



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8g

ACTION ITEM

Date of Meeting April 13, 2021

DATE: February 9, 2021

TO: Stephen P. Metruck, Executive Director

FROM: Dawn Hunter, Director, Aviation Commercial Management
Michele Fideler, Manager, Airport Facilities Services

SUBJECT: AV Conference Center Catering Contract Extension

Amount of this request: \$0

Total estimated contract cost: \$775,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to extend the existing contract between the Port of Seattle and Café Pacific Catering, for exclusive food and beverage service at the Conference Center at SEA Airport. Requested extension is one year with an additional one-year option to extend, for a total possible extension of two years.

EXECUTIVE SUMMARY

Commission authorization is requested to extend the contract for exclusive food and beverage service at the Conference Center at SEA Airport (the Conference Center). Anticipated start date of the contract extension is October 1, 2021.

The existing contract is a combined purchasing and concessions contract. The Port receives a 25% discount on all food and beverages purchased and collects a 22% commission on all catering sales to external customers. The total purchasing value (amount the Port can spend) of the existing contract is \$775,000. The Port has spent approximately \$440,000 against this contract thus far. Non-aeronautical revenue generated has been an average of \$48,000 per year (pre-pandemic).

Café Pacific Catering, a small, woman-owned, local business, was awarded the contract in 2016 after a competitive request for proposal (RFP) process. The contract duration is three years with two, one-year options to extend and expires September 30, 2021. The two extension options have already been used.

We are requesting this action due to the extreme negative impacts of the COVID-19 pandemic on the meetings and events industry, which includes catering companies. The Conference Center has been either closed or operating at a significantly reduced capacity since March 2020 due to

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government restrictions on gatherings. The Port does not have enough business volume to attract caterers to compete for a new contract.

This request is time-sensitive because the procurement process for a contract this size and complexity typically takes a minimum of six months. If the requested action is not approved, we must start the procurement process immediately.

JUSTIFICATION

The catering contract for the Conference Center is currently held by Café Pacific Catering, a small, local, woman-owned business. The contract expires on September 30, 2021. Normally the process to procure a contract of this size and complexity would have begun early in the year; however, because catering in the Conference Center for the past year has been nonexistent, it is not in the best interest of the Port to re-compete the contract at this time. With uncertainty regarding when business will return, it is highly unlikely that any caterers with the experience and product quality needed would participate in the procurement process.

The procurement process requires a significant amount of time and resources and includes taste-testing of the proposed menus. Any caterer chosen would also have to invest in menus, a website, coffee equipment installation, dishes and other serving ware, staffing, and airport badging and parking permits. This would be a financial burden even for large catering companies at this time without any guarantee of initial income. Even now that we are open with a 25% capacity restriction, our normal customers are choosing to avoid in-person meetings.

It is in the Port's best interest and in the interest of those who would like to compete for the contract in the future, to defer the RFP process, and ask the current caterer to continue for another one to two years.

Diversity in Contracting

The existing contract between the Port of Seattle and Cafe Pacific Catering does not have a Diversity in Contracting aspirational goal. The vendor is a small, local, woman-owned business.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do not contract for catering services at The Conference Center.

Cost Implications: \$48,000 per year lost revenue to the Port due to no commission collected on external sales. Estimated cost increase to the Port of 25% due to no discount on Port orders. The Port spent an average of \$127,000 per year pre-pandemic.

Pros:

- (1) External clients and the Port clients would have the ability to bring in any caterer they choose.

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Cons:

- (1) Would not have reliable and consistent catering service in The Conference Center.
- (2) No contract in place to hold caterers accountable for quality and service standards or consistent pricing. Adds risk and liability to the Port for unsafe food handling or other business practices.
- (3) The Port may have to invest in large-scale coffee equipment because individual caterers would not install their equipment and let other caterers use it. Without the equipment, caterers would need to bring brewed coffee and would not have the option for onsite add-ons and refreshing coffee service.
- (4) Significant increase in administrative time to collect and verify proof of insurance, health documents, and liquor licenses. Staff would assist caterers with access to parking and delivery locations, and access to the meeting rooms.
- (5) Requires additional operational time during events to coordinate with clients and caterers, confirm orders, address onsite issues or concerns, and ensure proper food safety and handling.
- (6) The Port will likely not receive a discount on catering orders at the Airport. We also would not earn catering commission paid to the Port from external orders, which reduces non-aeronautical revenue.
- (7) Could negatively impact customer service as this will require extra time of our customers to find a caterer to service their events.
- (8) Reputational risk to the Port and The Conference Center if caterers do not meet customers' expectations.
- (9) No onsite prep or storage areas for caterers. They need to load in and out all service items and bring everything with them, which will drive up staff time and costs for customers, including the Port.

This is not the recommended alternative.

Alternative 2 – Bid the exclusive catering contract for October 1, 2021, commencement date.

Cost Implications: The Port spent an average of \$127,000 per year pre-pandemic. It is likely that any new contract would provide lower commission and discount rates, and increased menu pricing due to market conditions. The Port should also consider less-tangible costs such as internal staff labor time for the procurement process.

Pros:

- (1) New contract opportunity for small, local business community.

Cons:

- (1) With no ability to forecast when business will return, it is highly unlikely that any caterers with the quality we need would bid on the contract.
- (2) Any caterer chosen would have to invest in menus, a website, coffee equipment installation, dishes and other serving ware, and staffing. This would be a financial burden even for large catering companies at this time.
- (3) Potential lower commission rate collected on sales to external customers, therefore lower non-aeronautical revenue.

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- (4) Potential for significant menu item price increases and/or lower discount, therefore increasing Port spend on food and beverage orders.

This is not the recommended alternative.

Alternative 3 – Extend current exclusive contract with Café Pacific Catering in the Conference Center.

Cost Implications: \$12,000-30,000 total estimated revenue from commission payments in 2021-2023 while business recovers. \$8,000 estimated savings on Port spend with 25% discount on all orders. We anticipate minimal Port spend on food and beverage in 2021 and 2022 due to department budget reductions and Port policy updates limiting expenditures on employee food and beverage.

Pros:

- (1) Continues contract with local, woman-owned small business.
- (2) Will have reliable and consistent catering service in The Conference Center. Current contract contains service standards and quality assurance audits.
- (3) Coffee brewing equipment and other items are already onsite and stored at The Conference Center by the current caterer.
- (4) Administrative time to manage and continue under the same contract will be minimal as we already have established processes and procedures. Caterer is already familiar with Airport badging requirements and ground transportation permits.
- (5) Existing clientele are already familiar with the current caterer, allowing once less change and hurdle to overcome when returning to in-person meetings.
- (6) The Port will maintain the established discount of 25% on Port food and beverage orders and 22% commission payment on external orders.

Cons:

- (1) Does not provide a new contract opportunity for the small, local business community.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

The purchasing value of the existing contract is \$775,000. Port spending on this contract to-date is \$440,000. We estimate very low spending over the next two years so there is no need to increase the purchasing value of the contract. Reduction in Port spend on food and beverage is due to department budget reductions and Port policy updates limiting expenditures on employee food and beverage during the COVID-19 pandemic.

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Cost Estimate/Authorization Summary

	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$0	\$775,000	\$775,000
AUTHORIZATION			
Previous authorizations	0	\$775,000	\$775,000
Current request for authorization	0	0	0
Total authorizations, including this request	0	\$775,000	\$775,000
Remaining amount to be authorized	\$0	\$0	\$0

Annual Budget Status and Source of Funds

The catering contract is an authorization to purchase up to a certain dollar amount. Budget for Port food and beverage purchases is planned and approved through Division and Department annual budgets.

Future Revenues and Expenses (Total cost of ownership)

\$12,000-30,000 per year estimated revenue from commission payments in 2021-2023 while business recovers.

ATTACHMENTS TO THIS REQUEST

- (1) S-00318752 – Current Contract

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

February 9, 2016 – The Commission authorized the Chief Executive Officer to execute a contract for exclusive food and beverage service at The Conference Center at Sea-Tac Airport.