

AGENDA REPORT

Ordinance: Approve and Authorize Executive Director to Enter into a Space/Use Permit with Air Culinaire Worldwide, LLC for a Term of 37 Months for a Minimum Monthly Rent of \$500 or 10% of Gross Revenue, Whichever is Greater, to Provide In-Flight Catering Services at Oakland International Airport. **(Aviation)**

MEETING DATE: 10/8/2020

AMOUNT: \$500 per month or 10% of Gross Revenue, whichever is greater. (Monthly) Revenue; Estimated to be \$20,000 per Annum

PARTIES INVOLVED: Air Culinaire Worldwide, LLC
Clifford Smith Jr. - CEO

SUBMITTED BY: Bryant L. Francis C.M., Director of Aviation

APPROVED BY: Danny Wan, Executive Director

ACTION TYPE: Ordinance

EXECUTIVE SUMMARY

This action would approve the terms and conditions, and ratify the Executive Director's execution, of a thirty-seven month Space/Use Permit (SUP) with Air Culinaire Worldwide, LLC (Air Culinaire) to provide in-flight catering services at Oakland International Airport (OAK) with a monthly rental of \$500 or 10% of gross revenue, whichever is greater. Actual revenue is expected to be approximately \$20,000 per year. No premises are being granted.

BACKGROUND

FedEx Corporation (FedEx) operates air cargo flights at OAK which require in-flight catering services to provide flight crew meals. Sky Chefs, Inc. (pursuant to a separate agreement with the Port) currently provides crew meals for FedEx at OAK; however, Sky Chefs prefers to service scheduled passenger airlines rather than air cargo carriers. FedEx has contracted with Air Culinaire to provide its in-flight catering services at OAK as it does in 46 other locations; a SUP with the Port is required for Air Culinaire to operate at OAK.

ANALYSIS

The proposed SUP has a thirty-seven-month term from June 1, 2020 to June 30, 2023 (however either party may terminate the agreement upon 30 days' written notice) and grants Air Culinaire access to the Airport to provide in-flight catering services. Pursuant to the Board's By-laws and Administrative Rules, the Executive Director has executed the SUP with a term not to exceed one year; pursuant to Staff's recommendation, with the Board's approval, the term will be extended for the full thirty-seven months. The termination date of June 30, 2023 will provide for

this agreement to be co-terminus with the other existing in-flight catering agreements at OAK. No premises are granted under this SUP. The monthly rent is established through the Rates & Charges Ordinance under the category “Airline Services Providers – In-Flight Catering Services Providers” and is \$500 per month or 10% of gross revenue, whichever is greater. Anticipated revenue for the Port is \$20,000 per year, however, this revenue is not accretive as it represents the shifting of existing sales from one vendor (Sky Chefs) to another (Air Culinaire). Air Culinaire will pursue other in-flight catering business at OAK with charter and private North Field operators which may result in additional new revenue. Air Culinaire has provided a \$7,500 cash Performance Deposit as requested by Port Finance and Aviation Properties.

BUDGET & STAFFING

In the FY2020-21 Operating Budget, the estimated \$20,000 per annum in revenue has already been included from another in-flight caterer. The proposed action does not have any budget or staffing impact.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The matters included in this Agenda Report do not fall within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port’s Strategic Business Plan (2018-2022).

<https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf>

Goal: Grow Net Revenues

Goal: Improve Customer Service

LIVING WAGE

Living wage requirements, in accordance with the Port’s Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the “Living Wage Regulations”), do not apply to this agreement as the tenant does not employ 21 or more employees working on Port-related work. However, the tenant will be required to certify that should living wage obligations become applicable, the tenant shall comply with the Living Wage Regulations.

SUSTAINABILITY

Air Culinaire have reviewed the Port’s 2000 Sustainability Policy and did not complete the Sustainability Opportunities Assessment Form. There are no sustainability opportunities related to this proposed action because it does not involve a development project, purchasing of equipment, or operations that presents sustainability opportunities. However, Air Culinaire

identified that they will use some electrical vehicles in their fleet as a sustainability measure for operations.

ENVIRONMENTAL

CEQA Determination: This action was reviewed in accordance with the requirements of the California Environmental Quality Act (CEQA). The CEQA Guidelines, Section 15061(b)(3) (“common sense exemption”) states that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Entering into an agreement to grant access for Air Culinaire to provide in-flight catering services will not have a significant effect on the environment and therefore is not a project under CEQA. No further environmental review is required.

GENERAL PLAN

This action does not change the use of any existing facility, make alterations to an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

The Owner Controlled Insurance Program (OCIP) does not apply to the matters addressed by this Agenda Report as they are not capital improvement construction projects.

OPTIONS

1. Approve the terms and conditions of the Space/Use Permit as outlined above, and ratify the Executive Director’s execution of the Space/Use Permit thereby permitting Air Culinaire Worldwide, LLC to continue providing in-flight catering services at OAK for a term of thirty-seven months, from June 1, 2020 to June 30, 2023, for a minimum monthly rent of \$500 per month or 10% of gross sales, whichever is greater. This is the recommended action;
2. Do not approve the terms and conditions of the Space/Use Permit with Air Culinaire, which would (i) result in the termination of Air Culinaire’s operating privileges at OAK, including providing in-flight catering services for FedEx, and a potential loss of \$20,000 in annual revenue; or,
3. Do not ratify and reject the proposed Space/Use Permit with Air Culinaire but recommend different terms and conditions.

RECOMMENDATION

Adopt an Ordinance to approve and authorize Executive Director to enter Into a Space/Use Permit with Air Culinaire Worldwide, LLC for a term of 37 months, from June 1, 2020 to June 30, 2023, for a Minimum Monthly Rent of \$500 or 10% of Gross Revenue, whichever is greater, to provide in-flight catering services at Oakland International Airport.