



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Mukesh Patel

SUBJECT: SEE BELOW

DATE: April 29, 2024

Approved

Date

5/7/24

SUBJECT: AGREEMENT WITH AVIA SOLUTIONS, INC. FOR AIR SERVICE DEVELOPMENT SERVICES AT SAN JOSÉ MINETA INTERNATIONAL AIRPORT

RECOMMENDATION

Adopt a resolution authorizing the City Manager or her designee to negotiate and execute a Master Consultant Agreement with Avia Solutions, Inc. for Air Service Development Services at San José Mineta International Airport, for a period of five years from execution, in a total amount not to exceed \$975,000 over the term of the agreement.

SUMMARY AND OUTCOME

The development of commercial domestic and international airline service is a complex process, similar in many ways to the broader approach employed in general economic development. The airline industry itself is extremely capital intensive, with factors related to the cost of aircraft and allocation of operating expenses, including pilots, crew, fuel, maintenance, insurance, and airport operations weighing into every decision related to the introduction of new or expanded service.

Like the use of other professional advisory services (legal, engineering, planning, financial, etc.), commercial service airports routinely supplement their own resources with those of air service consultants. Although tasks may vary from one airport to another, the San José Mineta International Airport (Airport) has used such professional resources in both domestic and international engagements, often in the preparation of “outside expert” route forecasts or to further support strategic initiatives launched by Airport staff. The recommendation of the review committee is to select Avia Solutions, Inc. with this request for City Council to authorize the negotiation and execution of a five-year master agreement with the company.

Avia Solutions, Inc., selected through a competitive Request for Qualifications process, is highly qualified with a flexible, experienced staff of aviation professionals. It is fully expected that Avia Solutions, Inc.’s relative strengths and resources will be applied to specific domestic and

international assignments, including but not limited to, the analysis of proposed new routes, evaluation of flight profitability in the service of the Airport, preparation and presentation of business cases to airline executives, and the development of strategy initiatives. Avia Solutions, Inc. has been directly involved in the successful recruitment of new airlines to the Airport and is therefore well prepared to continue in similar pursuits.

BACKGROUND

The Airport is a strategic asset for achieving the City's economic development goals. Air service provides an essential link to support and sustain Silicon Valley's quality of life by moving people and products between San José and domestic and global destinations. Gaining better access to national and international markets and technology centers has long been a priority of the region's businesses. Community leaders and travelers have clearly expressed their strong desire to the Airport for improved access between San José and key domestic and international cities. The Airport continues to aggressively engage commercial airlines to begin or expand service.

Following a four-year period of growth (2016 – 2019) in which the Airport led the nation's Top 50 major airports in passenger and airline capacity increases, the post-pandemic results have been slow to recover, largely as a reflection of reduced corporate business travel to and from Silicon Valley. As a result of this shift in travel demand away from our historic accommodation of business travel, the Airport's air service development initiatives have also focused on new options and opportunities for recovery. Air service consultants play an important role in providing guidance and input into our initiatives and performing the critical analyses needed to assess potential airlines and routes.

ANALYSIS

A formal Request for Qualifications was issued on February 7, 2024 and distributed through the City's formal process using the Biddingo online platform. The period for submittals was one month and the Request for Qualifications was received by over 100 different organizations. Due to the very specialized nature of the work, many chose not to further pursue the opportunity, and five submittals were received by qualified firms by the March 8, 2024 deadline.

Consistent with the most recent award process in 2019, the firms were evaluated by a selection panel on criteria outlined in the Request for Qualifications: experience relevant to the Airport's challenges and post pandemic environment; content of the submittal; plans to address the Airport's requirements under the scope of services; recent client assignments and activity; identification of potential conflicts of interest with the Airport's own air service initiatives; fee structure; and, additional consideration given for local business enterprise and small business enterprise status.

Continuing with a successful model of retaining consultants with a successful blend of domestic and international expertise for purposes of flexibility of assignments and strengths of resources relative to specific tasks, the evaluation panel members reached consensus based on the best combination of resources, experience, talent, and value. The firm chosen was Avia Solutions, Inc., with evaluation committee scores shown in the **Table** below.

This international consultancy was also selected in the 2019 process and has provided strong partnership and valuable services in the successful pursuit of the Airport’s international routes. Avia Solutions, Inc. further strengthened its position through the addition of highly qualified United States domestic market consultants to create a powerful domestic and international team.

Table: Air Service Consultant Request for Qualifications Scores

| Evaluation Criteria | Possible Points | Avia Solutions, Inc. | InterVISTAS Consulting Inc. | Mead and Hunt | Crawford, Murphy & Tilly, Inc. | Ailevon Pacific Aviation Consulting |
|---|------------------------|-----------------------------|------------------------------------|----------------------|---|--|
| Submittal Requirements | Pass/Fail | Pass | Pass | Pass | Pass | Pass |
| Minimum Qualifications and Experience | Pass/Fail | Pass | Pass | Pass | Pass | Pass |
| Ability to Deliver Scope of Services | 20 | 20 | 19 | 15 | 15 | 12 |
| Resumes and Expertise | 10 | 10 | 8 | 8 | 7 | 7 |
| Relevant Experience in Past or Current Projects | 50 | 46 | 40 | 37 | 30 | 27 |
| Customer/Client References | 10 | 9 | 9 | 8 | 7 | 7 |
| Local Business Enterprise | 5 | 0 | 0 | 0 | 0 | 0 |
| Small Business Enterprise | 5 | 0 | 0 | 0 | 0 | 0 |
| Total of Committee Blended Scores | 100 | 85 | 76 | 68 | 59 | 53 |

EVALUATION AND FOLLOW-UP

This item requires no further evaluation or City Council follow-up. Airport staff will manage all consultant work assignments, service orders, and budgets and will remain responsible for ensuring professional, high-quality deliverables by the selected consultants throughout the complete five-year term.

COST SUMMARY/IMPLICATIONS

The master agreement will cover a five-year period and all compensation will be subject to the annual budgeting process and the continued approval of funds by City Council. Total compensation for the agreement will not exceed the same \$975,000 amount from the previous five-year awards. The Airport is not required to expend maximum funds to this consulting firm, and the budget will be managed by Airport staff and remain at the discretion of the City.

BUDGET REFERENCE

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

| Fund # | Appn # | Appn. Name | Total Appn. | Amt. for Contract | 2024-2025 Proposed Operating Budget Page* | Last Budget Action (Date, Ord. No.) |
|--|--------|---------------------------------|---------------------|-------------------|---|-------------------------------------|
| 523 | 0802 | Airport Non-Personal/ Equipment | \$59,549,251 | \$195,000* | 816 | N/A |
| Total Current Funding Available | | | \$59,549,251 | \$195,000 | | |

*The 2024-2025 Proposed Operating Budget is scheduled for City Council adoption on June 18, 2024.

COORDINATION

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

PUBLIC OUTREACH

This memorandum will be posted on both the Airport’s website and on the City Council’s Agenda website for the May 21, 2024 City Council meeting. The May 21, 2024 City Council meeting will serve as the public hearing, as required pursuant to California Government Code Section 53083.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

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CEQA

Not a Project, File No. PP17-002, Consultant services for design, study, inspection, or other professional services with no commitment to future action.

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/

MUKESH PATEL, C.M.
Director of Aviation

The principal author of this memorandum is Mark Kiehl, Air Services Development Manager. For questions, please contact mkiehl@sjc.org or (408) 392-3624.