



# City of San Antonio

## Agenda Memorandum

**File Number:**17-5488

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**Agenda Item Number:** 24A.

**Agenda Date:** 10/5/2017

**In Control:** City Council A Session

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**DEPARTMENT:** Aviation

**DEPARTMENT HEAD:** Russell J. Handy

**COUNCIL DISTRICTS IMPACTED:** Citywide

### **SUBJECT:**

Downtown Hotel Shuttle Service for the San Antonio International Airport

### **SUMMARY:**

Consideration of two Ordinances related to the downtown shuttle services concession agreement at the San Antonio International Airport (SAT):

- A. This Ordinance will authorize a concession agreement with Star Shuttle, Inc. (Star Shuttle) for exclusive airport shuttle services and additional non-exclusive ground transportation services at SAT. The firm will be the exclusive airport shuttle service provider for SAT to downtown hotels and other attractions. The term of the agreement will be five years. The minimum annual guarantee (MAG) is \$127,500.00. In addition, the concessionaire will pay the City percentage fees which include 6.5% of the year-to-date gross revenues of shuttle trips originating from SAT and 10% of the year-to-date gross revenues from advertising and tour tickets. The provider may provide limousine or black car services as a supplement to airport shuttle vehicles.
- B. This Ordinance will consent to the assignment and assumption of the downtown hotel shuttle concession agreement from Star Shuttle, Inc. to Texas Self-determination Transportation, LLC (TSDT). Star Shuttle, Inc. informed the City that it had entered an agreement with TSDT in order to operate as SuperShuttle, Inc. which has nationwide name recognition.

### **BACKGROUND INFORMATION:**

The downtown shuttle service operator provides exclusive shuttle service to and from downtown hotels and area attractions to San Antonio International Airport as well as additional non-exclusive services. Convention and international visitors often prefer to utilize shuttle service over other transportation options. The previous agreement for shuttle service expired on May 31, 2017.

Passengers are able to utilize a variety of existing transportation options at SAT including taxis, rideshares, hotel shuttles, limousines and public transportation. Convention event planners typically prefer an airport shuttle option as a determination for booking an event as it is easier to transport large groups compared to other available options. In fact, the NCAA included the requirement of having an airport shuttle in order for the City to secure the NCAA Final Four Men's Basketball Championship. In addition, previous discussions with hotel personnel highlighted their preference for a shuttle service for convention and international travelers.

#### *A. New Service Provider*

On February 3, 2017 the City released a Request For Proposals to provide downtown shuttle service. One proposal was received on March 8, 2017. An evaluation committee comprised of representatives from the City Manager's Office, Aviation Department, Airport Advisory Commission and the Hotel industry met on April 14, 2017 in accordance with City policy and procedures to review the proposal. Following the review, the committee used the consensus method and selected Star Shuttle, Inc.

Star Shuttle, Inc. has provided shuttle service for garage parking customers at the San Antonio International Airport since 2015. In addition, the firm provides transportation service for the City's Pre-K program and paratransit service for VIA.

#### *Agreement*

The concessionaire will provide exclusive shuttle service between SAT and downtown designated locations, and other locations. The firm could also provide additional non-exclusive services. A start-up period of four months will begin on the later of October 16, 2017 or 10 days after the approval of City Council of the agreement whichever is earlier. This period will allow the firm to advertise and raise awareness of the program before the five-year term begins and the firm begins paying the City. The five-year term will begin at the end of the start-up service and may be extended for two additional 30-month periods.

As part of the proposal, Star Shuttle proposed a minimum annual guarantee of \$127,500.00. This amount is less than the previous contract; however, trends in data acknowledge the need to adjust the amount based upon passenger utilization of transportation alternatives. The transportation community has experienced a change in demand of options utilized over the last several years. Rideshares, also referred to as Transportation Network Companies (TNCs), were introduced at SAT in late 2015 and have become an increasingly used transportation method for SAT passengers. Since that time, several transportation options have experienced a decline in ridership. For example, during the first five months of 2016, shuttle service provided a total ridership of 20,585 compared to 17,657 over the same period in 2017, yielding a ridership decline of 14 percent. Although the introduction of TNCs may not be the sole contributing factor to the decrease in shuttle ridership, the Aviation Department is realistic about the evolving trend in transportation options and the proposed MAG and contract terms account for some degree of market variability. The firm may provide limousine or black car services as Abbey Walker, Gray Line Tours and ExcuTours at shuttle services rates as a supplement to airport shuttle vehicles. The vendor will provide the City a monthly report detailing the limousine or black car service trips that were used to supplement the shuttle vehicles and provide shuttle services at the shuttle service rate. Black car and limousine services providing ground transportation services other than as a supplement to the airport shuttle service must comply with all inspection, permitting and other requirements set out in Chapters 3 and 33 of the City's Code of Ordinances.

#### *B. Assignment and Assumption*

Star Shuttle, Inc. has entered into agreement with TSDT in order to operate as a SuperShuttle at San Antonio International Airport. Star Shuttle, Inc. will assign, transfer and convey all of its rights, obligations, title, interest and liabilities in and to the agreement to TSDT. TSDT will accept such assignment and assume all of the rights, obligations, title and liabilities in and to the agreement with TSDT whether such rights, obligations, title, interest or liabilities arise before or after this agreement. The assignment and assumption will allow the shuttle service to operate as SuperShuttle.

#### **ISSUE:**

Approval of this action is consistent with the City's policy to contract out ground transportation services to generate revenue.

#### **ALTERNATIVES:**

City Council could direct staff to re-issue a Request for Proposal. This action will result in a delay of this transportation option and revenue to the City.

#### **FISCAL IMPACT:**

The City is guaranteed annually at least \$127,500.00. The minimum annual guarantee (MAG) is set at \$127,500.00 for the first year, which is the floor, and will adjust to 85% of actual payments for subsequent years if that number exceeds the MAG. In addition, the concessionaire will pay the City percentage fees which include:

- 6.5% of the year-to-date gross revenues of shuttle trips originating from airport;
- 10% of the year-to-date gross revenues from advertising and tour tickets.

The vendor may use those per trip fees generated from limousine or black car services when supplementing airport shuttle vehicles to deduct from the amount of the MAG fee. This offset to the MAG only applies when such vehicles are used to supplemental services to provide airport shuttle service at shuttle rates.

The firm may also lease a space at each terminal to serve customers at a cost of \$1,000.00 per month for each booth for a total annual amount of \$12,000.00. All revenue generated from this contract will be deposited in the Airport Operating & Maintenance Fund.

#### **RECOMMENDATION:**

Staff recommends authorizing the Downtown Hotel Shuttle Service concession agreement with Star Shuttle, Inc. for passengers of the San Antonio International Airport.