



CITY OF HOUSTON - CITY COUNCIL

Meeting Date:

District B, District I

Item Creation Date: 11/19/2019

HAS - Concession Agreement with Smarte Carte at IAH and HOU

Agenda Item#:

Background:

RECOMMENDATION:

Enact an ordinance approving and authorizing a concession agreement with Smarte Carte, Inc. for Luggage Carts and Self-Serve Passenger Services at George Bush Intercontinental Airport/Houston (IAH) and William P. Hobby Airport (HOU).

SPECIFIC EXPLANATION:

On December 31, 2014, the City Controller countersigned a concession agreement approved by City Council with Smarte Carte, Inc. to provide luggage carts at George Bush Intercontinental Airport/Houston (IAH) and William P. Hobby Airport (HOU) for the Houston Airport System (HAS). Under this agreement, international arriving passengers in the Federal Inspections Service (FIS) areas at IAH and HOU are offered luggage carts free of charge as a service purchased by HAS from Smarte Carte, Inc. The cost to HAS for this service is recovered from the airlines in the rates and charges that the airlines pay. In addition, domestic passengers can rent luggage carts for a fee, a service which is provided as a concession.

The current agreement has a term of five years and expires on December 31, 2019. A Request for Proposal (RFP) for a Luggage Carts and Self-Serve Passenger Services concession at IAH and HOU was advertised in June 2019. One proposal was received from Smarte Carte, Inc. The proposal was evaluated, and Smarte Carte, Inc. is recommended based on Experience and Qualifications, Customer Service and Management Plans, Cost/Compensation to the City, and Capital Investment/Design. ACDBE Compliance and Financial Capabilities were pass/fail.

The pertinent terms and conditions of the agreement are as follows:

Scope of Service

Concessionaire will be responsible for the provision, operation, maintenance, and management of Luggage Carts and related equipment. Additionally, concessionaire will provide two Self-Serve Passenger Services: massage chairs and confiscated-item return services.

Financial Terms

In consideration of Concessionaire providing complimentary luggage carts in the FIS areas to arriving international passengers, the City will purchase these services at a cost of 35 cents per deplaned FIS international passenger, with a total cost not to exceed a maximum annual amount. The maximum annual amount will be \$1.5 million in the first contract year and will escalate 3% in each subsequent contract year. As with the previous agreement, the cost to HAS for this service is recovered from the airlines in the rates and charges that the airlines pay.

The Concessionaire will pay HAS a percentage of gross sales as follows: 15% for luggage cart rentals to domestic passengers, 15% for massage chairs, and 5% for confiscated-item return services. Total concession fees to be paid to the City are forecasted to be approximately \$285,000 annually.

Capital Investment

Concessionaire will make a capital investment of \$706,500 on equipment.

ACDBE Goal

The Office of Business Opportunity has established a 13% Airport Concession Disadvantaged Business Enterprise (ACDBE) participation goal for this concession. The Concessionaire plans to achieve the 13% participation goal through a labor subcontract firm: Chandler, Campbelle & Daschle (CC&D).

Term and Termination

The term of the agreement will be five (5) years from the Effective Date, with three successive one-year option periods.

The City may terminate the agreement for convenience at any time by providing 30-days' notice.

Other

Contractor agrees to comply with all rules and regulations of the airport, TSA, and/or the FAA, and with all federal, state and local statutes, ordinances, regulations, and policies.

Pay or Play Program:

The proposed contract requires compliance with the City's "Pay or Play" ordinance regarding health benefits for employees of City contractors. In this case, the contractor provides health benefits to eligible employees in compliance with City policy.

Fiscal Note:

Funding for this item is included in the FY2020 Adopted Budget. Therefore, no Fiscal Note is required as stated in the Financial Policies.

Director's Signature:

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DocuSigned by:
Mario Diaz
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Mario C. Diaz
Houston Airport System

Andy Icken
Chief Development Officer

Estimated Spending Authority			
DEPARTMENT	FY2020	OUT YEARS	TOTAL
Houston Airport System	\$750,000.00	\$11,838,504.07	\$12,588,504.07

Amount of Funding:

\$12,588,504.07
HAS Revenue Fund
Fund 8001

Contact Information:

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