

Pensacola
International Airport

2430 Airport Blvd., Suite 225
Pensacola, Florida 32504
(P) 850.436.5000 ♦ (F) 850.436.5006
FlyPensacola.com

October 8, 2013

Dr. P.C. Wu, President
Pensacola City Council
222 West Main Street
Pensacola, FL 32502

Dear President Wu:

Given the long-term financial impacts and importance of achieving the best possible food and beverage concession at Pensacola International Airport, I felt compelled to write you directly in order to provide more detailed specifics that should factor in your decision. Keeping to a four minute public speaking standard was difficult at the September 26th Council Meeting. My position to award this contract is a professional recommendation as a Staff Member to my Council. It is distinct from a public opinion or from being an advocate for a particular company.

I fully appreciate the responsibility that you have in making the best possible decisions for our community and admire your leadership when the topic is emotionally charged. Truly listening to the taxpayer and effectively ascertaining the correct path forward is complex work that our Council and Mayor accomplish every day. While I have respect for all of our citizens and understand that we serve them, it is important to make some distinctions from the vocal group present at the last Council Meeting. Many of the citizens present, holding signs and heckling speakers that did not support their endorsed proposal, were Varona employees or persons with direct financial interest.

The theatrics took away the objectivity of making a business decision based upon facts and figures and transformed it into a subjective campaign of "locals verses out-of-towners" citing charitable involvement and personal preferences.

The reality of this decision is that the airport must make good financial assessments in order to maintain self-sufficiency and from being dependent on ad valorem or general sales taxes. As you know firsthand, our department has had to make many difficult decisions to reduce staff, cut expenses, and modify contracts in order to balance our \$27M budget. Our bondholders, signatory airlines, and rating agencies equally expect us to grow our revenues when presented with the opportunity.

So we must rely on measurable performance. The dynamics of food concessions at an origin/destination airport are different than places such as Atlanta which serve as a hub. Our passengers do not arrive an extra hour early or have long connection periods allowing them to participate in fine dining. Nor do our passengers stop to have a full course meal after they deplane the aircraft. Our travelers will make purchases when it is conveniently within a short time period before departing or to go on the way to baggage claim. Landside characteristics are similar.

Beyond the best concept for our particular airport, please consider the following:

- The Request for Proposals (RFP) process that was utilized is structured, vetted, and reviewed by the City's Purchasing Department and Legal Staff. The Selection Committee was objective and non-biased with all meetings being advertised and open to the public. Complete transcripts of the process have been disseminated to all Council Members and are available to everyone.

- The City has not received a written protest of any kind from any of the lower ranked proposers, including Creative Food Group. Only at the City Council Meeting, was disagreement communicated by Creative and its local licensees.
- Representatives from Creative and their local licensees were present at the August 21, 2013 Selection Committee Meeting when the final decision was made. The deadline for protesting this decision was nineteen calendar days and twelve business days later on September 9, 2013.
- The amount of the Minimum Annual Guarantee (MAG) was \$97,460 higher with the recommended company, OHM, throughout the ten year agreement and the City has not received any written correction or signed formal offer to amend the amount originally submitted by Creative. It should equally be noted that the substituted amount verbalized by Creative is in fact the total percentage of gross (rent) cited throughout the company's ten year Pro Forma.
- Federal Aviation Administration (FAA) Part 23 specifically establishes that publically owned airports should make effort to award to minority owned, Airport Concession Disadvantaged Business Enterprises (ACDBE) when possible. OHM is ACDBE certified. Creative is applying for ACDBE certification in their home state of New York. Creative's local licensees are not ACDBE certified in the State of Florida. CFR 49 Part 23 fully details this program and our Airport's obligations under federal law.
- Creative's supporters cited a survey that concluded that 76% of passengers want local brands. This survey was conducted over a single weekend. Airport staff has been performing much more comprehensive customer service surveys for the past six years. The consistent inadequacy is food quality, lack of available options, and price. These extensive surveys are available for review anytime.
- Exhibit C of the Pro Forma details ten years of employee salaries and wages. Creative proposes \$754,500 in year one escalating to \$984,451 in year ten. OHM's salaries for the same period are \$929,250 in year one to \$1,160,506 in year ten. Simply put, OHM will be paying their employees and injecting payroll amounting to \$174,750 more each year starting year one and \$176,055 in year ten. Again, this is a measurable addition to our local economy.
- Currently and historically, food / beverage concessions have accounted for only 1% of the Airport's revenue; the national average is 7%. The sales per enplaned passenger referenced by OHM at \$4.81 is significantly higher than Creative's \$3.85 and is achievable. The national benchmark for 2013 is \$5.00 (see attached).
- Lastly, I have serious reservations about what inadvertent message this sends to prospective new companies or service providers that are considering entry into the Northwest Florida market. If City Council caters to the loudest or politically most vocal, without concentration on the facts and figures of a good faith effort, it will discourage new companies and projects from even submitting concepts to our region. It establishes a bad precedence when subjective criteria trumps formal written offers.

President P.C. Wu

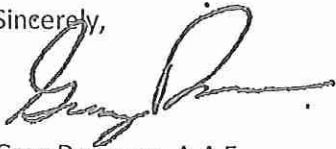
October 8, 2013

Page 3

- At the end of the day, I take my direction from the Mayor and the City Administrator, and implement policy decisions from my Council, as ordered. Your entire Airport Staff will always be professional and will execute your decisions without disinclination once the decision is made. But as your professional staff, we have an obligation to keep matters factual.

Please feel free to contact me should you have any questions or require further information.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Donovan". The signature is fluid and cursive, with a large initial "G" and "D".

Greg Donovan, A.A.E.

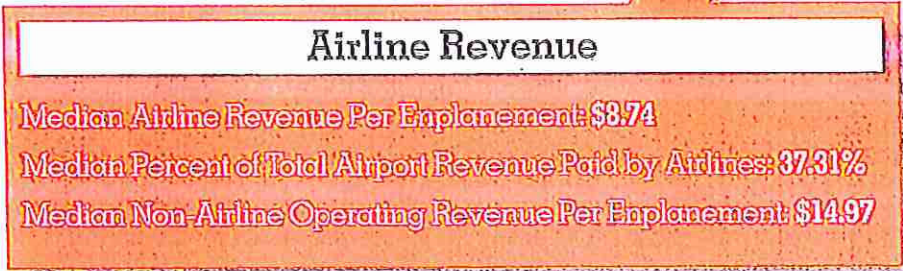
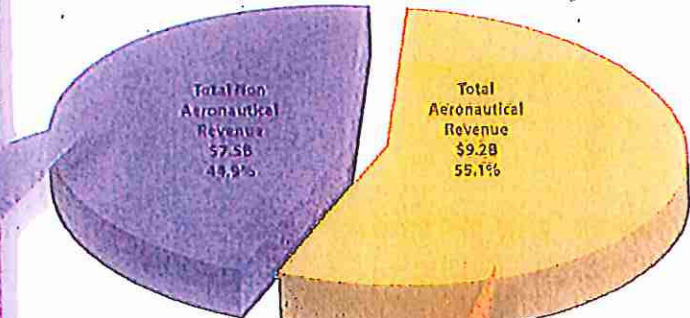
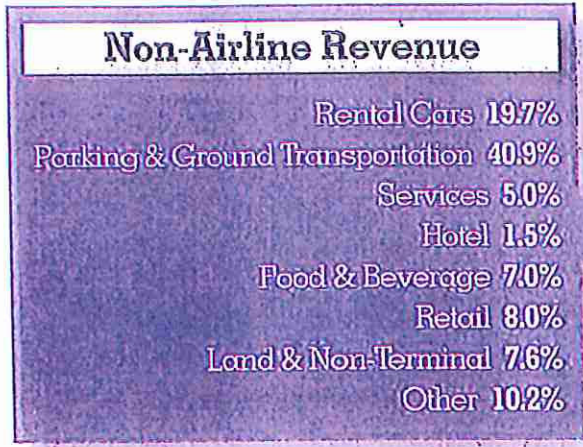
Airport Director

xc: Mayor Ashton Hayward
Colleen Castille, City Administrator
Jim Messer, City Attorney
George Maiberger, Purchasing Manager

attachment

Statistics

Where the Money Comes From



Median Concession Revenue per Enplanement: **\$1.40**

Median Public Parking and Ground Transportation Revenue per Enplanement: **\$5.57**

Concessions: Median Gross News & Gift Shop Sales per Enplanement: **\$3.10**

Concessions: Median Gross Food and Beverage Sales per Enplanement: **\$5.00**

Median Total News and Gift Shop Rent per Square Foot: **\$93.68**

Median Total Food and Beverage Rent per Square Foot: **\$66.07**

Source: 2012 Financial Benchmarking & Concessions Benchmarking Survey