequate time to complete the additional implementation and conduct another competitive procurement. In addition, approval of this recommendation will also ensure that the Airport is in regulatory compliance with the United States Department of Transportation, 49 Code of Federal Regulations Part 23, Participation of Disadvantaged Business Enterprise in Airport Concessions program.

EVALUATION AND FOLLOW-UP

This memorandum will not require any follow-up from staff.

COST SUMMARY/IMPLICATIONS

The recommended agreement amount of \$32,172,222 will be funded by the Airport Maintenance and Operation Fund. The extension of the agreement will continue to support operations, maintenance, software support, spare parts, and as-needed miscellaneous services. The amendment to the contract for five additional one-year extensions is subject to future appropriation of funds.

1. TOTAL COST OF AGREEMENT:

Original Agreement Amount	\$8,784,576
Options already exercised Amount (Option 1-3)	\$16,373,233
Recommended Amendment (as included in the memorandum for 5 option years)	\$32,172,222
TOTAL AGREEMENT AMOUNT	\$57,330,031

2. COST ELEMENTS OF AGREEMENT AS RECOMMENDED AS PART OF THE MEMORANDUM (5 Option years):

Management Fee	\$6,076,208
Reimbursable Service	\$22,264,764
Supplemental Services	\$500,000
Commercial Revenue – Marketing (as needed)	\$2,031,250
Aero Parker Management Fee (as needed)	\$1,000,000
Software as a Service Fee (as needed)	\$300,000

TOTAL AGREEMENT AMOUNT	\$32,172,222
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BUDGET REFERENCE

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

Fund #	Appn. #	Appropriation Name	Total Appropriation	Amount for Agreement	2024-2025 Adopted Operating Budget	Last Budget Action (Date, Ord. No.)
523	0802	Airport Non-Personal/Equipment	\$59,549,251	\$6,434,444*	922	06/18/2024, 31102

* The first year only of the amended agreement amount (\$6,434,444) is funded in 2024-2025. The remaining amount (\$25,737,778) for option years two through five will be subject to the appropriation of funds in a future budget process.

COORDINATION

This memorandum has been coordinated with the City Attorney’s Office and the City Manager’s Budget Office.

PUBLIC OUTREACH

This memorandum will be posted on the City’s Council Agenda website for the January 28, 2025 City Council meeting.

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COMMISSION RECOMMENDATION AND INPUT

An update on the Request for Proposal for Airport Parking Garage and Surface Lot Management Services was provided to the Airport Commission during its regular session on February 11, 2019. No commission recommendation or input has been associated with this action since then.

CEQA

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

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

MARIA ÖBERG
Director of Finance

/s/

MUKESH (MOOKIE) PATEL
Director of Aviation

For procurement- and contract-related questions, please contact Albie Udom, Deputy Director of Finance – Purchasing and Risk Management, at albie.udom@sanjoseca.gov. For program-related questions, please contact Rosalyn Bond, Deputy Director of Airport Operations, at rbond@sjc.org