



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: May 29, 2018

Approved

6/8/18

**SUBJECT: AGREEMENT FOR AIRPORT NETWORK AND INTEGRATED SYSTEMS
WITH AMADEUS AIRPORT IT AMERICAS, INC.**

RECOMMENDATION

Adopt a resolution authorizing the City Manager to:

- a. Negotiate and execute an agreement with Amadeus Airport IT Americas, Inc. (Orlando, FL) for a network upgrade and ongoing support and maintenance for the network and integrated systems at the Norman Y. Mineta San José International Airport (the "Airport"), including hardware, software, and related professional services, for an initial four-year term ending on June 30, 2022, with a maximum compensation not to exceed \$4,557,995 for the initial twelve-month period and \$18,348,389 for the full four-year term, subject to the annual appropriation of funds.
- b. Negotiate and execute amendments and change orders to the agreement to cover any unanticipated changes in requirements or specifications not to exceed \$3,600,000 during the initial four-year term, subject to the appropriation of funds.
- c. Execute up to three one-year options to extend the term of the agreement after the initial term through June 30, 2025 for ongoing support, maintenance, and supplemental in-scope work as required, including equipment, parts, and services, subject to the appropriation of funds.

OUTCOME

Increase operational efficiency by ensuring optimal performance of the Airport's mission-critical shared-use and integrated systems which rely on the network and technical infrastructure for connectivity and integration.

BACKGROUND

In February 2006,¹ Council authorized staff to negotiate and execute an agreement with Air-Transport IT Services, Inc. to purchase and support shared-use technology for gates and ticket counters and for communicating airline activities to Airport staff and the public (“Integrated Systems”). Integrated Systems include: an Airport Operational Database, a Multi-User Flight Information Display System, a Passenger Messaging System, a Common Use Passenger Processing System, a Resource Management System, a Local Departure Control System, and Common Use Self-Service Kiosks.

The agreement was the result of a competitive Request for Proposal (“RFP”) process that provided for the purchase, installation, and configuration of the Integrated Systems, installation and testing of the network and IT systems for Airport expansions, and ongoing monitoring, support, and maintenance of both the Integrated Systems and the network infrastructure required to support them. Since the agreement was executed in 2006, Council has approved several other actions and amendments related to the agreement.² Air-IT Transport IT Services, Inc. was acquired by Amadeus Airport IT Americas, Inc. (“Amadeus”) in 2015, and all rights, benefits, obligations, and liabilities under the existing agreement were transferred to Amadeus. The agreement is currently on Option 11 of 12 which will expire December 31, 2018 and has one final option to extend the agreement through December 31, 2019.

The Airport operates seven days per week, 24 hours a day, and 365 days per year so the Integrated Systems and the underlying network and technical infrastructure that the Integrated Systems rely on, are mission critical and must function 100% of the time. The Airport’s network hardware has reached end of life and can no longer be relied on to consistently provide this high level of availability. Therefore, the network hardware must be replaced.

ANALYSIS

The Airport is at a critical time with significant increases in passenger traffic. Any disruption will result in significant operational challenges. As part of its current shared-use business model, the Airport provides airlines and tenants with technologies and applications required to manage their operations. The Integrated Systems provided and maintained by Amadeus are the backbone for this business model, and many of the applications operate on Amadeus’s proprietary software platform, which enables seamless integration between the various systems. Upgrading the network will ensure that next-generation equipment and technology is utilized to provide the

¹ 2006 Council Memo: http://www3.sanjoseca.gov/clerk/Agenda/021406/021406_06.02.pdf

² 2008 Council Memo: http://www3.sanjoseca.gov/clerk/Agenda/20081202/20081202_0602.pdf;

2011 Council Memo: http://www3.sanjoseca.gov/clerk/Agenda/20111018/20111018_0602.pdf;

2013 Council Memo: <http://sanjoseca.gov/DocumentCenter/View/24619>; and

2016 Council Memo: http://sanjose.granicus.com/MetaViewer.php?view_id=&event_id=2660&meta_id=602795

speed, bandwidth, security, and uptime required to support the growth in networking requirements for these mission-critical systems.

Since the Integrated Systems are critical to the Airport's operations and must be closely coordinated with the network and the technical infrastructure to ensure optimal operation, it would be disruptive and not practicable to separate the network from the ongoing support and maintenance of the Integrated Systems, at least until the Airport's entire information technology infrastructure is replaced or redesigned. Changing the network to another provider at this juncture would be costly, increase cycle time, and introduce significant risk to Airport operations. Contracting with Amadeus for both the network replacement and ongoing services for the Integrated Systems will 1) ensure continuity of these mission-critical systems and 2) streamline contract administration and accountability by continuing to have a single contractor responsible for the entire network and Integrated Systems.

Therefore, staff recommends execution of a new agreement with Amadeus to include both of these activities. The existing agreement will be terminated and replaced in its entirety with the new agreement once executed. This recommendation is consistent with Section 4.12.435 (Unique Services) of the San José Municipal Code which authorizes the City Manager to determine whether a unique situation exists that makes the application of the requirements for competitive procurement of a services agreement contrary to the public interest.

In planning for the network upgrade, the Airport's IT Consultant, Faith Group, developed and provided a network design based on technology that maximized functionality with the Airport's existing infrastructure and ensured compatibility with current Airport systems. Amadeus conducted a competitive process based on the designated network design, and the selected vendor met or exceeded the project pricing provided by the other manufacturers, as well as pricing provided under the City's existing network equipment purchase agreement. Amadeus also benchmarked the bid pricing for the network upgrade with NetXperts and World Wide Technology to further validate that it is fair and reasonable. The upgrade pricing reflects a 67% discount off list price for hardware and software purchased through July 15, 2019 but is contingent on the City spending at least \$500,000 by July 27, 2018. The network upgrade is expected to take approximately four years to implement which is equivalent to the initial term of the new agreement.

Staff plans to competitively bid the Integrated Systems and network after the initial term of the new agreement, but the competitive solicitation must be coordinated with the timing of the Terminal B expansion³ and approached as part of a comprehensive plan that takes into consideration all related Airport systems and infrastructure. The three option terms will provide staff sufficient time to coordinate the procurement process, including implementation of any new systems.

³2018 Council Memo regarding Terminal B expansion:
<https://sanjose.legistar.com/LegislationDetail.aspx?ID=3465626&GUID=16A9BECA-0EE5-4C03-A7ED-95BE3B4E8561&Options=&Search=>

Summary of Agreement:

The new agreement with Amadeus will include the purchase of hardware, software, and professional services required to perform the network replacement, as well as ongoing annual maintenance, support, and supplemental in-scope work to ensure continued optimal performance of the network and Integrated Systems. The agreement will also include a detailed statement of work defining all deliverables, a compensation schedule with payments tied to the successful completion of key project milestones, and a retainage amount that will be paid after final system acceptance. Key scope elements include:

1. Network Replacement – Includes provision for a network design and architecture to meet the Airport's technical and functional requirements for its network and telephony systems, a detailed project plan, and terms and conditions for system acceptance.
2. Operation and Maintenance - Ensures that the new network is fully supported from the first day of use and provides for ongoing maintenance and support of both the network and Integrated Systems. During the term, Amadeus will manage and maintain the equipment, including operation and troubleshooting within defined service level requirements. Service expectations will be defined for the following areas:
 - network availability
 - voice communication service availability
 - service responsiveness
 - moves, adds, and change services
 - problem resolution responsiveness

All pricing reflects not to exceed amounts for the initial four-year term (including network replacement and ongoing support and maintenance), and provides for three additional one-year options to extend the agreement for ongoing support, maintenance, and supplemental in-scope work.

EVALUATION AND FOLLOW-UP

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

PUBLIC OUTREACH

The memo will be posted on the City's website for the June 19, 2018, City Council Agenda.

COORDINATION

The memorandum has been coordinated with the Airport Department, the City Attorney's Office, and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

This item was discussed at the May 14, 2018, Airport Commission meeting without objection.

FISCAL/POLICY ALIGNMENT

This action is consistent with the Council-approved City Service Areas (CSA) Delivery Framework for Performance-Driven Government for Operational Services: 1) Preserve and improve transportation assets and facilities, 2) Safe and functional public infrastructure, facilities, and equipment, and 3) Effective use of technology.

COST SUMMARY/IMPLICATIONS

The following outlines the elements of the contract and other project-related costs.

1. **AMOUNT OF RECOMMENDATION** (initial 4-year term): **\$18,348,389**

2. **COST ELEMENTS:**

- Network Upgrade/Replacement	\$5,835,395
- Year 1 Support and Maintenance	2,310,232
- Year 2 Support and Maintenance	2,515,908
- Year 3 Support and Maintenance	2,567,076
- Year 4 Support and Maintenance	2,619,778
- Supplemental In-Scope Work	2,500,000

Subtotal **\$18,348,389**

Contingency/Change Orders **\$3,600,000**

TOTAL (4-year Not to Exceed) \$21,948,389

3. **SOURCE OF FUNDING:** Fund 523 – Airport Maintenance and Operations Fund
Fund 527 – Airport Renewal and Replacement Fund

4. **FISCAL IMPACT:** After the four-year initial term, annual maintenance and support and unscheduled in-scope work are estimated at \$3,147,174 for the first option year with subsequent annual adjustments capped at 3%.

BUDGET REFERENCE

The table below identifies the fund and appropriations proposed to fund the contract and contingency costs recommended as part of this memorandum.

Fund#	Appn #	Appn. Name	Current Total Appn.	Amt. for Contract*	2018-2019 Proposed Operating/Capital Budget Page**	Last Budget Action (Date, Ord. No.)
523	0802	Airport Non-Personal/Equipment	\$43,497,540	\$2,660,232	Page VIII-5	N/A
527	7463	Network Replacement	\$2,700,000	\$1,897,723	Page V-612	N/A

*Amt. for Contract reflects estimated Year 1 costs of \$4,557,955, which consist of \$1,472,723 for network replacement, \$2,310,232 for maintenance and support, and \$775,000 for additional services for in-scope work. Funding beyond FY 2018-2019 is subject to City Council approval and the annual appropriation of funds.

**The 2018-2019 Proposed Operating/Capital Budget is scheduled to be approved by Council on June 12, 2018 and adopted on June 19, 2018.

CEQA

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

/s/
JULIA H. COOPER
Director of Finance

For questions, please contact Jennifer Cheng, Deputy Director of Finance, at (408) 535-7059.