

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

**COMMISSION AGENDA**  
**ACTION ITEM**

**Item No.** 6c  
**Date of Meeting** July 14, 2015

**DATE:** June 26, 2015  
**TO:** Ted Fick, Chief Executive Officer  
**FROM:** James R. Schone, Director, Aviation Business Development  
Deanna Zachrisson, Business Leader, Airport Dining and Retail  
**SUBJECT:** New Service Contract for ADR Employment Continuity Pool Program

**Amount of This Request:** \$300,000      **Source of Funds:** Airport Development Fund  
**Est. Total Project Cost:** \$300,000

**ACTION REQUESTED**

Request Commission authorization for the Chief Executive Officer to execute a contract for the creation and management of an Employment Continuity Pool program for employees within the Airport Dining and Retail (ADR) program with an annual estimated cost of \$100,000. The total contract cost is not expected to exceed \$300,000 during an estimated term through mid-2018.

**SYNOPSIS**

In a motion on November 25, 2014, the Port of Seattle Commission directed Port staff to create an Employment Continuity Pool program (“Pool”) with the purpose of facilitating smooth employment transitions among current Airport Dining and Retail program employees during the program redevelopment. This Pool will be created and managed by a third-party vendor at the direction of the Port.

The largest number of leases will be expiring in the 2016-2018 timeframe. As a result, some current dining and retail operations will be affected by changes to operations. Closures may occur as the result of construction to reconfigure existing spaces for more efficient use, or as an outcome of a competitive leasing process. In either instance, current employees may seek to remain employed at the Airport with a different employer. The Pool program will be the means to achieve the objective of supporting employment continuity for these individuals. The Pool is intended to be operational by the end of 2015 in preparation for the first potential unit transitions. The contract is estimated to end in 2018 and have an estimated contract value of \$300,000. The procurement was advertised in May 2015 and the Port has received three responsive proposals.

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

June 26, 2015

Page 2 of 6

### **BACKGROUND**

#### ***Employment in the ADR Program***

Prior to 2004, the Airport Dining and Retail program was managed by one master concessionaire for all types of food service, retail and duty free. Beginning with the expansion of the program in 2004, when Concourse A opened and followed by the Central Terminal opening in 2005, employment in the program has increased by over 100%. The diversification of operators in the program under the Port's new management model following the master concessionaire era also contributed to this growth. In 2014, the Port estimated about 1,600 individuals held employment in the program. More recent badge-holder data suggests that this employment continues to grow. Employers also report that currently there is a shortage of qualified applicants to fill available positions.

Nonetheless, the redevelopment of the dining and retail program will lead to disruptions in employment for some employees. The exact number that may be impacted by changes in the program is very difficult to predict because the solicitation process will determine which current operators may continue to operate in the Airport, and therefore retain their employees. Also, due to the increase in square footage devoted to dining and retail, overall employment is expected to grow throughout the transition period.

Current employees and employers participate in and/or support already many of the workforce development opportunities offered by the Port, such as Airport University as well as applicant placement assistance. These offerings will continue be available to incumbent employees during the program transition.

#### ***Employment Continuity Pool***

The concept of creating a Pool of employees for hire by new employers in airports is an idea that addressed the reality of redevelopment of terminals and units with a more complex set of circumstances than one operator simply assuming the operations of a predecessor in the same space. The most recent example studied extensively by the Port is the pool used at San Diego International Airport from 2012 through 2014, when it transitioned from a master concessionaire to multiple operators in a redeveloped and expanded program. The Port program will largely mirror the San Diego pool, but deviate in instances where lessons learned from San Diego's program can be used to improve the Pool. Significantly, the San Diego pool was managed by in-house airport staff without particular employment facilitation expertise.

Both represented and non-represented employees are expected to enter the Pool and will be treated equitably regardless of status. The labor union representing the food service employees, Unite HERE Local 8, has been a long-time proponent of policy measures designed to assure continued employment for their members, and will be one of the stakeholders in the transition of employees. The employees represented by Unite HERE in the HMSHost and Concessions International operations include the most tenured employees at the Airport due to their decades'

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

June 26, 2015

Page 3 of 6

long presence as concessionaires. The United Food and Commercial Workers Union (UFCW) Local 21 has also supported such measures, but their members will not be notably affected by the program redevelopment due to the length of current lease agreements for convenience retail and duty free which do not expire until 2020 and beyond.

### ***Third Party Vendor***

For many years in the planning for the next redevelopment of the dining and retail program, the Commission has been concerned about the employment stability for current employees. As a means to address this concern and mitigate instability in Airport employment, the Commission passed its motion “regarding Quality Jobs, Service and Employment Continuity Assurances” in November 2014.

The Commission directed Port staff to select a third party vendor to manage the Pool service. There are multiple advantages to this approach. Any employment data for applicants collected by the vendor will not be provided or stored by the Port, and the vendor will be responsible for maintaining the security and integrity of the data. The Port will not be directly involved in the relationship between employers and potential employees, or risk becoming involved in employment disputes. Also, a third party vendor does not require the long-term commitment of Port resources as the Pool is anticipated to sunset in the 2018 timeframe as the major portion of the redevelopment comes to a close.

The vendor will be expected to work with both outgoing employers and new employers to facilitate opportunities for incumbent employees. Outgoing employers will determine which employees meet the Port’s criteria for inclusion in the Pool, and work with the vendor to collect application data from those employees. Once the Port notifies the vendor of an executed lease with a new employer, the vendor will contact that employer in order to determine their hiring needs, gain their cooperation in evaluating employee applications and provide assistance in determining qualified candidates. The vendor will also monitor that the new employers comply with the specific requirements for different sizes of businesses, noted below. The vendor will facilitate interviews as needed.

The contract will require a number of types of aggregate reporting of the program’s success required by the Port. For example, the vendor will track if employees remained employed at the Airport, or if they gained new employment elsewhere, or relocated out of the marketplace. The vendor also will track that hired employees are retained for a 90-trial employment period. Success of the program is defined as every Pool employee who seeks a job, whether at the Airport or outside the Airport, is able to find new employment.

## COMMISSION AGENDA

Ted Fick, Chief Executive Officer

June 26, 2015

Page 4 of 6

### *New Employer Requirements*

As the Port solicits proposals for new dining and retail operations, requirements for new employers awarded lease agreements will be made clear as part of the solicitation process. In accordance with the Commission's motion:

- Employers that respond to Request for Proposals (RFP) processes which include **four (4) or more unit locations**, or anticipate that they will operate four or more units in the redeveloped program must *interview and hire* qualified employees from the Pool before considering applicants from outside the Pool.
- Employers that respond to a Competitive Evaluation Process (CEP) which include **three (3) or fewer unit locations**, or anticipate operating three or fewer units in the redeveloped program must *interview, but not necessarily hire*, qualified employees from the Pool before considering applicants from outside the Pool.

## PROJECT JUSTIFICATION

This procurement is a part of the Commission's Job Quality Initiative. This initiative supports the creation of business opportunities that foster economic prosperity, entrepreneurial initiative, increased job opportunity and job security. The ability for employees to continue employment at the Airport irrespective of a specific employer's tenure as a lessee is a key part of this strategy. Other workforce development opportunities offered at the Airport are also fully available to participants in the Pool.

### *Project Objectives*

The objective of the employment continuity Pool is to make employment transitions more secure and smooth for both employers and employees, by being able to facilitate the connection between new employers and current employees. New and incumbent operators will benefit by having ready access to a Pool of qualified applicants for hire when needed for their operations.

### *Scope of Work*

The selected vendor will collect the information necessary for a new database so that new employers can evaluate qualifications, make contact, arrange interviews and make hiring decisions. The vendor will only provide applicant information to new lessees confirmed by the Port of Seattle. The Port is not able to provide definite numbers of employees that would be entering the Pool. This is due to the unknown outcomes of competition for future opportunities. There is a presumption that some existing tenants will remain tenants and retain their employees through the redevelopment process. The selected vendor must also provide the Port with reporting on the success of the program.

## SCHEDULE

The anticipated schedule for the services would begin September 15, 2015. We anticipate the services may no longer be necessary in July, 2018 but the Port will include the ability to continue through December 2018.

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

June 26, 2015

Page 5 of 6

## **FINANCIAL IMPLICATIONS**

### ***Budget Status and Source of Funds***

Commission directed the creation of the Employment Continuity Pool at the end of 2014, after the Port's budget process had concluded. Therefore, costs for the initiation of the Pool in 2015 will be supported by Airport contingency funds. Initial proposals suggest that the requested amount of funds is reasonable in relationship to vendor estimates to create and manage the program.

## **ECONOMIC AND COMMUNITY BENEFITS**

### ***Economic Development***

The Pool will have economic benefits for the Port, employers and employees. For the Port, generation of revenue is derived as a percentage of gross sales collected from each operator. The achievement of ADR revenue goals hinges on the ability of ADR operators to serve customers and generate sales. Without sufficient numbers of qualified employees, neither operators nor the Port can capitalize on the available sales opportunity. The Pool represents an opportunity for new operators to hire the most experienced and capable employees. Success for operators ultimately translates into increased customer loyalty and sales, which in turn generates new employment opportunities.

### ***Community Benefits***

A thriving ADR program benefits the local community with jobs and procurements with local suppliers to serve the traveling public. The Pool helps support a continuity of employment for individuals who have been part of the Airport business and are an asset to employers.

## **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1)** – Reconsider the need for the Employment Continuity Pool service in light of the current low level of local unemployment and the shortage of qualified applicants for positions in the Airport Dining and Retail program.

Pros: The expenditure may not be necessary, if the Port deems that this support, beyond employment services already offered at the Airport, is unneeded in light of favorable employment conditions for dining and retail employees.

Cons: With a potential shortage of qualified applicants, the Pool may provide value to employers seeking experienced dining and retail employees. Also, representatives from organized labor for some food service and retail employees feel very strongly that the service is necessary. This is not the recommended alternative.

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

June 26, 2015

Page 6 of 6

**Alternative 2)** – Reconsider hiring a third-party vendor to provide the service.

Pros: The Port would have a greater degree of control over every aspect of the program. Some stakeholders may prefer to interact directly with the Port, and hold the Port directly accountable for the Pool's success.

Cons: Port staff and resources would be required to execute this work. No such resources are currently identified. The program is anticipated to sunset in approximately three years or when no employees remain in the Pool, at which time in-house resources would no longer be needed. In addition, the Port would risk more easily being drawn into potential disputes with employers, applicants and labor representatives if managed in-house. Applicant data would reside with the Port and may not provide adequate protections for applicants from disclosure. This is not the recommended alternative.

**Alternative 3)** – Consider allowing organized labor representatives to manage the Pool. The labor union representing food service employees has previously offered to manage the Pool program.

Pros: The expenditure would not be necessary.

Cons: It is important that all employees – whether they desire to be represented or not – receive equal attention in the execution of the Pool program. New employers also may be reluctant to work with labor in the hiring of their new employees. This is not the recommended alternative.

**Alternative 4)** – Authorize the contract with a third-party to create and manage the Pool program.

Pros: This approach is consistent with Commission direction and provides the greatest degree of control over the program without the costs and risks associated with in-house management.

Cons: The cost to provide this service could be significant in total as well as on a per employee basis. **This is the recommended alternative.**

## **ATTACHMENTS TO THIS REQUEST**

- Exhibit A: Computer slide presentation.
- Exhibit B: Motion Regarding Quality Jobs

## **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- November 25, 2014 – Motion Regarding Quality Jobs (Action)