

SUMMARY MINUTES  
BUSINESS ADMINISTRATION COMMITTEE  
MEETING OF MARCH 19, 2014

Mr. McDermott chaired the March 19 Business Administration Committee Meeting, calling it to order at 12:00 p.m. A quorum was present: Mr. Session, Co-Chair, Mr. Adams, Mr. Carter, Mr. Griffin, Ms. Hall, Ms. Wells, Mr. Williams and Mr. Conner, ex officio. Mr. Chapman, Mr. Curto, Mr. Gates, Ms. Lang and Ms. Merrick were also present.

Pre-Solicitation Terms for a Duty Free Concession Operator for Dulles International and Reagan National Airports. Steve Baker, Vice President for Business Administration, was joined by Sandra Green, Manager, Concessions and Business Development, and Liz Bryan, Manager, Procurement and Contracts. Mr. Baker stated that the existing contract would expire on July 31, 2014, and he provided background for the contract and financial terms of the proposed solicitation.

Ms. Wells inquired about the Minimum Annual Guarantee (MAG) financial terms and the percentage rent of 22 percent of sales. Mr. Baker explained that \$3.95 million represented 90 percent of the current return and that approximately \$4.6 million is generated annually on the contract. He stated that historically new entrants normally offered more money than the annually generated amount, as well as a minimum initial investment and mid-term investment. Mr. Baker explained that the 22 percent of sales represented the industry rate for merchandise.

Mr. Carter inquired whether the seven-year contract term was necessary because of the time required for depreciation on the investment. Mr. Baker responded affirmatively, noting that seven years is the contract term for most retail operations. He explained that the seven-year term for the Duty Free Concession Operator would also be coterminous with the existing retail contract. The seven-year contract also provided an opportunity for the Duty Free Concession Operator to determine whether additional duty free concessions should be added compared to independent stores.

Mr. Session inquired about the purpose of the mid-term investment. Mr. Baker stated that it was used as part of an effort to ensure that the stores appeared as inviting midway through their leases as they did on opening day. He reported that all new leases included a mid-term in-

vestment requirement to ensure that customers and passengers are not subjected to sub-standard facilities.

Ms. Bryan presented the two-step procurement methodology for the Invitation for Bid (IFB). She reviewed the components of Step One and stated that once the technical proposals had been evaluated, a competitive range will be established. Ms. Bryan reported that only proposers' submissions that are scored in the competitive range will be invited to submit a bid with their best financial offers in the Step Two process. She noted that the bids would be opened in a public setting. An award will then be made once it is determined that the proposer is responsive and responsible.

Mr. Session inquired why the two-step process would be used instead of the Request for Proposals (RFP) process. Ms. Bryan stated that there are no lost advantages to using the two-step process because the first step of the IFB process would evaluate technical proposals. She explained that the responses would be necessary to establish criteria and the second step would provide proposers an opportunity to present their best offers in a public arena, which would encourage competition.

Ms. Lang asked if prospective bidders would have an opportunity to submit a Best and Final Offer (BAFO) after the Step Two process. Mr. Baker explained that while the submission of BAFOs occurred in traditional procurements, it was not planned to be used with this procurement based on the approach, as presented. From a duty free concessions' perspective, there are a limited number of participants in the market, and there is not a wide variation of merchandise offered to passengers who travel to similar destinations.

Mr. Session asked whether any consideration would be given to a local Airport Concessions Disadvantaged Business Enterprise participating in the Step One process in conjunction with a bid submitted by a large company. Mr. Baker responded that because it is illegal to have a local preference in the Disadvantaged Business Enterprise federal program, it would not be an option.

Ms. Green presented the evaluation criteria and benchmarks to be used in the selection process. She reiterated that the successful proposers will be invited to bid based on the MAG and the award will be made to the highest financial offer. Ms. Green reviewed the proposed IFB schedule, pending the Committee's concurrence.

Mr. Carter asked if a payment bond would be included in the solicitation. Mr. Baker stated that a performance bond is anticipated, and that an inquiry with respect to a payment bond would be discussed with the Office of the General Counsel.

The Committee concurred with the pending procurement.

Recommendation Paper for Maintenance and Repair Service of the Vertical and Horizontal Pedestrian Conveyance Systems at Dulles International. Chris Browne, Vice President and Airport Manager, reported that this robust contract would provide maintenance and repair services for more than 250 mechanical units that run continuously throughout the Airport. Mr. Browne reviewed the provisions of the contract, including a 15-minute maintenance response requirement to any outage at Dulles International. The incumbent contractor, Schindler Elevator Corporation (Schindler), had scored highest on both technical criteria and price. The contract term is a two-year base with five one-year option periods and included a 30 percent Local Disadvantaged Business Enterprise (LDBE) requirement.

Ms. Wells asked whether the contract included repercussions if a contractor failed to meet the 15-minute maintenance response time. Mr. Browne responded affirmatively and stated that while the Authority could seek liquidated damages, it had been unnecessary to do so with Schindler.

Ms. Hall noted that a 15-minute maintenance response did not include the time needed to make the repairs. Mr. Browne stated that Ms. Hall was correct. He noted that when an extended outage occurred, a sign is displayed to inform the public. The contract required a mechanic to respond within 15 minutes to determine why the outage had occurred.

Mr. Carter asked how Schindler is fulfilling its LDBE participation requirement. Mr. Browne responded that a significant amount of the elevator maintenance and repairs are being performed by its subcontractor, OMNI Elevator. Mr. Carter said that he was encouraged by the LDBE participation requirement and asked Mr. Browne if the requirement could be comfortably increased to 30 percent. Mr. Browne said that it could be increased.

The Committee approved the recommendation to award the contract to Schindler.

Pre-Solicitation Terms for Aircraft Deicing Fluid Recovery, Disposal and Recycling Services Contract at Dulles International and Reagan National Airports. Mr. Browne was joined by Paul Malandrino, Vice President and Airport Manager. Mr. Browne explained that the Airports Authority is required by Virginia law to have a system in place to mitigate the discharge of chemicals into public waterways. He noted that the incumbent is Inland Technologies, and the contract will expire on May 1, 2015. The proposed solicitation is a fixed price contract with a five-year base period and five one-year option years. Mr. Browne reported that the Office of Business Administration had determined that an LDBE participation requirement would not be included.

Mr. Adams inquired whether the Authority is realizing its maximum value of the contract by paying a fixed price and if it is an industry standard. Mr. Browne stated that while the fixed price is an industry standard, the services of the contractor are similar to an insurance policy in that the airlines could not deice if the Authority did not have this contract in place. Mr. Browne explained that the product is recycled at Dulles International to a 55 percent concentration level and shipped off for further recycling. It is anticipated that the Authority would receive an approximate payment of \$100,000 for its recycling. Mr. Browne reported that a plan is currently being discussed to move the Authority towards the ability to recycle at a 100 percent level, which will provide a significant revenue stream to the Authority.

The Committee concurred with the pending procurement.

Mr. Session announced that a MarketPlace Development event would be held on March 26 in Arlington and invited Directors to attend.

The Meeting was thereupon adjourned at 12:35 p.m.