

TRANSPORTATION AND ENVIRONMENT
COMMITTEE MEETING RECORD

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SECRETARY
DALLAS, TEXAS

Meeting Date: April 13, 2009 **Start Time:** 2:02 p.m. **Adjournment:** 3:44 p.m.

Committee Members Present:

Linda L. Koop (Chair), Sheffie Kadane (Vice Chair), Jerry R. Allen, Vonciel Jones Hill, Pauline Medrano, Angela Hunt, Ron Natinsky, Carolyn R. Davis

Committee Members Absent:

None

Other Council Members Present:

Dwaine R. Caraway (Deputy Mayor Pro Tem), Steve Salazar

City Executive Staff Present:

Ramon Miguez, Assistant City Manager

TRANSPORTATION AND ENVIRONMENT COMMITTEE AGENDA

1. Approval of Minutes for March 23, 2009

Action Taken/Committee Recommendation:

Motion was made to approve the minutes for the March 23, 2009 meeting subject to corrections. No corrections were suggested and the minutes were approved as submitted.

Made by: Hill

Seconded by: Kadane

Passed unanimously

2. Love Field Concession Plan Briefing

Presenter: Dan Weber, Director, Department of Aviation

Mr. Weber briefed the Committee on the Concession Plan for the Love Field Modernization Program (LFMP) and described the impacts on concessionaires during the construction program. Staff was requesting that the Committee support approval of the LFMP Concession Plan and authorization for the City Manager to negotiate amendments to current concession contracts for food/beverage, retail and parking.

Action Taken/Committee Recommendation:

Ms. Hill asked if there would ultimately be four terminal concessionaires rather than two. Mr. Weber confirmed that the proposal could result in two food/beverage and two retail concessionaires. Ms. Hill asked if we had experienced any difficulties either operationally or financially with the current two vendors. Mr. Miguez stated that we had not had any problems. Ms. Hill asked why we needed to double the number of vendors. Mr. Miguez stated that consultants advising the City on concessions looked at airports throughout the country and recommended having at least two packages of each type to maximize revenues. Ms. Hill asked if the consultants were also concessionaires. Mr. Weber stated that the consultants are not concessionaires; they provide consultant services and management services to many airports around the country.

Ms. Hill stated that she was very concerned in February, when this issue was first briefed to the Committee, that the existing concessionaires be treated fairly because the investment they have made at the airport and the loyalty they have shown through good and bad times. Mr. Miguez addressed Ms. Hill's concern about fairness. He noted that the two current concessionaire's contracts are set to expire in 2011. Since the amount of concession space will essentially double once the modernization project is completed, staff is proposing that the existing concessionaire contracts be extended long term for a commensurate amount of space. The remainder of the space would be the subject of a competitive process in which the two existing concessionaires could participate. Ms. Hill stated that she is not convinced that it is in the City's best interest to double the number of concessionaires despite consultant recommendations.

Ms. Davis asked Helen Giddings, one of the airport concessionaires, to address the Committee. Ms. Davis asked Ms. Giddings if the concessionaires had enough time to read the agreement, if they had met with staff to talk about it, and how she feels about the proposal. Ms. Giddings thanked the Committee for their concern that the existing concessionaires be treated fairly. She also thanked Mr. Weber for being receptive and available for meetings with concessionaires. Although there have been five or six meetings with staff, the concessionaires do not feel that this is the best proposal. It does not give her business the balance that she feels they need; they are looking for the opportunity to maximize their ability to make a profit and to do business. She indicated that they are not comfortable with the locations that were being presented to them.

Ms. Davis asked for the name of the City's consultant. Mr. Weber said that the consultant was Unison Consulting Group. Ms. Davis asked if Unison was a local company and why they were selected. Mr. Weber stated that Unison was not a local firm. They were originally selected to do the airport's "Rates and Charges Study," then their scope was expanded to include, among other things, concessions consulting. Ms. Davis asked why the consultant would not agree to allow current

concessionaires to have the space they are requesting. Mr. Weber explained that the objective in putting this project together was to maintain a balance between the two packages for retail and for food/beverage while awarding the incumbent concessionaires with space in the new facility that is equivalent to what they have now. The remaining space needed to be marketable so that it will generate quality responses to a request for proposals. Mr. Miguez added that the consultants have advised us that Love Field is large enough, and will have enough enplanements, to encourage competition that will result in highest customer service and revenues. We are trying to treat the incumbent concessionaires fairly, allowing them to participate in the entire package in a fair and equitable manner, but also allowing new vendors to participate in a package that is significant.

Ms. Davis asked Mr. Miguez to point out where the incumbent concessionaires would be placed. Mr. Miguez indicated that the proposal is conceptual at this stage and exact locations had not been determined. Staff is asking for Committee support of the concept, not a specific contract. Ms. Davis asked if the incumbent concessionaires would get right of first refusal of space or if they would be saving the prime spots for potential new vendors. Mr. Miguez stated that the proposal was to provide comparable space for the existing concessionaires and for competitive solicitation. Ms. Davis stated that she would support giving the incumbent vendors right of first refusal for locations.

Ms. Medrano asked what square footage would be available in the new terminal for food/beverage and how much of that would be available to the current vendor. Mr. Weber answered that the total for food/beverage in the new terminal would be approximately 35,000 square feet and that Star Concessions would have about 20,600 square feet in the new facility. Ms. Medrano asked if the airports researched by our consultants were comparable to Love Field. Mr. Weber stated that Love Field was compared to similar airports in terms of type of services, amount of traffic, and age of the concession program. Ms. Medrano asked if the research showed that 21 of 28 medium-sized airports are operated by a single concessionaire. Mr. Weber said that he hadn't brought that information with him, but could provide it after the meeting. Ms. Medrano stated that the current concessionaires are local, minority owned, provide excellent customer service and variety, and would probably be easier to negotiate with rather than multiple concessionaires. Ms. Medrano asked if Southwest Airlines has been consulted about this proposal. Mr. Weber answered that Southwest Airlines supports an expansion of the concession program and having a greater variety of offerings.

Ms. Medrano asked if the current concessionaires offered higher rent than called for in this proposal. Mr. Weber stated that they did. Ms. Medrano asked why we were asking for lower rents. Mr. Weber stated that concept was to use industry standard rents, create a competitive environment that stimulates sales, then share in the higher level of gross revenues.

Ms. Medrano asked what Mr. Weber felt would be the optimal level of square footage for food/beverage vendors by 2015. Mr. Weber stated that based on a

measure of square footage per passenger, which is one of the metrics used to determine spacing needs, the consultants have identified the need for 51,000 square feet initially. This will give room to grow after the new terminal opens, then as that space is saturated, vendor space will be able to expand by adding kiosk space. It is anticipated that beyond 2025, we will have to look at an expansion of the concourse to provide more concession space. Ms. Medrano asked why we would wait to do that then as opposed to doing it now. Mr. Weber indicated that the plan is to build for immediate and near future needs and to avoid overbuilding to meet some need that is at least fifteen years away. Ms. Medrano stated that it makes more sense to have current concessionaires stay until expansion goes beyond the currently planned space, and indicated that she is not convinced that there should be multiple concessionaires.

Mr. Natinsky asked when the current vendors contract extensions would be beginning and ending. Mr. Weber stated that the proposal is to extend the existing contracts so that the expiration date coincides with the availability of new space in 2011. New contracts would be developed to coincide with the request for proposals that will occur at the end of this year, as the design-development phase is completed and it is known where the new spaces are located. The new contracts would include a ten year term; however, the ten year term would not begin until the LFMP is completed in 2014.

Mr. Natinsky asked how customer service would be improved by bringing in additional vendors. Mr. Weber stated that the packages would provide for complimentary offerings giving customers a greater variety of choices. Mr. Natinsky indicated that he did not agree and asked why it could not just be part of the RFP that a certain variety of establishments be required. Mr. Miguez suggested that having competitive interests at the airport would result in vendors forcing each other to provide better service. Mr. Natinsky asked if the goal from the consultant's recommendation was to have a greater variety of offerings or to have more entities operating at the airport. Mr. Weber stated that it was a combination of both.

Mr. Natinsky asked for some additional explanation about the proposed five-year extension of the parking contract to August 2014. Mr. Weber stated that the garage is not part of the LFMP, but is impacted by it. Staff is recommending that it would be in the City's best interest to keep a competent, knowledgeable concessionaire in place to manage those impacts through the construction program. Mr. Natinsky asked if Parking Corporation of America was in agreement with the contract extension. Mr. Weber confirmed that they were in agreement.

Ms. Hunt stated that she would support more competition if it would generate a more profitable environment and more revenue from Love Field. However, she did not feel that she had the proof that she needed from this presentation to draw that conclusion. Ms. Hunt asked if a customer service study had been done at Love Field. Mr. Miguez indicated that there is not currently a customer service problem at the airport, but a competitive environment might help to keep a service problem from developing.

Ms. Hunt stated that she wanted information on which airports the consultants are using for comparisons. She expressed concern that rental rates would be set at industry standards rather than premium rates. Mr. Weber explained that the philosophy behind using industry standard rental rates for the RFP process was to provide a business environment that concessionaires are accustomed to seeing so that they will propose in confidence knowing that they will have a viable operation if successful. Ms. Hunt stated that she doesn't oppose having more concessionaire contracts, but is not comfortable with the lower rental rates. She asked that additional information be provided in a follow-up briefing before the Committee takes action.

Mr. Kadane indicated that he also supports the use of premium rental rates.

Mr. Caraway indicated that he had concerns about the proposed plan. He asked how the current concessionaires rate on a scale of 1 to 10 for customer service. Mr. Miguez stated that they are doing an excellent job. Mr. Caraway asked if the current concessionaires are the same as those on 9/11/2001 and if we had done anything special for them through that time period. Mr. Miguez stated that they were the same concessionaires and that no special treatment had been provided. Mr. Caraway suggested that if the current situation is not broken, there is no need to try to fix it. Mr. Caraway asked if staff had talked with the existing concessionaires about expanding their variety rather than going outside to another vendor. Mr. Weber stated that there have been those discussions.

Mr. Caraway expressed concerns with the advertising contract that is currently in place at the airport. He indicated that if we are going to prevent a monopoly among concessionaires, it should be done for all vendors at the airport, not just food/beverage and retail concessionaires. Mr. Caraway asked if the consultants that the City is using for this project were at the Committee meeting. Mr. Miguez stated that they were not present. Mr. Caraway felt that they should have come to the meeting so that they could answer questions about the project.

Mr. Salazar asked if the consultant's report could be provided to Council members. Mr. Miguez stated that the report could be provided, but if that were done, it would essentially equate to negotiating these contracts in public.

Mr. Salazar asked a concessionaire, Mr. Arranza to speak. Mr. Salazar asked Mr. Arranza if he had concerns with the proposal to have two concessionaires for food/beverage and two for retail. Mr. Arranza stated that he was concerned and felt that the proposal would not be beneficial for the current operators. He suggested that 35,000 square feet would be too much space for food/beverage to start out when there are only five million enplanements. Mr. Arranza made the point that the key to maximizing revenue and customer service is a function of the quality of the operator, not the number of operators. Love Field has been number one or two in the J.D. Powers Survey of Customer Service for the past five years. Mr. Arranza stated that was a tribute to himself and Hudson Retail, the current concessionaires.

Mr. Allen stated that this appears to be a really good opportunity that will require a balanced approach.

Ms. Koop summarized the Committee's comments: (1) the Committee does not like the RFP process as currently presented; (2) the Committee would like to bring in the consultants to discuss their recommendations – possibly a closed session; (3) the Committee believes that the current concessionaires are doing a great job; (4) the Committee likes the idea of performance specifications and refreshing the facilities being part of the RFP process; (5) more conversation needs to take place concerning how prime and non-prime space will be allocated; and, (6) staff needs to look at the advertising contract, as requested by Mr. Garaway. Ms. Koop asked Mr. Miguez when this issue would be brought back to the Committee. Mr. Miguez stated that it would be at least thirty days.

No action was taken on this item.

3. Central Expressway Alignment from Commerce to Live Oak Briefing

Presenter: Alan Hendrix, Assistant Director, Public Works and Transportation

Due to time constraints, this item was not briefed by staff.

Action Taken/Committee Recommendation:

Ms. Hunt described the Central Expressway project and emphasized that the six lane design included expanded green space and a focus on pedestrian comfort/safety.

Ms. Medrano stated that the project would not only be a visual improvement, but would also simplify the intersections and improve safety.

Motion was made for the Transportation Committee to approve the proposed realignment of Central Expressway from Commerce to Live Oak.

Made by: Hunt

Seconded by: Medrano

Passed unanimously

4. RTC Sustainable Development Program Call for Projects Briefing

Presenter: John Brunk, Assistant Director, Public Works and Transportation

Due to time constraints, this item was not briefed or discussed.

Linda L. Koop (RLS)

Linda L. Koop, Chair
Transportation and Environment Committee