

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS**

9:30 A.M.

WORKSHOP SUMMARY

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Meeting Date: July 24, 2007

Department:

Submitted By: Department of Airports

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I. EXECUTIVE BRIEF

Title: Request for Proposals for Retail Concession at the Palm Beach International Airport

Summary: On May 1, 2007, the Board approved the Request for Proposals (RFP) for the Retail Concession at the Palm Beach International Airport (PBIA) and authorized staff to make adjustments to the RFP based on questions and comments received as a result of the mandatory pre-proposal conference. The Department held a mandatory pre-proposal conference on June 6, 2007. The Department issued two addenda modifying the RFP based on questions and comments made by prospective proposers. Modifications to the RFP included an extension to the deadline for submission of proposals to August 31, 2007 and a modification to the minimum percentage rent requirements. The original RFP provided for a minimum percentage rent of 15% of annual gross receipts. Some of the prospective proposers indicated that a minimum percentage rent of 15% of annual gross receipts for all concession locations would preclude them from proposing certain retail concepts. In order to ensure a broad variety of products and services are available to customers at PBIA, the Department modified the RFP to increase the overall minimum percentage rent to 20% of annual gross receipts and to allow proposers to elect to propose a minimum of 12% of annual gross receipts for sales from up to three concession locations that provide personal services, such as manicure services, or locally or nationally branded specialty merchandise. The RFP allows proposers to propose higher percentage rents. There are currently nine retail concession locations in the terminal. Countywide (AH)

Background and Policy Issues: On July 11, 2006, the Board approved the advertisement of a RFP for the Retail Concession at PBIA. The Department prepared a RFP with the assistance of AirProjects, a consultant specializing in airport concessions. The RFP was issued on May 10, 2007 following Board approval. Airport concessions are subject to federal Disadvantaged Business Enterprise (DBE) regulations. The Department established a 25% DBE goal in accordance with the DBE Program adopted by the Board and federal DBE regulations.

Attachments:

1. Inter-office Memorandum dated June 28, 2007 to the Board of County Commissioners
2. Responses to questions raised in Commissioner Greene's July 10, 2007 letter to the Board of County Commissioners.

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Recommended By: _____

Department Director

Date

Approved By: _____

County Administrator

Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

| Fiscal Years | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|-------|-------|-------|-------|-------|
| Capital Expenditures | _____ | _____ | _____ | _____ | _____ |
| Operating Costs | _____ | _____ | _____ | _____ | _____ |
| External Revenues | _____ | _____ | _____ | _____ | _____ |
| Program Income (County) | _____ | _____ | _____ | _____ | _____ |
| In-Kind Match (County) | _____ | _____ | _____ | _____ | _____ |
| NET FISCAL IMPACT | _____ | _____ | _____ | _____ | _____ |
| # ADDITIONAL FTE POSITIONS (Cumulative) | _____ | _____ | _____ | _____ | _____ |

Is Item Included in Current Budget? Yes x No

Budget Account No.: Fund 4100 Department 120 Unit 8430 Object 4462

Reporting Category

B. Recommended Sources of Funds/Summary of Fiscal Impact:

The current retail contract generates approximately \$2.2 million per year in revenues to the County. Revenues from the new contract should meet or exceed this amount depending on the terms of the selected proposal and future passenger traffic. Revenue is based on a minimum percentage of annual gross receipts as established by the RFP. Proposers may propose a higher percentage to the County under the terms of the RFP.

C. Departmental Fiscal Review: CM Sumner

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Development and Control Comments:

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|---|--|
| <u>James D. [Signature]</u> 7-17-07 OFMB <u> </u> | <u>Jim J. Jacoby</u> 7/18/07 Contract Development and Control <u> </u> |
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B. Legal Sufficiency:

Anne Delgant 7/19/07
 Assistant County Attorney

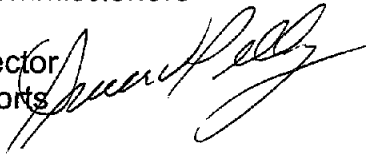
C. Other Department Review:

 Department Director

THIS SUMMARY IS NOT TO BE USED AS A BASIS FOR PAYMENT.

INTER-OFFICE MEMORANDUM DEPARTMENT OF AIRPORTS

TO: Addie Greene, Chairperson and Members
Board of County Commissioners

FROM: Bruce V. Pelly, Director
Department of Airports 

DATE: June 28, 2007

RE: Request for Proposals/Retail Concession at PBIA

This memorandum is to update the Board on the status of the Request for Proposals (RFP) for the Retail Concession at Palm Beach International Airport, approved by the Board on May 1, 2007.

The Department of Airports prepared the Request for Proposals for the Retail Concession at the Airport in consultation with an independent consultant, AirProjects. On June 6, 2007 the Department conducted a mandatory pre-proposal conference and tour of Airport facilities. The pre-proposal conference was attended by 26 participants representing a number of different interested companies, including The Paradies Shops, Hudson and HDS Retail. The Department has gone to great lengths to have an open and competitive process, to preserve the integrity of the process and ensure that all qualified proposals will be evaluated.

In order to provide potential proposers with a sufficient opportunity to submit questions and comments regarding the RFP, the Department extended the deadline for submission of written questions to June 15, 2007. The deadline for submission of proposals was also extended to August 31, 2007 to insure proposers have ample opportunity to prepare their proposals.

As a result of questions raised by prospective proposers, the Department has made a number of modifications to the RFP documents. The majority of changes to the RFP are relatively minor in nature and made primarily for clarification purposes. The only noteworthy changes are to the rental proposal requirements related to percentage rent, which were made in response to questions posed during the official question and comment period.

The original RFP presented to the Board provided for a minimum annual guarantee (MAG) of \$1,350,000 and a minimum percentage rent of 15% of annual gross receipts. Although the MAG is fixed, a higher percentage rent could be proposed. The selected proposer will pay the greater of the MAG or percentage rent.

Some of the prospective proposers indicated that 15% of annual gross receipts may preclude them from proposing certain retail concepts, including locally and nationally branded specialty merchandise and personal services such as manicure services. Our consultant, AirProjects, confirmed that proposers may be reluctant to propose particular retail concepts because certain types of stores would require the proposer to pay higher license or franchise fees in order to be able to provide the concept at the Airport. In order to provide proposers with the opportunity to propose a variety of concepts that are in public demand and to ensure that a broad selection of products is available to customers at the Airport, the Department has modified the RFP to allow proposers to propose a minimum of 12% of annual gross receipts for up to three concession locations in the Airport that primarily provide locally or nationally branded specialty retail merchandise or personal services. The Department has also increased the minimum percentage to 20% of annual gross receipts for sales from all other concession locations. Proposers will have the option of proposing higher percentage rents.

Although proposers may not propose a higher initial MAG, the MAG automatically adjusts each year based on 90% of the previous year's revenue to the County. The MAG was established at \$1,350,000 to take into account the significant capital improvements that will need to be made by the selected proposer to update the concession facilities. The revenue proposal structure was strongly recommended by our consultant, AirProjects, who had concerns that proposers would be tempted to submit overly aggressive MAG proposals in order to obtain the award of the concession agreement, which could result in increased prices to Airport customers, lesser quality products, reduced selection and reductions in service. While the revenue proposal is certainly an important component of the retail concession, we believe that the qualifications and experience of the proposer, the proposed retail concepts and proposed capital investment are also essential to the overall success of the concession operations at the Airport and ultimately to maximizing the revenues to the County. It should be noted that none of the pre-proposal conference attendees requested specific changes to the MAG requirements during the official question and comment period in accordance with the RFP requirements; therefore, no changes have been made to the provisions of the RFP related to the MAG.

We believe that new and refreshed retail concepts will guarantee the continued success of the retail concessions at the Airport. Proposers are free to explore different retail concepts in the terminal, and we welcome proposals that show creativity, higher levels of service and revenue enhancement.

Complete copies of the addenda issued to the RFP will be available on the Department's website at www.pbja.org. If you have any questions, please do not hesitate to contact me.

cc: Robert Weisman, County Administrator

**RESPONSES TO JULY 10, 2007 LETTER TO THE
BOARD OF COUNTY COMMISSIONERS**

- a) Look at projected revenue from the contract in light of reduced revenue from the state and associated budget cuts.**

The Department of Airports is an enterprise fund and is not funded by ad valorem taxes or other County funding sources. The Department makes every effort to maximize revenues without sacrificing customer satisfaction. We believe the RFP, as it is currently written, will increase retail concession revenues upon completion of build-out of the new concession facilities.

- b) Since the airport is the Gateway to Palm Beach County for residents and visitors, what will the new stores look like, what will they sell and will there be any personal services.**

The RFP requires proposers to include information regarding proposed store concepts, including preliminary design plans for each concession location and proposed merchandise mix. Proposers may propose personal services, such as hair and nail salon services.

- c) What opportunities will there be for increased disadvantaged and minority businesses to participate in this contract and/or other contracts at PBIA?**

Airport concessions and federally assisted contracts are subject to federal Disadvantaged Business Enterprise regulations. The Department established a 25% goal for the Retail Concession in accordance with the federal DBE regulations and the DBE program adopted by the Board for the Department of Airports. Proposers may elect to propose a higher percentage. The DBE goals for the Department are approved by the Federal Aviation Administration. Proposed DBE participation is also one of the evaluation criteria considered in selecting a proposer. We have attached a brief summary of the Department of Airports' DBE/SBE participation for your consideration.

- d) Can the three top participants make their presentation before the BCC?**

The RFP currently provides for oral presentations to be made to the selection committee. The selection committee will consist of: (i) two County employees, Tom K. Stewart, Deputy Director of Operations and Maintenance for the Department and Irwin Jacobowitz, Director of Contract Development and Control; (ii) two airline representatives; and (iii) one or more representatives of the Aviation and Airports Advisory Board. Following the selection committee meeting, the Department would commence negotiations of a final Concession Agreement with the selected proposer. The final, negotiated Concession

Agreement would be presented to the Board for approval; however, the Board retains the right to reject the Concession Agreement with the proposer selected by the selection committee and to cancel the RFP. The Department established the selection committee process in accordance with the Purchasing Ordinance to ensure that all protest issues, if any, would be resolved prior to approval of the Concession Agreement by the Board.

The Board could elect to add a member of the Board as a selection committee member or modify the composition of the selection committee without further amendment to the RFP. In order to allow the Board to hear presentations or be the selection committee, the RFP would have to be amended.

**Palm Beach County Department of Airports
Summary of S.DBE Goals and Activity
for fiscal year 2006**

| | <u>GROSS REVENUE</u> | <u>GOAL</u> | <u>GROSS REVENUE</u> | <u>ACTUAL PARTICIPATION</u> |
|------------------------------------|-------------------------|-------------|--------------------------|---------------------------------|
| Concessions | \$133,782,312.90 | 12.00% | \$23,547,810.63 | 17.60% |
| Construction/Professional Services | <u>119,875,615.40</u> | 17.00% | <u>20,171,654.59</u> | 16.83% |
| Overall Airport Total | <u>\$253,657,928.30</u> | | <u>\$43,719,465.22</u> | 17.24% |

CONCESSION REPORT

FY: 2006

| <u>CONCESSIONS</u> | <u>GROSS REVENUE</u> | <u>YEARS TERM</u> | <u>ACDBE GOAL</u> | <u>ACDBE GROSS REVENUE</u> | <u>ACDBE PARTICIPATION</u> |
|--------------------------|--------------------------------|-----------------------|-----------------------|--------------------------------|--------------------------------|
| Advertising | \$668,426.68 | 23 | 10% | \$668,426.68 | 100.00% |
| Business Services Center | \$328,978.00 | 5 | 10% | 0 | 0% |
| Baggage Cart | \$221,660.00 | 5 | 10.00% | \$31,363.50 | 14.15% |
| Food & Beverage | \$14,186,923.32 | 16 | 25% | \$3,546,730.83 | 25.00% |
| Ground Transportation | \$3,735,136.00 | 7 | 17% | \$603,955.00 | 16.17% |
| Parking Management Fee | \$109,956.45 | 5 | 10% | \$10,996.00 | 10.00% |
| Rental Car (7 Slots)* | \$104,063,846.00 | 5 | 15% | \$17,170,534.59 | 16.50% |
| Retail | <u>\$10,467,386.45</u> | 21 | 25% | <u>\$1,515,804.03</u> | 14.48% |
| Concessions Total | <u><u>\$133,782,312.90</u></u> | | 12.00% | <u><u>\$23,547,810.63</u></u> | 17.60% |

*Goal is for the purchase of products,
goods and services

Concession Overall ACDBE Goal: 12%

CONSTRUCTION REPORT

FY 06

| | <u>BID AMOUNTS</u> | <u>S-DBE</u> | <u>S-DBE GOAL</u> | <u>S-DBE DOLLAR AMOUNT</u> | <u>S-DBE PARTICIPATION</u> |
|--|-------------------------|--------------|-----------------------|--------------------------------|--------------------------------|
| Automated Weather Observing Sys (AWOS | \$173,716.00 | DBE | 15% | \$173,716.00 | 100.00% |
| Concourse B & C Exterior Panel Repairs | \$1,785,322.00 | DBE | 15% | \$302,000.00 | 16.92% |
| Hurricane Damaged Sign Replacement | \$160,885.00 | DBE | 0% | 0 | 0.00% |
| Administration Bldg | \$10,997,000.00 | DBE | 20% | \$964,614.00 | 8.77% |
| Passager Loading Bridges | \$15,360,608.00 | SBE | 15% | \$1,077,876.00 | 7.02% |
| Belvedere Road Street Escape | \$385,698.40 | SBE | 15% | \$121,696.34 | 31.55% |
| Long Term Parking Garage # 2 | \$61,666,000.00 | SBE | 15% | \$10,171,646.00 | 16.49% |
| Concourse "C" Gate Expansion | <u>\$17,433,942.00</u> | SBE | 15% | <u>\$2,618,378.00</u> | 15.02% |
| Construction Total | <u>\$107,963,171.40</u> | | | <u>\$15,429,926.34</u> | 14.29% |

Construction/Professional Services Overall DBE Goal: 17%

PROFESSIONAL SERVICES

| | <u>\$ AMOUNT</u> | | <u>S-DBE GOAL</u> | <u>S-DBE DOLLAR AMOUNT</u> | <u>S-DBE PARTICIPATION</u> |
|---------------------------------|-----------------------------|-----|-------------------|--------------------------------|--------------------------------|
| General Consultant (PB)[Amend] | 3,660,327.00 | DBE | 25.00% | \$2,258,787.79 | 61.71% |
| General Consultant (LP) [Amend] | 1,420,544.00 | DBE | 25.00% | \$397,753.32 | 28.00% |
| EIS | 2,873,952.00 | DBE | 25.00% | \$718,488.00 | 25.00% |
| General Consultant (CH) [Amend] | 1,799,212.00 | DBE | 25.00% | \$742,174.95 | 41.25% |
| Parking Design [Amend] | <u>2,158,409.00</u> | SBE | 15.00% | <u>\$624,524.19</u> | 28.93% |
| Professional Services Total | <u><u>11,912,444.00</u></u> | | | <u><u>4,741,728.25</u></u> | 39.80% |

Construction/Professional Services Overall DBE Goal: 17%