

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Aitken

SUBJECT: SEE BELOW

DATE: June 4, 2018

Approved



Date

6/13/18

SUBJECT: AUTHORIZE THE CITY MANAGER TO NEGOTIATE AND EXECUTE AN AGREEMENT WITH NEW CINGULAR WIRELESS PCS, LLC FOR THE RIGHT TO DESIGN, INSTALL, OPERATE, AND MANAGE A NEUTRAL HOST DISTRIBUTED ANTENNA SYSTEM AT THE NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

RECOMMENDATION

Adopt a resolution:

- A. Authorizing the City Manager to negotiate and executive a concession agreement with New Cingular Wireless PCS, LLC for the right to design, install, operate, and manage a neutral host distributed antenna system (DAS) at the Mineta San José International Airport for a term of ten years from the date of execution by the City, with two 5-year options to extend at the City's sole discretion, and an annual concession fee payable to the City of \$265,500 with an annual 3% inflation adjustment for the first three carriers and an additional annual fee of \$88,500, also subject to an annual 3% inflation adjustment, for each additional carrier.
- B. Authorizing the Director of Aviation to negotiate and executive an agreement with New Cingular Wireless PCS, LLC for the rental of space on Airport property to house any necessary equipment related to the DAS for a term of ten years from the date of execution by the City, with two 5-year options to extend at the City's sole discretion, and subject to current guidelines in the resolution on fees, rates, and charges.

OUTCOME

Approval will authorize the City Manager and City staff to negotiate and execute a revenue producing concession agreement with New Cingular Wireless to design, install, operate, and manage a neutral host distributed antenna system (DAS) at the Airport. This system will provide a series of antennas that all wireless companies can use to expand and improve cell phone coverage at the Airport.

BACKGROUND

The Airport currently has agreements with a number of cell phone carriers for the placement of antennas at select locations around the Airport. Each carrier installs and maintains its own separate antenna systems, which present challenges for the Airport to manage and accommodate. In order to create a common use system and to improve cell coverage at the Airport, the Airport issued a Request for Proposal (“RFP”) solicitation on November 1, 2017 to select a Distributed Antenna System (DAS) Concessionaire.

A distributed antenna system at the airport will be comprised of a series of separate antennas strategically placed around the terminal and connected to a communication hub via a fiber-optic cable. The DAS offers a number of benefits, including improved coverage and capacity, shared resources to all cellular providers, management of radio frequency interference, and one point of contact for overseeing the system.

The key components of the RFP were:

Concession Services and Additional Services:

- design and build a neutral-host DAS;
- coordinate inclusion of telecommunication carriers;
- furnish and install all DAS equipment and supporting components; including fiber / cabling infrastructure, as required;
- operate the DAS;
- recruit, market, and sell space on the DAS to telecommunication carriers and/or others,
- collect fees from participating telecommunication carriers and/or others;
- maintain the DAS; and
- pay a monthly concession fee to the Airport.

Term of Agreement: Agreement is for ten (10) years, with two 5-year options to extend at the Airport’s sole discretion.

Minimum Qualifications:

- Be a “Local Exchange Carrier or Competitive Local Exchange Carrier” (“Carrier”); if not a Carrier, then the Proposer must otherwise demonstrate expertise and/or partnership with a Carrier;
- A minimum of five (5) years of continuous wireless industry related experience;
- A minimum of three (3) years within the past five (5) years of continuous ownership and operation of a DAS concession at airports or high customer traffic and high volume.

The RFP included an exemplar concession agreement, and the deadline for proposals was January 11, 2018.

ANALYSIS

The Airport received four proposals by the deadline that met the minimum qualification. These include proposals from: Boingo, New Cingular Wireless (which is a joint proposal from AT&T, Verizon, and Sprint), Quantum, and Crown Castle. A four-person review panel of subject matter experts evaluated the RFP. The reviewers included representatives from San José, San Francisco, and San Diego airports and a fourth evaluator who is a private independent Consultant.

The panel evaluated the proposals based on the five areas outlined in the RFP:

- Financial Performance – Concession Fee
- Financial Performance – Capacity
- Design and Implementation of DAS Equipment
- Operations
- Business Qualifications and Management Experience

The evaluation panel reviewed the four proposals and used the above criteria to assign points based on a 100 point scale. When adding all the points together from all the panelists, the point spread is as follows (out of a possible 400 points):

Evaluation Panel Scoring	Panelist #1	Panelist #2	Panelist #3	Panelist #4	Total
New Cingular Wireless	84	95	95	90	364
Crown Castle	74	75	65	85	299
Boingo	56	85	69	80	290
Quantum	57	70	62	90	279

New Cingular Wireless was at the top of the scoring criteria for all four panelists (one panelist had them tied with another proposal at the top of their list).

The basics of New Cingular Wireless's proposal includes:

- **DAS Concession Services:** New Cingular Wireless would build and maintain a DAS, utilizing the leading edge technology based on a Corning One DAS Platform:
- **Revenue to the Airport:** New Cingular Wireless proposed an annual payment of \$265,500 with an annual 3% inflation adjustment for the first three carriers. Each additional carrier would be an additional annual fee of \$88,500, also adjusted for inflation. The net present value of this concession fee to the Airport for the 10 year term of the agreement is \$2,655,000 for three carriers and \$3,540,000 for four carriers.
- **Minimum Capital Investment:** \$9.5 million
- **Construction Time:** 1 year from date the Agreement is executed by the City.

Under the proposal New Cingular Wireless PCS, LLC would design, install, operate, and manage a neutral host DAS at the Mineta San José International Airport and would be responsible for the costs associated with the DAS.

Based on the scores, ranking, and point spread by the evaluation panel, the Airport recommends proceeding with authorizing the City Manager to negotiate and execute the DAS Concession agreement with New Cingular Wireless.

EVALUATION AND FOLLOW-UP

Upon approval of the resolution authorizing the City Manager to negotiate and execute an agreement with New Cingular Wireless PCS, LLC, City staff will work with the City Attorney's Office on an mutually agreeable concession agreement that is consistent with the exemplar concession agreement that was included as part of the RFP. Once the Agreement is signed, Airport staff will work with New Cingular Wireless on the implementation components of the DAS RFP at the Airport.

PUBLIC OUTREACH

In an effort to publicize broadly the RFP, staff conducted a nationwide search and established a list of 124 potential companies. All companies were contacted and the RFP was posted on BIDSync, the FAA Opportunities website for DBE's, the Airport Minority Advisory Council website, and to the Airport's website. The Airport also held two optional Pre-Proposal Conference and Site Tours on November 8, 2017 and November 20, 2017 to provide additional information and highlight key areas of the RFP to all potential proposers.

Finally, this memorandum will be posted to the City Council Agenda website for the June 26, 2018 meeting.

HONORABLE MAYOR AND CITY COUNCIL

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COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

The Airport Commission was briefed on May 14, 2018.

CEQA

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

/s/

JOHN AITKEN, AAE

Director of Aviation

For questions, please contact Matthew Kazmierczak, Manager of Strategy and Policy for the Airport, at 408-392-3640.