



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8i

ACTION ITEM

Date of Meeting March 8, 2022

DATE: January 20, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Jeffrey Wolf, Interim Director, Aviation Commercial Management
Amy McDonough, Aviation Conference Center Sales & Operations Manager

SUBJECT: AV Conference Center Exclusive Catering Contract

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

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

ACTION REQUESTED

Request Commission authorization for the Executive Director to execute a contract for an exclusive catering company to provide food and beverage service at the Conference Center (The Conference Center) at Seattle Tacoma International Airport (SEA), for an amount not to exceed \$1,000,000 over five years (three-year contract, with two, one-year extension options).

EXECUTIVE SUMMARY

Commission authorization is requested to execute a contract for an exclusive catering company to provide food and beverage service at The Conference Center. The anticipated start date of the contract is October 1, 2022. Catering is an essential service to The Conference Center operations for both internal (Port of Seattle) and external, revenue-generating clients.

This request is time-sensitive because SEA staff must start the procurement process as soon as possible to ensure a smooth transition on October 1, 2022 and allow for an uninterrupted positive conference center experience for internal and external clients.

The current and new, proposed contracts are a combined purchasing and concessions contract. For internal Port meetings, the caterer will provide services at the Port's expense, which is the basis for the requested \$1 million as part of this authorization. For catering services provided to all external (or non-Port) clients of The Conference Center, the caterer will pay the Port a percentage (to be determined as part of the competitive procurement process) of revenues received. On average, non-aeronautical revenue generated from concession payments made to SEA has been approximately \$40,000-\$50,000 per year (pre-pandemic).

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SEA staff estimates the contract value over the three years, with two, one-year extension options to be approximately \$1,000,000, or up to \$200,000 per year for catering services. The requested amount is based on historical spending levels prior to the pandemic closures, 2022 Aviation department budget requests, and forecasted price increases from rising food and labor costs. However, much of this information is difficult to forecast as additional conference center closures may be necessary for health and safety reasons related to the pandemic.

The current catering agreement will expire on September 30, 2022. Although the current contract allows for a one-year extension through September 30, 2023, the current caterer does not wish to exercise the option.

JUSTIFICATION

Meetings and events held in The Conference Center often require food and beverage service. To provide consistency of products, services, staffing, and generate additional revenue, the Port elected to contract with an exclusive catering company beginning in October 2009. The first contract was for three years (2009 – 2012), the second contract was four years (2012 – 2016), and the current contract will end after six years (2016 – 2022). This new contract would be the fourth contract of this type.

The use of one caterer is the best option to maintain quality food, consistent pricing, and service standards. Note: the contract does allow for limited use of caterers other than the selected vendor in special circumstances. 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, negotiate a discount for internal Port orders, and a concession fee paid to the Port from external client orders. A contract of this nature also allows a local, small business partner to grow, gain exposure and increases the Port's ability to generate non-aeronautical revenue through conference room sales and catering concession revenue.

Diversity in Contracting

The nature of this contract is not conducive to additional subcontracting. The intent is to receive catering services from one caterer and has historically been performed by a small business. The requested dollar amount over the total contract term does not allow for meaningful opportunities for the caterer to subcontract. However, as part of the procurement process, SEA staff will work with Diversity in Contracting to do targeted outreach to identify and encourage WMBE firms to bid.

DETAILS

This contract will provide exclusive food and beverage service for The Conference Center at SEA. The contract term is three years, with two, one-year extension options. Total estimated costs to the Port not to exceed amount is \$1,000,000.

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Scope of Work

This contract will provide catering services for events held in The Conference Center for internal and external clients. The Conference Center is comprised of five meeting rooms on the mezzanine level of the Airport Office Building (AOB), totaling just over 4,400 square feet. The catering service includes food and beverage (including alcoholic beverages), staffing, set up, servicing events, and clean-up of catering items for all events in The Conference Center such as board meetings or luncheons. The caterer may also provide service for events on floors 1-5 of the AOB on a non-exclusive basis (i.e.- SEA staff may elect to use other food and beverage services for events in the AOB).

Schedule

Advertisement of the procurement is intended immediately following Commission authorization for the Executive Director to execute this contract, to allow for an October 1, 2022 contract commencement date. SEA staff will work with Diversity in Contracting to do targeted outreach to identify and encourage WMBE firms to bid.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

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

Cost Implications: Lost revenue of approximately \$20,000 to \$40,000 per year due to no concession fees collected on external client sales. Potentially no Port discount on catering orders. Port spend is estimated to be approximately \$200,000 per year on catering, with administrative costs via staff time significantly increased (due to administrator’s time looking for a caterer).

Pros:

- (1) Conference Center clients would have the ability to use any caterer they choose to fit their budget and menu preferences.
- (2) Provides opportunities for multiple small, local businesses.

Cons:

- (1) Clients would need to spend extra time selecting and coordinating with their caterer of choice, which may not be ideal for clients looking for a turnkey experience.
- (2) Would not have reliable and consistent catering service in The Conference Center.
- (3) No contract in place to hold caterers accountable for quality and service standards or consistent pricing.
- (4) The Port may have to invest in large-scale coffee equipment because individual caterers would not install their equipment and allow use by other caterers. Without the equipment, caterers would need to bring brewed coffee and would not have the option for onsite add-ons and refreshing coffee service.
- (5) Significant increase in administrative time to collect and verify proof of insurance, health documents, and liquor licenses. Staff time also required to assist caterers with access to parking and delivery locations, and access to the meeting rooms.

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- (6) 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.
- (7) The Port will likely not receive a discount on catering orders at SEA. We also would not earn catering concession fees paid to the Port from external orders, which reduces non-aeronautical revenue.
- (8) Reputational risk to the Port and The Conference Center if caterers do not meet clients' expectations.
- (9) No onsite prep or storage areas for multiple caterers. They would need to load in and out all service items and bring everything with them, which could increase labor and other costs for clients, including the Port.

This is not the recommended alternative.

Alternative 2 – Contract with multiple caterers to service The Conference Center.

Cost Implications: Lost revenue of approximately \$20,000 to \$40,000 per year due to lower or no concession fees collected on external client sales. Potentially no Port discount on catering orders. Port spend is estimated to be approximately \$200,000 per year on catering, with administrative costs via staff time significantly increased (due to administrator's time looking for a caterer).

Pros:

- (1) Greater variety of menu items, price, and quality.
- (2) Provides a new contract opportunity for multiple small, local businesses.

Cons:

- (1) Significant operational challenges for multiple caterers to use the existing small prep kitchen and limited storage.
- (2) Additional administrative time 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).
- (3) Additional administrative time needed to monitor and enforce contract requirements.
- (4) Caterers may need 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.
- (5) No guarantee that each caterer will receive the minimum number of orders necessary to make the contract profitable and beneficial to their business. A small business would likely not be able to maintain staffing levels to service The Conference Center without a certain number of orders.
- (6) Anticipate no or very small concession fees paid on external client orders due to inability to guarantee a certain number of orders or minimum spend for each caterer available to use. There is greater risk involved for each caterer sharing the clientele, so they are unlikely to offer as much for commission or other payment to the Port.

This is not the recommended alternative.

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Alternative 3 – Competitively source the exclusive catering contract for October 1, 2022, commencement date.

Cost Implications: Port spend is anticipated to be approximately \$200,000 per year on catering. Selected vendor to offer discount percentage off all internal Port catering orders. Estimated commission paid by selected vendor on external clients' gross receipts approximately \$20,000 to \$40,000 per year (percentage fee determined through the procurement process).

Pros:

- (1) New contract opportunity for the small, local business community.
- (2) Ability to negotiate menu pricing and menu items to ensure caterer meets clients' needs and expectations.
- (3) Ability to negotiate a standard discount for all Port orders and a standard concession fee on external orders.
- (4) One caterer will have adequate space to install their own coffee brewing equipment and store a reasonable amount of required stock items at The Conference Center to efficiently service events.
- (5) Reduced staff time spent confirming orders and communicating with the caterer, compared to alternatives 1 and 2 with multiple caterer scenarios.
- (6) With guaranteed orders from the Port, the caterer has a greater opportunity to maintain minimum staffing levels to effectively fulfill the contract's Scope of Services.

Cons:

- (1) No option for clients to use the caterer of their choice.
- (2) Given the Port's restriction on employee food and beverage expenditures for most of 2020 and 2021, staff is not able to confidently forecast Aviation department spend on food and beverage for 2022 through 2025.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

The contract will have a not to exceed amount of \$1,000,000. This is the Port's estimated spend on food and beverage for the duration of the contract.

The exclusive catering contract generates non-aeronautical revenue for the Port through concession fees paid on external client catering orders' gross receipts. The actual concession fee percentage will be determined through the procurement process and is estimated to generate \$20,000 to \$40,000 per year in non-aeronautical revenue.

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Annual Budget Status and Source of Funds

The budget for purchasing catering services through this contract is within each departmental expense budgets. Each department sets their own budget for meetings and catering. The current contract has over fifty (50) Port departments spending on food and beverage for their meetings and events.

Financial Analysis and Summary

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| Project cost for analysis | Estimated up to \$200,000 per year in expense for catering services, totaling \$1 million over the potential five-year contract term. |
| Business Unit (BU) | Aviation Commercial Management |
| Effect on business performance (NOI after depreciation) | \$20,000 - \$40,000 additional non-aeronautical revenue per year. |
| IRR/NPV (if relevant) | N/A |
| CPE Impact | N/A |

ATTACHMENTS TO THIS REQUEST

- (1) Agreement

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

April 13, 2021 – The Commission authorized the Executive Director to extend the contract for exclusive food and beverage service at The Conference Center at SEA to September 30, 2022, with an additional one-year extension option through 2023.

February 9, 2016 – The Commission authorized the Executive Director to execute a contract for exclusive food and beverage service at The Conference Center at SEA. Total estimated cost was \$775,000.