


CITY COUNCIL ACTION REQUEST

Department(s): Finance	CEQA: Not a Project, File No. PP17- 003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment	Coordination: Airport Department, City Attorney's Office, and City Manager's Budget Office	Dept. Approval: /s/ Rick Bruneau
Council District(s): District 6			CMO Approval:  4/24/23

SUBJECT: AMENDMENT TO THE RESTATED AGREEMENT WITH PENSKE TRUCK LEASING CO., L.P. FOR LEASE AND MAINTENANCE OF COMPRESSED NATURAL GAS SHUTTLE BUSES

RECOMMENDATION:

Adopt a resolution authorizing the City Manager to:

- (a) Negotiate and execute the Fourth Amendment to the Restated Agreement for Lease and Maintenance of Compressed Natural Gas Shuttle Buses at the San José Mineta International Airport with Penske Truck Leasing Co., L.P. (Wilmington, DE) to extend services for one additional option term from June 1, 2023 to May 31, 2024 for a maximum compensation of \$700,000, subject to the appropriation of funds; and
- (b) Negotiate and execute additional amendments to the agreement as required, and associated options, to add up to two additional 12-month options for a total of seven options through May 31, 2026, subject to appropriation of funds.

Desired Outcome: Authorizing the City Manager to take this action provides ongoing San José Mineta International Airport (Airport) shuttle bus services to meet demand until electric buses are procured, delivered, and operational.

BASIS FOR RECOMMENDATION:

In June 2007,¹ City Council adopted a resolution authorizing the Director of Finance to negotiate and execute an agreement with Penske Truck Leasing Co., L.P. for the lease and maintenance of compressed natural gas buses at the Airport. In September 2009, the City and Penske Truck Leasing Co., L.P. entered into a restated agreement to add an additional fleet of compressed natural gas buses with a lease term through May 31, 2017.

In April 2017,² City Council adopted a resolution authorizing staff to amend the agreement to extend the initial term for two additional years through May 31, 2019 and add one one-year option to extend the agreement through May 31, 2020 to allow sufficient time to phase out the compressed natural gas buses. In May 2020,³ City Council adopted a resolution authorizing staff to amend the agreement again to add up to three additional one-year options for a total of four options with the last option ending on May 31, 2023.

The Airport has reduced its fleet of compressed natural gas buses from 10 to four but has been unable to fully eliminate these buses from its fleet due to delays in replacing them with electric buses. The Airport is currently applying for \$2,400,000 in federal matching funds to purchase three new electric buses, as well as pursuing additional grant funding opportunities, to phase out the remaining compressed natural gas buses. The current compressed natural gas buses are in good working condition, and the Airport expects they will

¹ 2007 City Council Resolution: <https://records.sanjoseca.gov/Resolutions/RES73876.PDF>

² 2017 City Council Memorandum: https://sanjose.granicus.com/Viewer.php?view_id=&event_id=2684&meta_id=633808

³ 2020 City Council Memorandum: <https://sanjose.legistar.com/View.ashx?M=A&ID=712187&GUID=204B841D-89CB-4EE1-B3EA-50892E8ED84E>

continue to provide passengers safe, efficient transportation until the replacement electric buses are operational.

The Fourth Amendment in this recommendation will allow the Airport sufficient time to complete the grant applications and receive the funds, order, and take delivery of the new electric buses. Per the terms of the agreement, the City options are exercised at the City's sole discretion so although this recommendation includes the ability for staff to add and exercise additional options, all options may not be required. Additionally, the City may terminate the agreement for convenience at any time during an option period by giving the vendor 30 days' prior written notice. Should the Airport replace the compressed natural gas buses sooner than currently expected, the City will terminate this agreement.

Approval of this recommendation will authorize staff to extend the current agreement with Penske Truck Leasing Co., L.P. for the lease and maintenance of compressed natural gas buses at the Airport to provide shuttle services for airport passengers and staff to travel between terminals, rental car facilities, long term parking garages, and employee parking facilities until these buses can be replaced with electric buses.

Commission Recommendation/Input: There is no commission recommendation or input associated with this action.

COST AND FUNDING SOURCE:

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract*	2022-2023 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
523	0802	Airport Non-Personal/ Equipment	\$51,142,505	\$669,720	948	06/21/2022, 30790

*Reflects currently known costs for the option term ending May 31, 2024. The remaining \$30,280 of the \$700,000 maximum compensation included in recommendation (a) is contingency for unexpected demand during the option term, subject to the appropriate of funds.

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