

5.1 Airport Baggage Handling Conveyor System Services.

Recommendation:

Adopt a resolution authorizing the City Manager or her designee to:

- (a) Negotiate and execute the fourth amendment to the existing agreement with Vanderlande Industries Inc. (Wilmington, DE) for an additional two years, extending the agreement to October 31, 2026, for the operation, maintenance, and repair of the Airport Baggage Handling Conveyor System in Terminals A and B, including all spare and replacement parts;
- (b) Increase the maximum compensation by \$9,550,000 resulting in an increase of the total not to exceed amount from \$27,597,652 to \$37,147,652, subject to the annual appropriation of funds; and
- (c) Exercise an additional two one-year options during the two-year extension period, subject to the annual appropriation of funds.

CEQA: Not a Project, File No. PP17-003, Agreement /Contracts (New or Amended) resulting in no physical changes to the environment. (Finance/Airport)



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Drew Corbett
Mukesh (Mookie) Patel

SUBJECT: Airport Baggage Handling
Conveyor System Services

DATE: September 16, 2024

Approved

Date:

9/25/24

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Adopt a resolution authorizing the City Manager or her designee to:

- (a) Negotiate and execute the fourth amendment to the existing agreement with Vanderlande Industries Inc. (Wilmington, DE) for an additional two years, extending the agreement to October 31, 2026, for the operation, maintenance, and repair of the Airport Baggage Handling Conveyor System in Terminals A and B, including all spare and replacement parts;
- (b) Increase the maximum compensation by \$9,550,000 resulting in an increase of the total not to exceed amount from \$27,597,652 to \$37,147,652, subject to the annual appropriation of funds;
- (c) Exercise an additional two one-year options during the two-year extension period, subject to the annual appropriation of funds.

SUMMARY AND OUTCOME

The Airport's Baggage Handling System (BHS) ensures high-volume baggage throughput and accurate bag tracking from check-in to outbound carousels, operating continuously throughout the year to support airline operations. After two competitive solicitations, an initial five-year agreement and five one-year options, the current option for the Vanderlande Industries Inc. (Vanderlande) agreement expires on October 31, 2024. Although the City plans to issue a new request for proposal, exigent circumstances have delayed this process. To ensure continued availability of the BHS operation and support of its system, it is necessary to negotiate and execute the fourth amendment to the existing agreement with Vanderlande. The proposed amendment will increase the maximum compensation by \$9,550,000, changing the total not-to-exceed

amount from \$27,597,652 to \$37,147,652, subject to the annual appropriation of funds. Additionally, two one-year extensions will provide the City with sufficient time to complete the solicitation process for a new agreement for the maintenance and operation of San José Mineta International Airport's BHS.

BACKGROUND

In late 2008, the Airport purchased and began installing a new BHS under the Airport's Terminal Area Improvement Program project for Terminals A (outbound baggage) and B (inbound and outbound baggage). Terminals A and B were completed in February 2009 and December 2009, respectively.

The BHS supports high volume baggage throughput, assuring bag-tracking accuracy from bag drop off at check-in to the outbound carousels/piers. The seven days per week, 365 days per year operation of the BHS is critical in support of airlines' transportation business models.

On May 19, 2009, City Council approved the award of contract to Vanderlande after the completion of a competitive request for proposal process. The original agreement expired on October 31, 2014. Prior to the end of the term of that agreement, staff determined that it would be in the City's best interest to conduct a new competitive solicitation to ensure that the Airport continues to receive reliable service and cost-effective pricing, maintains optimal utilization of the BHS, and pursues new technologies that increase efficiencies and maximize the life cycle of the system in a timely manner.

In February 2014, the Finance Department released another request for proposal. A total of 58 companies viewed the request for proposal, and three proposals, including one from the incumbent, were received. Again, the Vanderlande proposal scored highest overall; meeting or exceeding all of the request for proposal specifications and provided the best value to the City. Thus, the City executed an agreement for an initial term of five years and then consecutively executed five one-year options. As indicated earlier, the current total value of the contract (initial award and five subsequent options) is \$27,597,652.

ANALYSIS

The current agreement with Vanderlande expires on October 31, 2024. Although the City plans to conduct another competitive solicitation for a new agreement, exigent circumstances will not allow ample time to do so prior to the October 31, 2024 date. A contract extension of two years would allow the City adequate time to complete the competitive solicitation process for procurement of a new agreement for maintenance and operation services on San José Mineta International Airport's BHS.

EVALUATION AND FOLLOW-UP

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

COST SUMMARY/IMPLICATIONS

The recommended agreement amount of \$9,550,000 will be funded by the Airport Maintenance and Operation Fund. The extension of the agreement will continue to support operations, maintenance, software support, spare parts, and as needed miscellaneous services. The amendment to the contract is for two additional one-year extensions and is subject to future appropriation of funds. Funding for BHS maintenance and operation service are annually programmed into the Airport Maintenance and Operation Fund to maintain continuous BHS operation.

1. TOTAL COST OF AGREEMENT:

Original Agreement Amount	\$10,158,827
Options exercised Amount	\$17,438,825
Recommended Amendment (as included in the memorandum)	<u>\$9,550,000</u>
TOTAL AGREEMENT AMOUNT	\$37,147,652

2. COST ELEMENTS OF AGREEMENT AS RECOMMENDED AS PART OF THE MEMORANDUM:

Operations	\$4,100,000
Maintenance	\$4,500,000
Miscellaneous Costs	\$250,000
BHS Software Support	\$50,000
Spare Parts	<u>\$650,000</u>
TOTAL AGREEMENT AMOUNT	\$9,550,000

BUDGET REFERENCE

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

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Fund #	Appn #	Appropriation Name	Total Appropriation	Amount for Contract	2024-2025 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
523	0802	Airport Non-Personal/Equipment	\$59,549,251	\$9,550,000	816	6/18/2024, 31102

* The 2024-2025 Adopted Operating Budget was approved on June 11, 2024, and adopted on June 18, 2024, by the City Council.

COORDINATION

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

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the October 8, 2024 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

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

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/

DREW CORBETT
Acting Director of Finance

/s/

MUKESH (MOOKIE) PATEL
Director of Aviation

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For procurement- and contract-related questions, please contact Albie Udom, Deputy Director of Finance – Purchasing and Risk Management, at albie.udom@sanjoseca.gov. For program-related questions, please contact Gene Frazier, Deputy Director of Airport of Facilities and Engineering, at gene.frazier@sanjoseca.gov