



Report to the Business Administration Committee

Pre-Solicitation Terms for a Fixed Base Operator Contract at

Washington Dulles International Airport

February 2017

Purpose

Staff requests that the Business Administration Committee concur with the issuance of a solicitation to select a Fixed Base Operator (FBO) at Washington Dulles International Airport (Dulles International). The contract will have a five-year term.

Background

- An FBO is an airport service center that provides primary support services for General Aviation (GA) aircraft and passengers.
- FBO services to GA customers include:
 - aircraft fueling, parking, hangar use and maintenance;
 - ground handling, aircraft towing, de-icing, and baggage handling;
 - aircraft charters and rentals;
 - passenger handling and customer service;
 - car rentals, hotel reservations, pilot lounges and flight planning facilities.

Background (continued)

- Signature Flight Support, Inc. (Signature) and Jet Aviation Dulles, LLC d/b/a Jet Aviation (Jet Aviation), currently operate under concession contracts at Dulles International.
 - Signature’s concession contract with the Airports Authority commenced on November 1, 1997 and will expire October 31, 2017.
 - The Jet Aviation contract commenced September 1, 2015 and expires October 31, 2022.
- The expiring Signature contract requires that it pay the Airports Authority the greater of a Minimum Annual Guarantee (MAG) or a percentage of concession revenue.
 - Concession revenue to the Airports Authority under the current contract was approximately \$6.8 million in the contract year ending October 31, 2016, exceeding the MAG for that contract year.

Discussion

- Staff recommends the new contract be structured with a five year term to allow the Airports Authority to re-compete both FBO contracts concurrently in 2022.
- Offerors will be required to pay the Airports Authority the greater of a MAG or a fixed percentage of gross receipts from various FBO services.
 - Offerors would be required to offer the MAG for each contract year, with an annual escalation of no less than 3 percent.
 - The minimum acceptable MAG shall be \$11 million per year, which is comparable to financial offers submitted in the 2015 FBO solicitation.
 - The successful FBO Offeror will be required to honor the terms of the Supplemental Agreement for the operation of the Dulles Jet Center.
 - The selected offeror will pay annual facility rent based on the appraised value of the FBO facility.

Discussion (continued)

- There will be Local Disadvantaged Business Enterprise (LDBE) requirements, as follows:
 - 25 percent participation applicable to the design and construction of any capital improvements undertaken during the operating period of the contract; and
 - 20 percent participation applicable to the ongoing management and operations of the FBO, excluding the sale of aviation fuel.
- Participation requirements may be met through one or more joint venture agreements with LDBE firms.

Evaluation Criteria

- Full and open competition will be achieved through a Best Price Technically-Acceptable procurement.
- Technical proposals will be evaluated and rated as “pass” or “fail” against the following criteria:
 1. Industry Experience and Qualifications
 2. Operations and Management Plan
 3. Financial Ability to Perform
 4. Capital Improvements Plans
- Of the proposals determined to be technically qualified, the Offeror proposing the highest MAG will be recommended for contract award.

Recommendation

Staff requests that the Business Administration Committee concur with the issuance of a solicitation to select a Fixed Base Operator at Washington Dulles International Airport.



METROPOLITAN
WASHINGTON
AIRPORTS AUTHORITY

MWAA.COM



@Reagan_Airport

@Dulles_Airport

@Dulles_Toll_Road



reaganairport

FlyDulles

dullestollroad



REPORT TO THE BUSINESS ADMINISTRATION COMMITTEE

PRE-SOLICITATION TERMS FOR A FIXED BASE OPERATOR CONTRACT AT WASHINGTON DULLES INTERNATIONAL AIRPORT FEBRUARY 2017

PURPOSE

Staff requests that the Business Administration Committee concur with the issuance of a solicitation to select a Fixed Base Operator (FBO) at Washington Dulles International Airport (Dulles International). The contract will have a five-year term.

BACKGROUND

The FBOs provide a range of services to general aviation customers, including aircraft fueling, ground handling, passenger handling, aircraft charter operations, and aircraft parking, towing and maintenance. Additionally, the FBOs act as the Airports Authority's agent to collect Airport fees, such as landing fees, and provide critical services, such as removing disabled aircraft from the runways, and ensure proper security measures are carried out for General Aviation (GA) aircraft and the FBO facilities. Fuel sales are the primary source of revenue for the FBOs.

There is sufficient GA activity to support two FBO contracts at Dulles International. Signature Flight Support, Inc. (Signature) and Jet Aviation Dulles, LLC d/b/a Jet Aviation (Jet Aviation), currently operate under concession contracts at Dulles International. Signature's concession contract with the Airports Authority commenced on November 1, 1997 and will expire October 31, 2017. The Jet Aviation contract commenced September 1, 2015 and expires October 31, 2022.

There has been significant business interest in the Dulles FBO market in recent years. The FBO concession operated by Jet Aviation was awarded in 2015 after a full and open competition. Bids received for the contract significantly exceeded the minimum requirement of \$7 million. The selected offeror submitted a bid of \$11 million for the first contract year, increasing by \$250,000 annually for the remainder of the contract. This FBO contract was subsequently acquired by Ross Aviation in June 2016, as a result of a U.S. Department of Justice required divestiture. Most recently, Jet Aviation acquired the Ross FBO contract in January 2017.

The expiring Signature contract requires that it pay the Airports Authority the greater of a Minimum Annual Guarantee (MAG) or a percentage of concession revenue. Concession revenue to the Airports Authority under the current contract was approximately \$6.8 million in the contract year ending October 31, 2016, exceeding the MAG for that contract year.

DISCUSSION

Staff recommends the FBO concession contract requiring re-competition be structured with business terms aligned with the Jet Aviation contract. A five year term with no option years is recommended to allow the Airports Authority to re-compete both FBO contracts concurrently in 2022. Offerors will be required to pay the Airports Authority the greater of a MAG or a fixed percentage of gross receipts from various FBO services. Offerors would be required to offer the MAG for each contract year, with an annual escalation of no less than 3 percent. The minimum acceptable MAG shall be \$11 million per year, which is comparable to financial offers submitted in the 2015 FBO solicitation. The selected offeror will pay annual facility rent based on the appraised value of the FBO facility.

The successful FBO Offeror will be required to honor the terms of the Supplemental Agreement for the operation of the Dulles Jet Center, the corporate hangar complex. The Supplemental Agreement expires July 31, 2038.

There will be a Local Disadvantaged Business Enterprise (LDBE) requirement of 25 percent participation applicable to the design and construction of any capital improvements undertaken during the operating period of the contract and 20 percent participation applicable to the ongoing management and operations of the FBO, excluding the sale of aviation fuel. The LDBE participation requirement may be met through one or more joint venture agreements with LDBE firms.

EVALUATION CRITERIA

Full and open competition will be achieved through a Best Price Technically-Acceptable procurement. Under this procurement process, technical proposals are evaluated and rated as “pass” or “fail” against defined criteria to establish a competitive range. Award is made to the qualified offeror with the highest financial offer for the contract term.

Technical evaluation of the proposals will be based on the Offerors’ responses to the requirements and scope of work defined in the solicitation documents. Proposals will be evaluated by the Airports Authority to confirm they are technically-acceptable based on the following evaluation criteria:

1. Industry Experience and Qualifications

Offerors will be evaluated on their experience operating FBO facilities comparable in size and scope to the FBO operations at Washington Dulles International Airport, the quality of past performance, as well as the qualifications and experience of proposed key staff.

2. Operations and Management Plan

Offerors will be evaluated on the comprehensiveness and feasibility of their plans for providing an appropriate range of FBO services, including handling of customers, aircraft, and charter operations; aircraft fueling; emergency tow services; security compliance; and other services typically offered by comparable FBOs.

3. Financial Ability to Perform

Offerors' audited financial statements and pro forma financial statements will be evaluated to assess the Offerors' financial ability to perform, as set forth in the solicitation.

4. Capital Improvements Plans

Offers will be evaluated on their proposed capital improvement plans, as requested in the solicitation documents.

Any proposal which does not conform to the technical evaluation criteria shall be rejected. Of the proposals determined to be technically qualified, the Offeror proposing the highest MAG will be recommended for contract award.

RECOMMENDATION

Staff requests that the Business Administration Committee concur with the issuance of a solicitation to select a Fixed Base Operator (FBO) at Washington Dulles International Airport (Dulles International). The contract will have a five-year term. The contract award will require Committee and Board approval.

Prepared by:

Washington Dulles International Airport
Airport Administration Department

February 2017