

Memorandum



Date: February 14, 2008

To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Supplement to Airport & Tourism Committee Amended Contract Award
Recommendation for the Bookstore/Café Specialty Retail, RFP No. MDAD-01-07, at
Miami International Airport

ATC
Supplement to
3(A)

A handwritten signature in black ink, appearing to read "Burgess", written over the printed name of George M. Burgess.

On Thursday, January 17, 2008, the Airport & Tourism Committee (ATC) considered item 3B, the award recommendation to Host International for the Bookstore Café concept at Miami International Airport (MIA). Following deliberation on the item, the ATC voted to reject my recommendation and instead award the contract to second-ranked Areas USA. I stand by my recommendation to award the contract to the top ranked firm, Host International, as it is consistent with the Request for Proposals (RFP) and the recommendations of the Selection Committee, has the highest level of local participation and is essentially revenue-neutral with a \$9,223 or 3.55 % difference in the minimum annual guarantee.

My recommendation is based on several factors that may not have been emphasized at the ATC.

1. The Host Proposal Had the Most Local Participation

Host International is a U.S corporation registered in Delaware partnered with a well known local company, Master Concessionaire LLC for a 30% local participation through a joint venture partnership. The second ranked firm, Areas USA, is based in Spain and has an office in Miami and its local partner, Books & Books, is proposed for only a 6% local participation.

2. Revenue Potential

The revenue potential to the airport from most concessions has two components – a Minimum Annual Guarantee (MAG), which is a guaranteed floor for financial return to the airport, and a fixed percentage of gross revenues. The concessionaire pays the MAG, or the percentage, whichever is higher. The concessionaires at MIA pay a percentage in excess of the MAG 90% of the time. We expect that this concession will also pay a percentage of gross revenue in excess of the MAG.

Host proposed a MAG of \$250,777; Areas' proposed MAG is \$260,000. The difference between the MAGs is \$9,223 or a 3.55% difference making the guaranteed revenue essentially neutral. The percentage for this bookstore/café concession was set at 12% and was not a biddable item. The amount of gross revenue is derived from the quality of the operation and the offerings of the concession. Therefore, this becomes a greater consideration as it has the potential to produce greater revenue to the County.

3. The Selection Committee Process Was Fair and Equitable

The Selection Committee composed of County professional staff, conducted its evaluation and selection process in accordance with established selection processes and the criteria outlined in the RFP. A review of the written proposals, the written presentations, as well as the videotape of the oral presentations substantiates that the Committee acted properly. Three Committee members ranked

Host higher than Areas USA by a margin of 23, 90 and 250 points (out of 1000), respectively, and two Committee members ranked Areas higher than Host by a margin of 10 and 20 points.

There were no biases in the selection process. Removing any single Committee member's scores resulted in the same outcome – the Host proposal is first ranked.

4. The County Bid Protest Process Was Not Followed

The bid protest ordinance provides a formal process to protest any irregularities or outcome of an RFP process. The second ranked bidder chose to not file a formal bid protest; instead they chose to write a letter to the Board making certain allegations about the selection process. Not following the Board-prescribed procedures in the bid protest ordinance compromises the integrity of the process and sets a bad precedent.

5. A Review of the Written and Oral Presentations of both Host and Areas Affirms the Selection Committee's Commitment to Two Key Objectives of the RFP – Local Theme, Local Participation -- and Affirms the Committee's Overall Ranking

The Airport's RFP documents contain the Concession Goals and Objectives as guided and approved by the Board at the commencement of the Concessions Program in 1995. Among these are:

- a) Present a local and regional identity to the traveling public;
- b) Increase local and ACDBE (Airport Concessions Disadvantaged Business Enterprise) participation to the extent possible.

These goals and objectives have been at the heart of all the solicitation packages developed by MDAD and the members of the Selection Committee demonstrated well that they understood that charge, as will be discussed below.

6. Local/Regional Theme Presented More in the Host Proposal

Host clearly demonstrated in the product offerings, store design and programs portion of its written program how it planned to create that sense of a Miami and South Florida presence as noted below:

- Local-flavored book titles by local and regional authors, specifically chosen for MIA's passenger mix.
- Local cookbooks including The Joe's Stone Crab Restaurant Cookbook by Jo Ann Bass, Richard Sax and Bud Lee.
- Many children's selections including books by Latino/Hispanic authors.

The Areas proposal contained little indication of this type of attention to local sense of place.

The Host proposal provided an architectural rendering of how its concept would be transformed and fit into the small 1,700-square-foot space. In contrast, Areas USA provided a layout plan and photos of an existing large *Books & Books* store and a large Areas USA restaurant that appeared to be located in an airport (unidentifiable). No specific details on how the MIA space would be developed were proffered.

Host also discussed local programs such as its:

- book signing engagements with authors traveling through MIA, further pointing out in its oral presentation how this program tends to significantly benefit local authors who have a high probability to be passing through Miami International Airport.

- “Book Recycling Program” where readers can drop off their unused books which would then be donated to various local organizations.

No such programs were mentioned in the Areas USA proposal.

7. An Award to Areas Risks a Negative Medium- and Long-Term Financial Impact on the Revenue of the Airport

Critical to the efforts of the concession program at MIA is the ability not only to attract bids from world-class local, national and international vendors, but also to have many bidders proposing on each solicitation. The ability to attract many bidders enhances the quality and revenue of the Airport's concession program. In recent years and under the leadership of the Board, professional staff at MIA has been successful in attracting multiple bidders for each of its concession solicitations. One only has to look at the attendance records of the last airport industry review meeting for the upcoming North Terminal concession solicitation to see the names of many companies in the travel retail industry that had never previously expressed an interest in MIA. The key to this turnabout has been the perception that there is indeed a level playing field (fair process) for all concession bidders.

The Board rejection of the original award recommendation on grounds other than those based on law or formal procedure, might have the unintentional consequence of damaging the perception of fair play and deter some potential bidders from participating in future solicitations, thereby hurting the Airport financially in the long run. Moreover, it may also hurt small businesses for which participation in a competitive process constitutes a major investment and risk.

In conclusion, I believe the final Committee rankings were appropriate, and I respectfully request that the Board uphold the original award recommendation to Host.



Assistant County Manager