

Los Angeles
World Airports

June 10, 2013

The Honorable City Council
of the City of Los Angeles
City Hall – Room 395
Los Angeles, CA 90012

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Gina Marie Lindsey
Executive Director

Reference: CF 13-0590

This is to hereby transmit for your information the Mayor approved City Administrative Officer's report covering the consideration and approval of the Sixth Amendment to Operating Agreement with Servisair, LLC to provide courtesy shuttle services and shuttle bus maintenance services at Los Angeles International Airport.

Sincerely,

Christine Iseri, Government Affairs Representative
Government Affairs Division
Los Angeles World Airports

CI:ci

Attachments



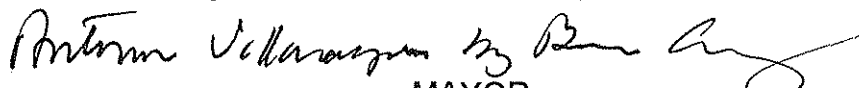
0150-08014-0006

TRANSMITTAL

TO Gina Marie Lindsey, Executive Director Department of Airports	DATE JUN 07 2013	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 11	

Proposed Sixth Amendment to Contract DA-3904 with Servisair LLC to Extend the Term of Performance by Two Years, With an Additional One-Year Extension Option, and Increase the Expenditure Authority by \$25 Million for Courtesy Shuttle Service at the Los Angeles International Airport Pending the Outcome of a Request for Proposal Process

Transmitted for further processing, including Council consideration. See the City Administrative Officer report attached.


MAYOR

MAS:WDC: 10130127t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 7, 2013

CAO File No. 0150-08014-0006

Council File No.

Council District: 11

To: The Mayor

From: Miguel A. Santana, City Administrative Officer *MAS*

Reference: Transmittal from the Department of Airports dated April 9, 2013; referred by the Mayor for report on April 10, 2013

Subject: **PROPOSED SIXTH AMENDMENT TO CONTRACT NO. DA-3904 WITH SERVISAIR LLC TO EXTEND THE TERM OF PERFORMANCE FOR TWO YEARS, WITH A ONE-YEAR EXTENSION OPTION, FOR COURTESY SHUTTLE SERVICE AT THE LOS ANGELES INTERNATIONAL AIRPORT PENDING THE OUTCOME OF A REQUEST FOR PROPOSAL PROCESS**

SUMMARY

The Executive Director of the Los Angeles World Airports (LAWA; Department) requests approval of a proposed Sixth Amendment to Contract No. DA-3904 (copy attached) with Servisair LLC (Servisair; Contractor) that will extend the current contract for two years, with an additional one-year extension, to continue its contract for courtesy shuttle services and shuttle bus maintenance at the Los Angeles International Airport (LAX). Additionally, the proposed Amendment will provide additional contracting authority for a not-to-exceed \$25 million while allowing the Department time to realign the LAX parking and transportation services and develop competitive processes for four separate contracts. Alignment of the shuttle services with the airport facilities, the customer base, and LAWA's comprehensive parking strategy is a key component of the two-year time extension. By increasing the current expenditure limit by the proposed \$25 million over what will become an 11-year term, the total not-to-exceed amount will be approximately \$117.2 million.

If approved, the Sixth Amendment will provide for the continuation of free 24-hour courtesy shuttle services for passengers and employees at LAX shuttling between the airport economy parking lots, the Central Terminal Area, employee parking lots, and the Metro Green Line station, at a not-to-exceed cost of \$25 million until the outcome of four separate Requests for Proposals (RFP) is determined. City Council approval of the proposed Amendment is required in accordance with Charter Section 373, "Long Term Contracts Approved by Council," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," because the cumulative period of the contract exceeds three years. Likewise, City Attorney approval as to form is required in order to execute the Sixth Amendment.

The existing contract, now in its ninth year, will conclude on June 30, 2013. Between May 2013 and

the conclusion of the proposed two-year time extension (June 2015), the Department will prepare four separate competitive processes to be released between May 2013 and January 2014 for the following services: (1) Employee Parking and Shuttle Service, release date: May 8, 2013; (2) Central Terminal Area (CTA) Parking, release date: June 2013; (3) Remote Public Parking, release date: June 2013; and (4) Bus Maintenance (48 shuttle buses), release date: January 2014.

Under the current contract, the above services are divided between two contracts: one for parking services at LAX and one for the courtesy shuttle services. According to LAWA, to separate and properly align these services with the Department's overall parking and transportation strategy, which includes transition of a shuttle bus fleet from one operator to another, is both complex and time consuming; consequently, a two-year extension, with an additional one-year option, is being requested.

Upon approval of the proposed Sixth Amendment, the Department will be able to separate the LAX parking and shuttle services into two distinct transportation elements specifically designed around, and tailored to, each facility and each customer base. As a first step, hourly rates charged to LAWA for shuttle services will be separated from those rates for bus maintenance to allow the Department to phase out specific services in preparation for implementing new contracts. Per the Department, this will also facilitate a redirection from the current "one-size-fits-all" approach to a customer-driven, facility-by-facility approach that should result in greater overall accountability.

The above-referenced aspects of the proposed Sixth Amendment, and this report, are based upon revised information received from the Department subsequent to the initial request submittal.

Background

The original five-year contract with Servisair (at that time it was GlobeGround North America LLC, which was renamed Penauille Servisair in September 2006; Penauille Servisair then became Servisair, LLC in December 2007) was executed on April 6, 2004, pursuant to a competitive bid. According to LAWA Department, the Contractor is in good standing and in compliance with all administrative and contractual provisions.

Over the course of four years, from February 2009 to April 2013, there have been five amendments in addition to the proposed Sixth Amendment, four of which have resulted in extensions to the term of performance and corresponding increases to the expenditure authorities. The first amendment involved (1) the name change from Globeground North America, LLC to Servisair, LLC and (2) a Settlement Agreement between the State Attorney General, the City, and Servisair regarding disabled passenger access at LAX.

The LAX courtesy shuttles have been providing free service to passengers and those employed at LAX for more than 30 years. The shuttles operate between the airline terminals, remote public parking lots, the Central Terminal Area, and the Metro Green Line Aviation Station. According to the Department, in 2012, 15.17 million passengers were transported using approximately 48 airport shuttles. The Department provides Servisair LLC with a fleet of shuttle buses while Servisair LLC provides the drivers, the mechanics, and the fuel, and is responsible for vehicle maintenance. Since

the beginning of the courtesy shuttle program, services have been contracted out with the knowledge and approval of the City's unions since the City does not have the expertise to provide the services. The most recent RFP to continue the LAX courtesy shuttle services, authorized by the Board of Airport Commissioners for release in September 2009, resulted in the submission of six proposals. The proposals were reviewed by a LAWA evaluation committee and interviews conducted in August 2010. A subsequent Notice of Proposed Award sent to the six proposers elicited two protests that, after review and analysis by LAWA of possible inconsistencies in the RFP and scoring, resulted in the Department (1) withdrawing the award, and (2) revising the RFP for a later release.

The Fifth Amendment to the Servisair contract, approved by the Council on June 7, 2011, extended the term of the contract for a period not to exceed 24 months, until June 20, 2013, with a 60-day termination notice. Contract funding was also increased by an amount not to exceed \$21,460,000. These actions were undertaken to provide time for the Department to (1) align the courtesy shuttle services with its comprehensive parking strategy for LAX, and (2) incorporate the changes into a new RFP.

One element of the Fifth Amendment was to allow time for LAWA to develop a new RFP. However, according to the Department, this did not occur during the previous two-year extension for two reasons: (1) a more in-depth study (that included a review of other airports' business models, as well as benchmarking and comparing performance benefits and disadvantages) than what was originally anticipated had to be completed to determine the feasibility of separating the contracts for shuttle services, parking management, and bus maintenance; and (2) additional time was needed to arrive at the conclusion that, by combining the different transportation services (e.g., parking and transportation) and excluding bus maintenance, it would be the most practical solution.

Contract Terms and Expenditures

The Department first contracted with Servisair in April 2004. Authorized expenditures for the first five years totaled approximately \$42.477 million. The First Amendment was executed in January 2008 for the period February 2009 to February 2011 that addressed the terms of a Settlement Agreement and Covenant Not to Sue between the City and the State Attorney General's Office regarding disabled passenger access. The Second through Fifth Amendments were for time extensions and corresponding increases to the expenditure limits (see the table on page 4 for details). Since the inception of the contract with Servisair in April 2004 through the June 30, 2013 expiration date, total LAWA expenditures for LAX shuttle services are estimated to be \$92,257,270.

While the term of the proposed Sixth Amendment is for two years, with an additional one-year extension option, and an increase in expenditures of \$25 million, there is a provision that the City can terminate the Agreement, with or without cause, upon 60 days written notice. By including this provision, it gives LAWA the flexibility it needs for long-term planning.

The Department's payment of operator fees to Servisair is based upon the following:

- Submission of monthly invoices for services rendered with supporting documentation
- Submission of itemized invoices, including the total hours of actual shuttle service on each

- route, as well as the cost for vehicle parts
- Adherence to the per-hour charge that reflects the agreed upon rate for actual operations transporting passengers between the airline terminals, public and employee parking lots, the Metro Green Line Aviation Station, and the Central Terminal Area
- Adherence to the per-hour charge that reflects the agreed upon rate for maintenance labor
- Adherence to any negotiated increase to the hourly shuttle service rate not to exceed three percent

The table below reflects the costs to LAWA for the Servisair contract from Year One (2004) through Year Eleven (2015), assuming approval of the proposed Sixth Amendment:

Servisair, LLC Contract Expenditure Authority and Costs - LAX			
Contract	Term	Authorized Budget	Avg. Annual Expenditures
Original	4/1/04 - 3/31/09	\$42,477,200	\$8,495,440
First Amendment*	-	\$0	\$0
Second Amendment	4/1/09 - 3/31/10	\$12,100,000	\$12,100,000
Third Amendment	4/1/10 - 12/31/10	\$9,732,042	\$12,976,056
Fourth Amendment	1/1/11 - 6/30/11	\$6,488,028	\$12,976,056
Fifth Amendment	7/1/11 - 6/30/13	\$21,460,000	\$10,730,000
Sixth Amendment (Proposed)	7/1/13 - 6/30/15	\$25,000,000	\$12,500,000
Total		\$117,257,270	\$10,659,752
*First Amendment did not involve a change in expenditure authority			

According to the Department, there are no cost increases for the first year of the contract extension. However, in the second and third year (if a third year is required), the hourly rates paid by LAWA to Servisair will increase by no more than two percent annually.

Status of Efforts to Realign LAX Parking and Transportation Services

In addition to the Department's preparing four separate competitive processes for parking and transportation services to be released between May 2013 and January 2014 for (1) Employee Parking and Shuttle Service, (2) Central Terminal Area (CTA) Parking, (3) Remote Public Parking, and (4) Bus Maintenance (48 shuttle buses), vendor surveys and benchmarking has also been completed for each component.

According to LAWA, release of the Bus Maintenance RFP in January 2014 (the remaining three RFPs are scheduled for release in May/June 2013) as the last of the four competitive processes is the result of a comprehensive, time-intensive turnover inspection that must be conducted for its fleet of 48 buses.

The Department's proposal for increasing the current expenditure limit by a not-to-exceed \$25 million

is consistent with the above approach in that it anticipates a three-year phased reduction in expenditures that assumes the exercising of the one-year extension option as follows:

Year 1: \$12 million
Year 2: \$8 million
Year 3: \$4 million

Alternatives to Extending the Current Agreement

According to the Department, there are only two alternatives, neither of which is recommended, to extending the current Agreement:

- Allow the Agreement to expire on June 30, 2013, which would require that passengers and airport employees identify other means of transportation in and around the airport with the possibility that, because of the inconvenience, passengers would patronize other airports, or
- Use LAWA employees to provide the transportation services. This alternative is not feasible in that the Department lacks the staff required to provide these services

Contractor Compliance with City Administrative Requirements

The Department's Charter Section 1022 determination concluded that these services can be more feasibly and economically performed by an independent contractor because the City does not have the expertise to provide such services. According to the Department, there was no objection to the original contract by the affected labor unions.

City Council approval of the proposed Sixth Amendment is required in accordance with Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," and Charter Section 373 in that the original Agreement, which exceeded three years, was approved by the Council; subsequent Amendments affecting the term of the Agreement are, therefore, subject to Council approval, as well as approval as to form by the City Attorney.

In terms of CEQA (California Environmental Quality Act) compliance, the proposed contract extension is exempt in that it involves no expansion of use and/or alteration or modification of the facilities or its operations beyond that which was previously existing or permitted (Article III, Class 1, {18}, {c}). Servisair LLC is either in compliance with or the Department will monitor and ensure the Contractor's compliance with the provisions of the Living Wage Ordinance; MBE/WBE (Minority Business Enterprises/Women Business Enterprises) program (LAWA's MBE/WBE combined participation goal was determined to be 20 percent; Servisair LLC committed to 22.31 percent and has achieved a 20.49 percentage to date); Affirmative Action Program; City insurance requirements; the Child Support Obligations Ordinance; provisions of the First Source Hiring Program for non-trade LAX Airport jobs; Contractor Responsibility program requirements; and the Bidder Contributions CEC (City Ethics Commission) Form 55 provisions. The Department of Public Works, Bureau of Contract Administration, has determined that Servisair, LLC is in compliance with the provisions of the Equal Benefits Ordinance.

RECOMMENDATIONS

That the Mayor:

1. Approve, subject to City Attorney approval as to form, the proposed Sixth Amendment to Contract No. DA-3904 between the Los Angeles World Airports and Servisair, LLC to continue the courtesy transportation services at the Los Angeles International Airport, extend the term of performance by two years from July 1, 2013 to June 30, 2015, with an additional one-year extension option; and increase the current contracting authority by a not-to-exceed amount of \$25 million; and
2. Return the proposed Sixth Amendment to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed Sixth Amendment to Contract No. DA-3904 with Servisair LLC will increase the total authorized contracting authority by a not-to-exceed amount of \$25 million, which has been requested in the Fiscal Year 2013-14 Los Angeles World Airports Operating Budget in Cost Center 2001057 – CD Landside Business Management, Commitment Item 520 – Contractual Services. Future funding will be requested as part of the Department's annual budget process. This project complies with the Department of Airports' adopted Financial Policies. Approval of the proposed Sixth Amendment will have no impact on the City's General Fund.

Time Limit for Council Action

Pursuant to Charter Section 373, "Long Term Contracts Approved by Council," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a contract that is longer than three years within 60 days after submission to Council, the contract shall be deemed approved.

MAS:WDC:10130127

Attachment