

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

**Item No.** 5c

**ACTION ITEM**

**Date of Meeting** April 10, 2012

**DATE:** March 29, 2012

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Tony Baca, Senior Manager Airport Building and Facility Services  
Michele Fideler, Airport Facilities Manager

**SUBJECT:** Purchasing and Concession Agreement between the Port of Seattle and a Catering Company

**ACTION REQUESTED:**

Request Port Commission authorization for the Chief Executive Officer to execute a combined purchasing and concession agreement between the Port of Seattle and a catering company, to provide catering services for the Port's Conference Center at the Seattle-Tacoma International Airport, for a term of three years, with an option to renew for two one-year periods.

**SYNOPSIS:**

This catering services agreement is a combined purchasing and concessions agreement. It will replace the existing contract that expires September 22, 2012. The contract will be competitively bid, and provides an opportunity for a small, local business. Authorization of this request will allow the Port to continue to collect commission on all catered food and beverages provided to paying customers in the Conference Center at the Airport, while also providing quality food and beverage services at a discounted rate for Port of Seattle meetings and events. Commission is not applied to Port purchases.

**BACKGROUND:**

The Conference Center at the Airport has been renting meeting and event space to the public since 2005. Port employees, Commissioners, and airlines also use the rooms for meetings at no charge. Since the Conference Center opened its doors to external business six years ago, revenues have increased an average of 33% per year. The most substantial increase occurred in 2011, with year-end revenue 50% higher than 2010. This growth is attributed to a variety of factors including increased marketing efforts, a skilled and knowledgeable hospitality team, brand positioning, and an exclusive catering agreement. The catering agreement has provided our external customers with the consistent experience that they rely on, resulting in an increase in repeat business and referrals from current customers.

During the first few years that the Conference Center was rented to paying customers, food and beverages for meetings and events were provided by any licensed caterer the meeting planner

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chose. As the Conference Center business plan was developed, catering was identified as a potential source of new revenue for the Port. In addition, the Conference Center was experiencing problems managing its reputation when the prices, quality and services provided by caterers were not what they expected. Even though customers were clearly informed that the Port was not affiliated with the various catering companies, by simple association, the Conference Center's reputation was negatively affected. Staff began to spend increasing amounts of time troubleshooting issues between the customers and the caterers.

In 2009, to take advantage of the opportunity for new revenue, and to address the problems staff were experiencing, the first catering agreement was developed for the Conference Center. The objective was to generate revenue through concession fees, while providing a level of control over the quality, service, and pricing offered by the caterer. Since the cost to operate catering services for a location without a full kitchen is high, the scope of the agreement was expanded to include catering services for Port meetings in both the Conference Center and the Airport Office Building (AOB), in order to encourage more participation. The request was structured to allow proposers to determine the percentage of commission to be paid to the Port and the percentage discount applied to Port purchases. The successful bidder was Emerald Cove Catering, a local small business. Since September of 2009, they have partnered with the Port to establish and increase the Conference Center's reputation while generating revenue to the Port. They have provided the Port with an established relationship for catering needs and have contributed to increased staff efficiency by reducing the number of caterers managed by the Conference Center. Because of the quality of their offerings, Emerald Cove has been used to cater events outside of the Conference Center, such as the Community Giving Campaign. The contract expires on September 22, 2012.

During the first request for proposal (RFP) process, the Port had very sparse historical data on catering sales in the Conference Center, which likely contributed to less aggressive competition for the business. Now, with almost three years of data to provide, staff anticipates even greater participation on the upcoming RFP. The process is again structured to allow proposers to determine the commission and discount percentages. Location, overhead costs, and other factors will contribute to proposers' decisions on those amounts. The successful caterer will be chosen based upon several factors; commission and discount percentages are just two of the factors.

### **SCOPE OF AGREEMENT:**

	<b>Current Agreement</b>	<b>Proposed Agreement</b>
<b>Term/effective date:</b>	One year, with two one-year renewal options Sep. 23, 2009, through Sep. 22, 2012	Three years, with two one-year renewal options. Sep. 23, 2012, through Sep. 22, 2017
<b>Estimated revenue:</b>	\$75,000	\$130,000
<b>Estimated purchasing:</b>	\$330,000	\$550,000

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	<b>Current Agreement</b>	<b>Proposed Agreement</b>
<b>Commission paid to Port on food &amp; beverage Sales</b>	25%	15-25% (depends on competitiveness of proposers)
<b>Discount to Port on purchased food &amp; beverage</b>	25%	15-25% (depends on competitiveness of proposers)

### **SCHEDULE:**

Commission Approval:	April 2012
Advertise Request for Proposals:	April 2012
Contract Award:	June/July 2012
Contract Start Date:	October 2012

### **FINANCIAL IMPLICATIONS:**

#### ***Catering Purchased by the Port***

The Port purchased an average of \$110,000 per year in catered meals during 2010 and 2011. About 12% of that amount is attributed to large events, such as the Community Giving Campaign lunches and Airport marketing dinners. The Conference Center staff anticipates the yearly spending to remain flat or slightly lower over the next five years because of changes made to the contract scope. The current contract requires all food and beverages purchased by the Port and served in either the Conference Center or the AOB conference rooms to be purchased from the contracted caterer. The upcoming contract allows for Port employees to either use the contracted caterer or purchase food and beverages from other vendors for meetings in the AOB and in the Central Auditorium. Budget for catering purchases is within each department's authorized operating budget.

#### ***Catering Purchased by External Customers***

The contracted caterer pays a commission on food and beverages purchased by external, paying customers in the Conference Center. As the Conference Center's customer base grows, catering revenue is also anticipated to increase.

#### ***Pricing***

Initial pricing is determined during the RFP process. Proposer's pricing is compared with pricing in comparable local venues. Price increases are allowed during the contract only with the approval of the Port.

### **STRATEGIC OBJECTIVES:**

This effort supports the Port's development of new business and economic opportunities for the region, and promotes a high performance organization. The catering services contract also supports the Airport's strategic goal of being a world class airport.

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### **ENVIRONMENTAL SUSTAINABILITY:**

The selected caterer is required to create and implement programs that support the Port's green initiative and continue the current high standard of environmental responsibility. The contract requires the caterer to use reusable cutlery, plates and glasses whenever practical. When reusable alternatives are impractical, the caterer is required to provide compostable serviceware approved by Cedar Grove Composting, and make reasonable efforts to ensure that all such serviceware and food waste is composted in the proper manner.

### **BUSINESS PLAN OBJECTIVES:**

This agreement will contribute to the achievement of three Airport business plan strategies: 1) Maximize non-aeronautical revenue, 2) Operate a world-class international airport by meeting the needs of our tenants, passengers and the region's economy, and 3) Become one of the top ten customer service airports in the world by 2015. The catering contract will generate non-aeronautical revenue for the Port through commissions collected on food and beverage services. The market demand for the Conference Center and its services has been demonstrated by the consistent growth of the Conference Center business since 2006.

### **TRIPLE BOTTOM LINE SUMMARY:**

- 1) Provides economic benefit to both the Port and the community
- 2) Contract requires use of compostable materials for catering
- 3) Opportunity for a local, small business

### **ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:**

**Alternative 1 (recommended):** Continue to contract with a single catering company for food and beverage services for meetings held in the Conference Center at the Airport, in the AOB, and at other Port locations. The size of this contract will attract more businesses to participate in the proposal process, and therefore provide a wider range of choices for the Port. Managing a single contracted caterer has allowed the Conference Center to maintain a strong reputation in the industry, makes the most efficient use staff time, and generates additional non-aeronautical revenue for the Port.

**Alternative 2 (not recommended):** Revert to allowing the Port and paying customers to use any caterer they wish. This would preclude the Port from collecting commission on sales to paying customers, it would require more staff time to manage the logistics and problem-solving, and the inconsistent quality, service and pricing would negatively affect the reputation of the Conference Center.

### **OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

None.

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:**

None.