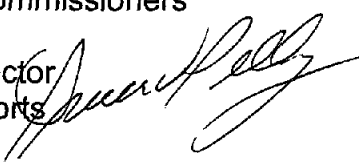


**INTER-OFFICE MEMORANDUM
DEPARTMENT OF AIRPORTS**

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.pbia.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	119,875,615.40	17.00%	20,171,654.59	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	\$10,467,386.45	21	25%	\$1,515,804.03	14.48%
Concessions Total	\$133,782,312.90		12.00%	\$23,547,810.63	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	\$17,433,942.00	SBE	15%	\$2,618,378.00	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>11,912,444.00</u>		<u>4,741,728.25</u>	39.80%

Construction/Professional Services Overall DBE Goal: 17%