



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.**

4e

**ACTION ITEM**

**Date of Meeting**

November 14, 2017

**DATE:** October 23, 2017

**TO:** Dave Soike, Interim Executive Director

**FROM:** James R. Schone, Director, Aviation Commercial Management  
Stephanie Nelson, Parking Revenue Manager

**SUBJECT:** Parking Revenue Consulting Services IDIQ Contract

**Amount of this request:** \$1,550,000

**Total estimated project cost:** \$1,550,000

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to execute an indefinite delivery, indefinite quantity (IDIQ) contract for Parking Revenue Consulting Services in the amount of \$1,550,000 with a duration of up to five years.

**EXECUTIVE SUMMARY**

Seattle-Tacoma International Airport (“Airport”) has one of the most contested parking markets in the U.S., with more than 30 offsite parking operators competing for 1+ day parking transactions. As the largest source of non-aeronautical revenue for the airport (totaling \$66.7 million in 2016), the commercial parking business is critical to the airport’s ability to fund needed infrastructure and provide adequate debt-service coverage.

The purpose of this request is to augment Port staff to accelerate revenue development opportunities for the commercial parking business at the Airport. Most specifically, it will support the project development and delivery of an online parking pre-booking system, and its planned integration with the new ParkingSoft parking revenue control system (PRCS), to increase parking revenue generation for the Airport. The pre-booking system is anticipated to launch in Q3 2018.

This contract will provide support services for the development, implementation and management of an online parking pre-booking system, as well as the development of new parking products, ancillary services, and emergent technologies to enhance overall customer experience and increase revenue for the airport.

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A \$1.55 million IDIQ contract is expected to meet the needs of Aviation Commercial Management for up to five years. In consultation with the Port's Small Business Group, a 30% small business goal is proposed to be associated with the procurement of this contract.

### **JUSTIFICATION**

This project supports the Century Agenda goal of making Sea-Tac Airport the gateway of choice, the Aviation Division strategies to maximize non-aeronautical net operating income and to provide an extraordinary customer experience, and the Commercial Management department strategy to introduce new programs and services for the diversification of parking product offerings, customer reach, and revenue growth.

Contract execution for Parking Revenue Consulting Services will provide necessary support services for future parking revenue-generating projects, most significantly for the timely development and delivery of an online parking pre-booking system, and its planned integration with the new ParkingSoft parking revenue control system in late 2018 (September).

An online parking pre-booking system will allow parking customers to easily pre-book/reserve their parking online, select the parking product of their preference, purchase any ancillary services that staff develops in the coming years (such as discounted access to the Airport's common-use lounges), and pay in advance via web or mobile devices, which is now viewed as essential to creating a positive customer experience for today's tech-savvy travelers.

These systems have been successfully implemented throughout Europe, Australia and Canada, and are now being introduced at a number of major U.S. airports, including Dallas-Fort Worth (DFW), New York/New Jersey (NYC), Atlanta (ATL), San Diego (SAN) and Tampa (TPA). Dublin International Airport (DAA), one of the earliest adopters of online parking pre-booking (2008), transitioned 70% of its parking transactions (accounting for more than 75% of its parking revenue) to online pre-booked/pre-paid within the first five years of implementation. DAA also increased its customer satisfaction scores from 62% to 85% over that same period. Based on historical parking transactions and the reach of the current parking coupon program, an online parking pre-booking system is anticipated to generate \$16.6 million in new incremental revenue for Sea-Tac Airport in its first five years of operation (2018-2022).

An online pre-booking system will allow the Airport to benefit from e-commerce/web-based payments and implement yield and demand management practices that have effectively been used in other travel industries (i.e. airlines, hotels, rental cars) for more than 10 years. The Airport will be able to implement variable pricing strategies for its parking products, better manage garage occupancy, further tailor discounts to attract new customer segments, promote/up-sell ancillary services, and ultimately, increase revenue.<sup>1</sup>

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<sup>1</sup> In 2016, average peak day time occupancy in the Sea-Tac Airport parking garage was 70% (noon); average peak overnight occupancy was considerably lower at 50% (2am). This indicates that there are between 3,600 and 4,600 vacant parking stalls in the airport garage even during the busiest day of the week (Wed). On days with historically low garage occupancy (Fri/Sat/Sun), there are between 5,700 and 7,400 vacant stalls at any given time. With an online parking pre-booking system, these stalls could potentially be sold at a discounted rate, based on demand in the garage (historical and forecasted occupancy), rather than remaining empty with no revenue to the airport.

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Port staff requires the assistance of a parking revenue consultant with the specialized expertise and resources to complete the breadth of tasks associated with the launch and management of an online parking pre-booking system with robust yield and demand management capabilities. Consultant tasks include parking market research, product and pricing strategy, yield and demand analysis, branding, marketing strategy and advertising plan development. Additionally, the selected consultant will assist staff in system development and configuration requirements, PRCS integration and quality control/testing prior to launch.

Post-launch, the consultant will be responsible for day-to-day system administration, customer service, and yield and demand management functions for the pre-booking system. The consultant is expected not only to execute work in these key functional areas, but also ensure that through a process of knowledge transfer, the Port's staff is trained and capable of assuming these functions at the end of the contract period.

Outstanding work is anticipated to take approximately six to eight months from contract authorization, so it is prudent for a consultant to be on-contract by early 2018 so that the system integration with the PRCS remains on schedule for a September 2018 launch. Any delay in the authorization of this contract will likely delay the launch of the pre-booking system, and subsequently, any new incremental revenue able to be generated from the launch of a pre-booking system at Sea-Tac Airport.

## **DETAILS**

### ***Scope of Work***

1. Improve the efficiency and effectiveness of project delivery for the planned implementation of an online parking pre-booking system, which will allow customers to reserve and pre-pay for their parking prior to arriving at the airport.
  - a. Pre-implementation: Provide market research and analysis, product and pricing strategy, yield and demand analysis, branding, marketing strategy and advertising plan development for the development and launch of the online parking pre-booking system.
  - b. Implementation: Provide assistance with system development and configuration for the selected online parking pre-booking system application, and oversight for PRCS integration and 3<sup>rd</sup> party quality control/testing.
  - c. Post-implementation: Facilitate day-to-day system administration, customer service, and yield and demand management functions for the online parking pre-booking system.

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2. Provide assessment and analysis of existing parking programs and products, and the repositioning and/or development of new features, benefits and/or pricing strategies to enhance revenue development.
3. Provide assistance with the formulation of new parking programs, products and pricing strategies, and integration of relevant technologies, to enhance revenue development.
4. Other projects as required to fortify the airport’s commercial parking business and ensure opportunities for parking revenue development and optimization.

***Small Business Opportunities for this procurement***

In consultation with the Port’s Small Business Group, a 30% small business goal is proposed to be associated with the procurement of this contract.

***Schedule***

Aviation Commercial Management estimates that this contract will be for a maximum period of up to five (5) years.

**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1** – Status quo. Do not procure a Parking Revenue Consulting Services contract and continue to manage planned major expense projects with existing staff.

Cost Implications: \$0

Pros:

- (1) No additional cost.

Cons:

- (1) Not enough resources to accelerate revenue development opportunities for the commercial parking business at Seattle-Tacoma International Airport.
- (2) Likely delay in the launch of the pre-booking system due to the breadth of work required for implementation, and subsequently, any new incremental revenue able to be generated for the airport.
- (3) Lack of experience, in some areas, in the development, implementation and/or management of an online parking pre-booking system.

This is not the recommended alternative.

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**Alternative 2** – Procure three to four separate contracts as work is identified.

Cost Implications: \$1.65 million for 5 years

Pros:

- (1) Increases the number of opportunities for firms to contract with the Port.

Cons:

- (1) Multiple contracts would significantly reduce continuity of consultant resources.
- (2) This option would not be the most efficient use of Port resources, as the dollar amount associated with each individual service/contract increases overhead and administrative costs to the Port. Costs to procure and administer separate contracts are estimated at approximately \$100,000. Delays of three to six months would likely be incurred for each service/contract effort, dependent on dollar amount associated and staff time required.
- (3) Scopes of work may be too small and reduce interest from potential bidders.

This is not the recommended alternative.

**Alternative 3** – Procure a single IDIQ contract with a significant small business participation requirement.

Cost Implications: \$1.55 million for 5 years

Pros:

- (1) This alternative ensures a competitive process and continuity of consultant resources, and that the Port has the functional or technical expertise with the necessary skills to assist with the implementation of a parking pre-booking system and other projects as needed.
- (2) Small business participation requirement provides opportunities for additional firm(s) involvement (e.g. advertising agencies, marketing research firms), under the direction and supervision of the prime consultant.
- (3) Significant staff time and procurement cost would be saved by consolidating procurements.
- (4) The Port can react more quickly to emerging business requirements.
- (5) Develop in-house skills and institutional knowledge from experienced and seasoned consultants.

Cons:

- (1) None.

***This is the recommended alternative.***

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**FINANCIAL IMPLICATIONS**

Based on historical parking transactions, the reach of the current parking coupon program and the introduction of yield and demand management practices, an online parking pre-booking system is anticipated to generate \$16.6 million in new incremental revenue for the Airport in its first five years of operation (2018-2022). It is also anticipated that 50% to 60% of the airport's 1+ day parking transactions will transition to online pre-booked/pre-paid within the first five years of implementation. The pre-booking system revenue is already included in the airport's 10-year revenue forecast.

***Annual Budget Status and Source of Funds***

The total estimated project services will not exceed \$1,550,000. No work is guaranteed to the consultant and is not obligated to pay the consultant until a service directive is executed and services are provided. Individual service directives will be executed to authorize the consultant to perform any specific work on the contract against approved budget authorizations and within the total contract amount.

On an annual basis, the Port will estimate and include the costs accounted as expense for the operation and management of the pre-booking system in the Port's annual operating budget.

**ATTACHMENTS TO THIS REQUEST**

None

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

None