


**CITY COUNCIL ACTION REQUEST**

<b>Department(s):</b> Airport	<b>CEQA:</b> Not a Project, File No. PP17-003, Agreements/Contracts	<b>Coordination:</b> City Attorney's Office, City Manager's Budget Office	<b>Dept. Approval:</b> /s/ John Aitken
<b>Council District(s):</b> Citywide			<b>CMO Approval:</b> 

**SUBJECT: APPROVAL OF THE FIRST AMENDMENT BETWEEN THE CITY OF SAN JOSÉ AND SMARTE CARTE, INC.**

**RECOMMENDATION:**

Approve the First Amendment to the Agreement between the City of San José and Smarte Carte, Inc. to provide for a maximum Cart Fee compensation amount payable by the City to Smarte Carte in an amount not to exceed \$850,000 for FIS Facility Luggage Carts through the remaining four-year term of the agreement.

**BASIS FOR RECOMMENDATION:**

On August 1, 2014, the City entered into a seven-year self-service luggage cart agreement with Smarte Carte, Inc. that permits Smarte Carte, Inc. to offer self-service luggage carts in Terminal A and Terminal B for a \$5.00 cart fee, with fifteen percent (15%) of the revenue provided to the City; and for the City to compensate Smarte Carte Inc., at the rate of \$1.00 per cart vended in the Federal Inspection Services (FIS) facility. The compensation for FIS luggage carts is adjusted by CPI annually. Providing self-service luggage carts to arriving international passengers is considered a valued customer service to arriving international passengers who may not have U.S. currency to rent a cart.

In 2014, the Airport had international activity on two airlines, Volaris and Alaska. Therefore, FIS luggage cart compensation costs were relatively small. Since that time, the Airport has seen a significant increase in international activity with the addition of new flights from British Airways, Lufthansa, Hainan, ANA, and Air China, resulting in an increase in the compensation to Smarte Carte, Inc. With the launch of Aeromexico on July 1, 2017, and the continued growth at the Airport, it is anticipated that arriving international passengers will use FIS luggage carts resulting in increased compensation to Smarte Carte, Inc. The projected FIS Cart Fee compensation amount will surpass the City Manager's authority.

From August 2014 to June 2017, the City has compensated Smarte Carte, Inc. approximately \$187,000 for FIS luggage carts. Over the remaining four years of the Smarte Carte, Inc. agreement, the Airport anticipates FIS luggage cart compensation may increase to approximately \$150,000 per year resulting in total compensation of close to \$780,000. To allow for growth in future international flight activity, Council approval is requested to add a Not to Exceed Amount of \$850,000 for FIS Luggage Cart Fee compensation. This will allow the City to continue to provide FIS luggage carts at no cost to international passengers through the term of the Agreement.

**COST AND FUNDING SOURCE:**

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2017-2018 Proposed Budget Page	Last Budget Action (Date, Ord. No.)
523	0802	Airport Non-Personal/ Equipment	\$38,280,817	\$850,000	794	06/20/2017, Ord. No. 29962

**FOR QUESTIONS CONTACT:** Kim Hawk, Dep. Director of Finance & Administration, (408) 392-1141