



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
STAFF REPORT

Item No.
12

Meeting Date: **APRIL 7, 2011**

Subject:

Approve and Authorize the President/CEO to Execute the First Amendment to the Agreement with AirProjects, Inc. for Consulting Services Supporting the Development and Implementation of the Concession Development Program.

Recommendation:

Adopt Resolution No. 2011-0049, approving and authorizing the President/CEO to execute the first amendment to the agreement with AirProjects, Inc. for consulting services supporting the development and implementation of the Concession Development Program, increasing the current maximum amount payable under the agreement by \$300,000, for a new maximum amount payable of \$800,000 for the term of the agreement.

Background/Justification:

The Authority is implementing a comprehensive Concession Development Program (CDP) to transition the existing airport-wide concession program from a master concessionaire to a hybrid management approach of direct leasing and multiple primes. The Request for Proposals (RFP) process which is underway will ensure a competitive process and provide opportunity for all single operator(s), large operator(s) or Joint Venture(s).

An RFP process was conducted in January 2008 to select an on-call concession consultant to assist the Authority in the planning, development, and implementation of a cohesive terminal concessions program encompassing existing and new concession space in San Diego International Airport's three terminal buildings.

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The successful firm in that RFP process was AirProjects, Inc. AirProjects was awarded a five (5) year agreement with two (2) one-year extensions that commenced February 1, 2009 and will expire January 31, 2014, if both extension options are exercised by the Authority. AirProjects has completed tasks fulfilling the Authority's needs through the planning phase of the program development including, but not limited to, the following:

- Analysis of management methodologies
- Review of existing conditions, passenger activity, and trends
- Demand analysis
- Development of alternative layouts for each terminal
- Analysis of product delivery and distribution options
- Unit concept planning, packaging, and feasibility analysis
- Support documentation development (e.g., lease, RFP, and evaluation materials)

This first amendment to the agreement with AirProjects will allow the Authority to continue to utilize AirProjects through implementation of the program. It will allow the Authority to maintain continuity in this critical support role including the tasks identified below:

- Review of a an estimated 75 proposal packages, proforma ratio analysis, proforma reasonableness testing, scoring tabulation, and panel guidance
- Development of implementation phasing plan
- Input on parameters for future tenant infrastructure
- Development of tenant services scope of work (e.g., trash/janitorial, vent/hood, grease trap cleaning, and product distribution services)
- Tenant reimbursables calculations and schedules

The initial budget for this contract was developed based on a defined scope of work with contingency for issues that could not be anticipated at the time the contract was awarded. The unanticipated challenges such as i) space development and allocation for storage and administrative functions, ii) planning and development of product delivery and distribution facilities (Centralized Receiving and Distribution Center), iii) design solutions for existing terminals, and iv) multiple revisions to the unit packaging have consumed more of the program budget than was anticipated. It, therefore, is necessary to increase the budget to support the implementation phase of the program.

Changing the on-call concession consultancy company at this time would have a significant negative impact on the CDP schedule, costs, and revenue. Considering these factors, the complexity of converting a 40-year old program, as well as AirProjects indepth involvement in the planning phase of the program; it would be prudent to continue the agreement with AirProjects through full implementation of the program.

Proposed Actions:

Authority staff requests that the Board approve and authorization the President/CEO to amend the AirProjects, Inc. agreement to increase the contracting capacity by \$300,000 to a total maximum amount of \$800,000 for the term of the agreement.

Fiscal Impact:

The funds necessary to support this request are currently available in the Authority's Capital Improvement Program and operating budgets. When fully operational, revenue from the new concession program is estimated to be in the range of \$11.2 to \$13.2 million annually.

Environmental Review:

This Board Action, as an administrative action, is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.

California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Equal Opportunity Program:

The Authority's small business program promotes the utilization of small, local, disadvantaged, and other business enterprises, on all contracts, to provide equal opportunity for qualified firms. By providing education programs, making resources available, and communicating through effective outreach, the Authority strives for diversity in all contracting opportunities.

The Authority has a Disadvantaged Business Enterprise ("DBE") Plan as required by the Department of Transportation, 49 CFR Part 26. The DBE Plan calls for the Authority to submit an annual overall goal for DBE participation on all federally funded projects.

This project does not utilize federal funds; therefore, it will not be applied toward the Authority's over-all DBE goal.

Prepared by:

TROY ANN LEECH
DIRECTOR, REAL ESTATE MANAGEMENT

RESOLUTION NO. 2011-0049

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY APPROVING AND AUTHORIZING THE PRESIDENT/CEO TO EXECUTE THE FIRST AMENDMENT TO THE AGREEMENT WITH AIRPROJECTS, INC. FOR CONSULTING SERVICES SUPPORTING THE CONCESSION DEVELOPMENT PROGRAM INCREASING THE CURRENT MAXIMUM AMOUNT PAYABLE UNDER THE AGREEMENT BY \$300,000 FOR A NEW MAXIMUM AMOUNT PAYABLE OF \$800,000 FOR THE TERM OF THE AGREEMENT

WHEREAS, the San Diego County Regional Airport Authority ("Authority") entered a five (5) year agreement (Agreement) with two (2) one-year options to extend with AirProjects, Inc., commencing on February 1, 2009, and terminating on January 31, 2014, to provide on-call consulting services to the Authority, supporting the Authority's Concession Development Program (CDP); and

WHEREAS, a First Amendment is proposed (1) to maintain the current on-call concession consultants, which is critical to the full implementation of the CDP, and (2) to ensure there is no negative impact on the CDP project schedule and budgets which might occur by a change in consultants during the process.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby APPROVES AND AUTHORIZES the President/CEO to execute the First Amendment to the Agreement with AirProjects, Inc. for consulting services supporting the development and implementation of the Concession Development Program increasing the current maximum amount payable under the Agreement by \$300,000 for a new maximum amount payable of \$800,000 for the term of the agreement.

BE IT FURTHER RESOLVED that the Authority's officers, employees, and agents hereby are authorized, empowered, and directed to do and perform all such acts as may be necessary or appropriate in order to effectuate fully the foregoing resolution; and

BE IT FURTHER RESOLVED that the Board of the San Diego County Regional Airport Authority **FINDS** that (1) this Board action, as an administrative action, is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended (14 Cal. Code Regs. §15378), and is not a "project" subject to CEQA (Cal. Pub. Res. Code §21065), and (2) this Board action is not a "development" as defined by the California Coastal Act. Cal. (Pub. Res. Code §30106).

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of April, 2011, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
**DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK**

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

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