

AGENDA REPORT

Resolution: Approval to Execute an Agreement for Three Years With up to Two One-Year Options with LAZ Parking California LLC for Airport Public Parking Management and Operations, for an Amount Not to Exceed \$25,960,069. **(Aviation)**

MEETING DATE: 12/14/2017

AMOUNT: \$25,960,069 (for five years)
Operating Expense

PARTIES INVOLVED: LAZ Parking California LLC, Emeryville, CA
Kendra Petty, Executive VP, Airport Division

SUBMITTED BY: Bryant L. Francis C.M., Director of Aviation

APPROVED BY: J. Christopher Lytle, Executive Director

ACTION TYPE: Resolution

EXECUTIVE SUMMARY

On July 28, 2017 the Port posted and advertised Request for Proposal (“RFP”) No. 17-18/02 for Airport Parking Management and Operations (“Services”). The Port received five proposals by September 14, 2017 in response to the RFP. After reviewing and analyzing those proposals, staff seeks the Board’s approval to authorize the Executive Director to execute an Airport Parking Management Services Agreement with the highest ranked firm, LAZ Parking California LLC (“LAZ”) to provide these Services for up to five years, at a cost not to exceed \$25,960,069 for fixed and variable management fees plus reimbursable operating expense, subject to the terms described in this Agenda Report and subject to approval as to form and legality by the Port Attorney. The FY 2017-18 Operating Budget includes funds for this contract for the rest of the fiscal year, and the recommended action has no impact on the Budget or Port staffing.

BACKGROUND

Airport Public Parking is one of the Port’s single largest sources of revenue, and is anticipated to generate nearly \$40 million in gross revenue from the Premier, Hourly, Daily and Economy Parking Lots during CY 2017. The Port undertakes a rigorous Parking Management contractor selection process every five years – the timeframe allowed under FAA guidelines - to assure a highest possible level of expertise in managing these facilities. The current management agreement has been in effect since December 2012.

The Airport is installing a new computerized parking revenue control system ("PARCS") to improve revenue collection, auditing and security, and reduce operating cost. The Parking Management contractor is the primary user of the PARCS and is required to have experience at other airports, including PARCS operations. On October 26th the Board approved a two-month extension to the current agreement with LAZ, so that installation of the new PARCS could be completed before a potential change of Parking Management contractors occurs.

The RFP for the Services was posted on July 28, 2017, with proposals due on September 14, 2017. Staff disseminated the RFP in several ways:

- Port website. The RFP is accessible online at: <http://www.portofoakland.com/wp-content/uploads/17-18-02-final-version-Airport-Public-Parking-Management-Services.pdf>; and was downloaded by 77 firms;
- Advertisement in the Oakland Tribune;
- Advertisement on Airports Council International-North America ("ACI-NA"), Airport Minority Advisory Council (AMAC), and the International Parking Institute ("IPI") websites;
- Directly e-mailed to 25 Parking and Airport Parking service firms and stakeholders, and 9 Chambers of Commerce;
- Verbal communication with known interested parties; and
- The Port Social Responsibilities Division ("SRD") conducted significant outreach to ACDBEs as described on pages 6 and 7 of this report.

The successful proposer will be responsible for:

- Managing all public parking operations and staffing
- Cash and credit card revenue collection and security
- PARCS maintenance (in cooperation with the PARCS vendor); and
- Customer relations/service and parking marketing

Five responsive proposals were received from:

- Ace Parking
- FSP-PPM, dba ABM
- Imperial Parking (Impark)
- LAZ Parking California LLC
- SP+ Corporation

Compensation for the Services under the expiring agreement includes a fixed management fee that includes profit, overhead, senior staff compensation and certain insurance premiums. The current contractor is also eligible to earn a performance-based "variable" management fee in each contract year –if parking revenue per enplaned airline passenger exceeds specific thresholds. LAZ earned a variable management fee in its first two contract years but not since TNCs were permitted at OAK, because of the impact TNCs have had on all Airport

ground access modes. The contractor is also reimbursed for contract-specified operating expenses.

Under the proposed new Services Agreement, the Contractor would also be eligible to earn a variable management fee. However that fee would be earned based on their performance as evaluated by Airport staff against the following criteria.

1. Improve Service: demonstrated, quantifiable reduction in exit queues and wait times, customer assistance and interaction, responsiveness to customer complaints; and PARCS maintenance, availability and downtime.
2. Management Performance: introduce cost and operational efficiencies, e.g. shift scheduling, employee training, recommend/implement service or facility improvements.
3. Marketing/Promotional:
 - Grow Frequent Parker and Corporate Parker membership
 - Manage and grow Airport Parking social network sites
 - Success of other promotional and outreach efforts
4. Facility Appearance/Cleanliness and Proposed/Implemented Improvements: proactively improve signage/wayfinding, customer amenities

Where feasible, detailed, measurable goals will be incorporated into the Agreement. Airport staff will evaluate contractor performance based on those goals each calendar-quarter. The contractor would be eligible to earn up to \$25,000 per quarter in variable management fees, and would have to share 25% of awarded variable fees with their staff.

ANALYSIS

The Port established a qualified four-person Evaluation Panel (the “Panel”) comprised of staff from Port Aviation, Finance and CRE, and a subject matter expert from San Jose Airport, to evaluate and rank the proposals and submit a recommendation for contract award. Proposers were evaluated based on the information supplied in their written proposals and oral interviews (for the shortlisted firms), using the following criteria.

Item	Proposal Evaluation Criteria	Weights
	<u>Adherence to Port Policy and Other Requirements and Debarment Statement</u> Completion of forms attached to the RFP	Pass/Fail
	<u>Minimum Qualifications Requirements</u> Demonstrate required experience operating public parking facilities and computerized/networked revenue control systems at medium-to-large hub airports in North America.	Pass/Fail
1	<u>Company Information, Client References, Litigation and Other Information, and Required Forms</u> Company Information, Litigation Information, Past Performance, Resources and Key Personnel	20%
2	<u>Knowledge and Experience</u> Examples of providing the Services including experience at other North American Airports and other large parking installations.	20%
3	<u>Plan and Approach, Scope of Services and Recommendations</u> Detail of proposed operations plan, marketing and business intelligence capability.	25%
4	<u>Proposed Costs</u> Fee Proposal including profit/overhead, premiums on required insurance coverages and Workers Compensation rates.	30%
5	<u>Requested Changes in Agreement</u> Proposers requesting no changes to the terms of the Port agreement receive the maximum available points.	5%
	Total	100%

Panelists evaluated each written proposal for Criteria 1-3: Company Information, Knowledge & Experience, and Plan and Approach/Scope of Services; and short-listed proposers participated in oral interviews.

Airport Business staff evaluated Criteria 4 – Proposed Costs based on the estimated total first-year costs as annual increases would be proportionate for each proposer. These included a fixed management fee which includes profit, overhead and senior staff compensation; estimated costs based on proposed rates for worker compensation, liability and health insurance premiums; plus reimbursement for operating expense. The highest score was awarded to the lowest cost proposer; and points were awarded to other proposers based on the relative variation of their estimated total cost to the lowest cost proposal.

No proposers were disqualified and rankings are shown below. Following evaluation of the written proposals the Panel short-listed two firms – LAZ and SP+, who were granted oral interviews.

1. LAZ Parking California*
2. SP+ Corporation*
3. Imperial Parking (Impark)
4. FSP-PPM (ABM)
5. Ace Parking

**Short-listed firms granted oral interviews*

All five firms also submitted proposals for the Port's Airport Shuttle Bus, Ground Transportation and Curbside Management Services contract (RFP No. 17-18/03) that is the subject of a separate Agenda Report for the December 14, 2017 Board Meeting; and offered discounted management fees that would apply if they were awarded both contracts. The Panel ranked LAZ highest overall for the following reasons.

- **Proposer Information:** The Panel rated the LAZ and SP+ closely across many sub-factors under this criterion, including each company's past performance, key personnel and available resources.
- **Knowledge and Experience:** LAZ and SP+ were also rated similarly in this area. Each provided examples of relevant Airport contracts that demonstrate their ability to fulfill the scope of the RFP. SP+ has a larger number of airport parking clients nationally, while LAZ is OAK's current parking management contractor and operates parking at several other California airports. LAZ has a local office in Emeryville.
- **Plan and Approach/Scope of Services:** The Panel gave LAZ a higher score based on its approach to technology, customer service, operations and marketing.
- **Cost:** LAZ and SP+ both offered very competitive fee proposals including fixed management fee, insurance premiums, and workers compensation rates. LAZ' overall fees were slightly lower.

In summary both short-listed proposals were very competitive. However the Panel rated LAZ' proposal to be the most responsive and aligned with the Port's objectives. Staff recommends that the Port enter into an Airport Parking Management Services Agreement with LAZ for a contract fee of \$4,892,600¹ during the first contract year, and adjusted annually based on CPI. Please see the (below) Budget and Staffing section for a breakdown of the fees. The Airport Parking Management Services Agreement would be for three years, plus two one-year extension options.

¹ Includes 10% Contingency on reimbursable operating expense

AIRPORT CONCESSION DISADVANTAGED BUSINESS ENTERPRISE

The Airport Concession Disadvantaged Business Enterprise (ACDBE) program (U.S. Department of Transportation, 49 Code of Federal Regulation (CFR), Part 23) is a program condition that applies to these contracts because it is a concession opportunity as defined in 49 CFR Part 23, Section 23.3, as a business located on the Airport that is engaged in the sale of consumer goods or services to the public under an agreement with the Port including management contracts.

The Port of Oakland Non-Discrimination and Small/Local Business Utilization Policy (NDSLBU), including preference points allocation for local business, does not apply to this project.

These contracts are subject to the overall race neutral triennial goal of 20.26% covering Federal Fiscal Years ("FFYs") 2015-2017. The Port expects to meet its ACDBE participation goals entirely through race-neutral means. The successful proposer will be contractually required to report ACDBE participation quarterly to the Port as part of this effort.

SRD staff worked closely with the project team in outreach efforts for this project. As necessary under the federal requirements and Port outreach and education protocol for economic opportunities for ACDBE and Small businesses, the Port conducted outreach as follows:

- Mandatory Pre-Proposal on August 14, 2017 - 26 were in attendance;
- Outreach to the specific work categories of ACDBE certified firms with the California Unified Certification Program (CUCP) that reside in the Port's local business area (Alameda and Contra Costa Counties) including Parking, Parking Management, Parking Operations, Transportation Management, and Ground Transportation Management;
- Outreach to firms in the Port's certified database (representing local/small businesses) doing business within the above identified categories;
- Sharing the CUCP and Port certified list of firms with prime consultants;
- Email blasts to airport trade associations, industry groups, chambers and workforce community based organizations (i.e. Airports Council International, International Parking Institute, Airport Minority Advisory Council);
- Port website announcement of the contract opportunity;

- As part of the mandatory pre-proposal meeting and information packet provided to potential proposers, information sharing and education of requirements, goals, resources (e.g., certification and technical assistance) and expectations.

Proposed ACDBE Utilization

1. LAZ Parking California did not propose the use of any ACDBEs.
2. SP+ Transportation proposed SF Parking, a California certified ACDBE, and Global Parking Systems, a Louisiana certified ACDBE.

BUDGET & STAFFING

Total estimated Year 1 contract costs based on LAZ' cost proposal are shown below.

Fixed Management Fee Proposal: Year 1	
Profit	\$ 50,000
Senior Staff Salaries	\$ 353,000
Liability Insurance Premiums	99,000
Subtotal - Overhead	\$452,000
Fixed Management Fee ²	\$502,000

Airport Parking Management: Estimated Total Year 1 Cost	
Fixed Management Fee	\$ 502,000
Estimated Other Fees (Workers Comp, Health)	142,400
Subtotal: Fixed and Estimated Fees	644,400
Estimated reimbursable costs including non-management staffing, materials and support services	3,862,000 ³
Anticipated Total Cost for First Year of Services	4,506,400
Contingency on Reimbursable Expense (10%)	386,200
Grand Total	\$ 4,892,600

Excluding Contingency the Estimated Total First Year Cost shown above is approximately 11% higher than what was paid in FY 2017, but less than what was included in the FY 2018 operating budget. Therefore this contract award would have no effect on the adopted FY 2018 operating budget or on Port staffing. The 11% variance reflects that in FY 2017, the operator did not earn the variable management fee and marketing expenditures were reduced in anticipation of the new revenue control system which will have expanded promotional capability. The Airport Parking Management Services Agreement would be for three years, plus two one-year extension options. The estimated total contract cost over a five year period, assuming a 3% CPI and 10% contingency factor on reimbursable operating expense is \$25,960,069.

² Profit and senior staff compensation adjust annually based on CPI.

³ Includes maximum variable fee of \$100,000

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Total Fees	644,600	662,296	680,668	699,532	718,902	3,405,799
Reimbursable Expense	3,862,000	3,977,860	4,097,196	4,220,112	4,346,715	20,503,882
Contingency @ 10%	386,200	397,786	409,720	422,011	434,672	2,050,388
Total	4,892,600	5,037,942	5,187,584	5,341,655	5,500,289	25,960,069

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) does not apply because this contract is for Airport Parking Management Services that are not within the craft jurisdiction of the unions' signatory to the MAPLA.

STRATEGIC PLAN

Goal A: Create Sustainable Economic Growth for the Port and Beyond

- Objective 1: Maximize the use of existing assets.

Goal B: Maintain and Aggressively Grow Core Businesses

- Objective 1: Retain existing customers and tenants.

LIVING WAGE

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), apply to this agreement as the service provider employs 21 or more employees working on Port-related work, the service provider is principally providing services related to maritime or aviation business, the service provider is not per se exempt under the Living Wage Regulations, and the contract value is greater than \$50,000.

ENVIRONMENTAL

CEQA Determination: This action has been determined to be categorically exempt from requirements of the California Environmental Quality Act (CEQA) Guidelines pursuant to Section 15301, Existing Facilities, which exempts the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. No changes to the premises or use are proposed.

GENERAL PLAN

This action does not change the use of any existing facility, make alterations to an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

Professional service agreements are not subject to the Port's Owner Controlled Insurance Program (OCIP) as professional services are not construction activities.

OPTIONS

1. Approve the proposed action and authorize the Executive Director to execute an Airport Parking Management Services Agreement with LAZ Parking California LLC, subject to the terms described herein, for a maximum amount of \$25,960,069, (for five years) including fixed and variable management fees and other reimbursable expenses to provide Airport Parking Management Services, subject to approval as to form and legality by the Port Attorney. The contract duration would be for three years plus up to two 1-year options. Delegate the authority to exercise the two one-year options to the Port Executive Director. This is the recommended action.
2. Authorize staff to execute an Airport Parking Management Services Agreement with LAZ Parking California LLC Parking, Inc. though under different terms described in this Agenda Report.
3. Direct staff to solicit new proposals which would require a further extension of the current agreement with LAZ.

RECOMMENDATION

It is recommended that the Board select Option 1, adopt a resolution authorizing the Executive Director to execute an Airport Parking Management Services Agreement with LAZ Parking California LLC, subject to the terms described herein, for a maximum amount of \$25,960,069, (for five years) including fixed and variable management fees and other reimbursable expenses to provide Airport Parking Management Services, subject to approval as to form and legality by the Port Attorney. The contract duration would be for three years plus up to two 1-year options. Delegate the authority to exercise the two one-year options to the Port Executive Director.