

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4d
Date of Meeting February 9, 2016

DATE: January 8, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Michele Fideler, Manager, Airport Facilities Services
Olivia Sloan, AV Conference Center Business & Marketing Manager
SUBJECT: Conference Center Exclusive Catering Contract

Amount of This Request:	\$775,000	Source of Funds:	Airport Development Fund
Est. State and Local Taxes:	\$65,000		
Net Proceeds to the Port:	\$80,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute a contract for exclusive food and beverage service at The Conference Center at Sea-Tac Airport. The contract duration is three years with two one-year options to extend. Total five-year estimated value of the contract is \$775,000.

SYNOPSIS

Commission authorization is requested to execute a contract for exclusive food and beverage service at The Conference Center at Sea-Tac Airport (The Center). Anticipated start date of the contract is October 1, 2016. The new contract will not include exclusive service of the conference rooms in the Airport Office Building (AOB) floors 1-5, as it has in the past. Groups may use any catering vendor they wish on floors 1-5 of the AOB. The project manager will coordinate with the Office of Social Responsibility to maximize small business opportunities.

BACKGROUND

Meetings and events held in The Center often require food and beverage service. To provide consistency of products and services, and generate additional revenue, the Port elected to contract with an exclusive caterer beginning in October, 2009. The first contract was for three years, and the second contract will expire on September 30, 2016, after four years.

JUSTIFICATION

One caterer is the best option to maintain quality food and service standards. The onsite prep kitchen is small and only provides enough access and storage for one caterer. A single catering contract allows the Port to negotiate lower menu pricing, a discount for Port orders, and a

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commission paid to the Port from external orders. The current contract offers a 10% discount on Port orders and 10% commission on gross receipts from external customers.

The timing of this request provides ample time for transitioning to the new caterer. The current contract expires September 30, 2016. May through September is a busy season for caterers due to weddings. Publishing the RFP in March, and completing the evaluations by the end of May, will avoid caterers' busy season, allowing for more competition and better quality proposals. This is especially true for small businesses, which the Port is hoping to engage for this RFP.

The new caterer will also need time prior to October 1 to train employees, and to purchase and set up equipment such as coffee brewing machines.

FINANCIAL IMPLICATIONS

The contract will have a maximum estimated cost of \$775,000. This is the Port's estimated spend on food and beverage for the duration of the contract. The budget for purchasing catering through this contract will be within departmental expense budgets. Each department sets their own budget for meetings and catering.

The contract also generates revenue for the Port through commissions paid on external customer catering orders. The expected commission percentage is 10 percent, which will account for an estimated \$16,000 per year in non-aeronautical revenue over the life of the contract.

STRATEGIES AND OBJECTIVES

This request contributes to the Port's Century Agenda strategies and Portwide organizational strategies by engaging with small businesses, and promoting small business growth and workforce development. The request also supports the Port's goal of making Seattle-Tacoma International Airport a "Gateway of Choice" by offering superior conference center facilities and amenities at the airport.

TRIPLE BOTTOM LINE

Economic Development

The contract creates jobs, allows local business partners to grow, and increases the Port's ability to generate non-aeronautical revenue through conference room sales and catering commissions. The project manager will coordinate with the Office of Social Responsibility to maximize small business opportunities.

Environmental Responsibility

This contract will result in a reduction of waste and trash generated in The Conference Center. The contract requires use of reusable china or compostable service items such as plates, cups, and utensils; and participation in the coffee ground composting program.

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Community Benefits

The contract will promote opportunities for disadvantaged businesses, and will engage local small businesses. The project manager will coordinate with the Office of Social Responsibility to maximize the small business participation.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) Status Quo – Extend existing contract for another year.
This is not the recommended alternative.

Cost Estimate: \$150,000 per year Port spend; \$16,000 per year in revenue from commissions

Pros:

- Caterer is a known quantity and is a small business.

Cons:

- No guarantee that caterer will be willing to extend the contract
- Would not allow the Port to test the market place and provide opportunities for other small businesses.
- Would not allow separation of office conference rooms to better meet staff needs.
- Would require Commission action to extend the contract since we have reached the contract spend limit.
- Would simply delay the RFP process for a year without benefit.

Alternative 2) Do not contract for catering services at The Conference Center.
This is not the recommended alternative.

Cost Estimate: \$200,000 per year Port spend

Pros:

- Customers and the Port would have ability to bring in any caterer they choose.

Cons:

- Would not have a reliable catering service in The Conference Center.
- The Port will likely not receive a discount on catering orders at the Airport.
- Would not provide a consistent customer experience. Allowing meeting planners to order from any vendor they choose would hurt Conference Center business because service standards could not be required or enforced. There would be no quality control.
- All caterers must provide proof of insurance, health documents, a liquor license, and access to the Ground Transportation lot before working in the Conference Center. Vetting multiple caterers throughout the year would require extra time and administration. The Conference Center does not have the staffing levels for this.

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- Most external customers want a quick and easy ordering process. Under this alternative they would have to find their own caterer.
- No catering commission paid to the Port; less non-aeronautical revenue.

Alternative 3) Contract with multiple caterers to service The Conference Center.
This is not the recommended alternative.

Cost Estimate: \$200,000 per year Port spend; \$16,000 revenue from commissions

Pros:

- Greater variety of menu items, price, and quality.
- Some customers will like this option better.

Cons:

- Significant operational challenges with the existing small prep kitchen and limited storage.
- Additional staffing needed to coordinate with multiple caterers, verify orders and invoices, and catch errors in advance (e.g., wrong delivery time or room location on invoice).
- Conference Center staff currently conducts a weekly meeting with the caterer to ensure that orders are not missed and all clients are contacted. It is unclear how the Port could continue this practice with multiple caterers servicing multiple customers.
- Additional staffing needed to monitor and enforce contract requirements.
- Caterers will have to brew coffee and prep items off-site, which could increase pricing due to multiple trips back and forth and more staff time required to provide service.
- No guarantee that each caterer will receive the minimum number of orders to make it profitable for them. A small business would probably not be able to maintain staffing levels to service The Conference Center without a certain number of orders.

Alternative 4) One exclusive caterer to service The Conference Center.

This is the recommended alternative.

Cost Estimate: \$775,000 over five years (\$155,000 per year) Port spend; \$80,000 revenue from commissions (\$16,000 per year)

Pros:

- Ability to negotiate lower pricing on menu items.
- Ability to negotiate Port discount and commission paid to the Port.
- Clear service and quality standards, and ability to enforce them.
- Effective onsite operations with prep kitchen and storage accessibility.
- One contract simplifies the badging and parking permit process.

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- One catering contract allows for operational efficiency for Conference Center staff. Daily communications with a single caterer enables Port staff to make corrections to errors in advance (e.g., wrong delivery time or incorrect room location).
- One caterer keeps us competitive with comparable venues such as hotels or conference centers that have onsite catering. Since we do not have that option, having one caterer makes it easier for customers, providing a better experience and a more professional business model.
- Joint marketing opportunities with the caterer.
- There will be consistency in the onsite staff serving the clients. The staff will know the facilities and clients. Because of this, they are able to give better customer service.
- Working with one caterer allows the Port to maintain the security of customer information and reduce the risk of losing clients if their information is shared with other venues.

Cons:

- Limited selection of menu items and pricing.

ATTACHMENTS TO THIS REQUEST

- None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- April 10, 2012 – The Commission authorized the Chief Executive Officer to execute an exclusive catering contract for The Conference Center at Sea-Tac. The contract was structured for one 3-year term, with the option to renew for two one-year terms.