

**ORDINANCE/RESOLUTION REQUEST**

**Date of Request: 8/16/2016**

Please mark one:       **Bill Request**                      or               **Resolution Request**

**1. Has your agency submitted this request in the last 12 months?**

**Yes**                       **No**

**If yes, please explain:**

**2. Title:** *First Amendment to United Airlines Flight Catering Service Agreement between the City and County of Denver and UNITED AIRLINES, INC., RC 9A005-01.*

**3. Requesting Agency:** Department of Aviation

**4. Contact Person:**

- **Name:** Aaron Barraza
- **Phone:** (303) 342-2261
- **Email:** Aaron.Barraza@flydenver.com

**5. Contact Person:**

- **Name:** Mookie Patel, Senior Vice President of Commercial
- **Phone:** (303) 342-2501
- **Email:** Mookie.Patel@flydenver.com

**6. General description of proposed ordinance including contract scope of work if applicable:**

This amendment would revise existing compensation language in Section 4 of the Agreement by adjusting the DEN concession fee of off-airport sales from five percent (5%) to three percent (3%) as of June 1, 2016. In consideration for reducing the Concession Fee, United Airlines, Inc. (UA) will endeavor to secure additional off-airport catering contracts to help offset the loss of revenue to the airport due to the reduction.

**a. Contract Control Number:** RC 9A005-01

**b. Duration:** 9 years 6 months

**c. Location:** DEN

**d. Affected Council District:** 11

**e. Benefits:** Proposed First Amendment would place UA in a position to increase overall revenue opportunities by adjusting its concession fee to promote necessary competition for off-airport catering services. In 2014 UA lost a significant contract with Starbucks partly due to existing concession fee level, which resulted in decreased revenue to DEN and increased operating costs to UA. By adjusting the concession fee, UA will be able to maintain and expand existing and future third-party relationships, lower operating costs, and ultimately increase off-airport sales.

**f. Costs:**

<i>Current Contract Amount</i> (A)	<i>Additional Funds</i> (B)	<i>Total Contract Amount</i> (A+B)
\$1,827,546.00 Annually	(\$338,131.00) Annually	\$1,489,416.00 Annually

<i>Current Contract Term</i>	<i>Added Time</i>	<i>New Ending Date</i>
9 years 6 months	None	03/01/2020

**g. Date Goals Assigned:** N/A

**h. Goals:** Project was reviewed by DSBO on 05/31/2016 and it was determined that it is not subject to the DSBO Ordinance and therefore will not have an M/WBE goal assigned.

**7. Is there any controversy surrounding this ordinance?**

*To be completed by Mayor's Legislative Team:*

SIRE Tracking Number: \_\_\_\_\_

Date: \_\_\_\_\_

## Key Contract Terms

Vendor/Contractor Name: UNITED AIRLINES, INC.

Contract control number: RC 9A005-01

City's contract manager: Mookie Patel

Was this contractor selected by competitive process? N/A Was it the low bid? N/A  
Concession Agreement is an ancillary to an existing airline's Special Facilities and Ground Lease.

Term/Duration of contract/project: 9 years 6 months

Renewal terms: None.

Purpose:

This Amendment would revise existing compensation language in Section 4 of the Agreement by adjusting the DEN concession fee of off-airport sales from five percent (5%) to three percent (3%) as of June 1, 2016. In consideration for reducing the Concession Fee, United Airlines, Inc. (UA) will endeavor to secure additional off-airport catering contracts to help offset the loss of revenue to the Airport due to the reduction.

Reducing the annual DEN Concession Fee to three percent (3%) allows UA to maintain and keep their contracts with other off-airport customers, some of which are also currently at risk of termination, particularly UA's contract with King Soopers. This contract with King Soopers—currently UA's largest off-airport customer—buffered the impact of the loss of the Starbucks contract. A reduced concession fee positions UA to renew and renegotiate their contract with King Soopers saving approximately 100 jobs in the course of successfully preventing contract termination.

In consideration for the reduction to the annual DEN concession fee, UA will endeavor to secure additional off-airport catering contracts. Additionally, DEN will add language to encourage UA to participate in the City and County of Denver's Food Bank Program.

Finally, the proposed First Amendment will update the contracting party name to reflect merger between Continental Airlines Inc., and United Air Lines, Inc. Section 6 will also be updated with the following contact information; United Airlines, Inc., Vice President Corporate Real Estate, HDQOU, 233 South Wacker Drive, Chicago, IL 60606 with a copy to: United Airlines, Inc., General Counsel, HDQLD, 233 South Wacker Drive, Chicago, IL 60606

Cost/value: Current Agreement amount is now estimated as \$1,489,416.00 annually. No additional funds are being requested.

Source of funds: Not Applicable

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Date: \_\_\_\_\_

Benefit:

Proposed First Amendment would place UA in a position to possibly increase overall revenue opportunities by adjusting its concession fee to promote necessary competition for off-airport catering services. In 2014 UA lost a significant contract with Starbucks partly due to existing concession fee level, which resulted in decreased revenue to DEN and increased operating costs to UA. By adjusting the concession fee, UA will be able to maintain and expand existing and future third-party relationships, lower operating costs, and ultimately increase off-airport sales.

Is this contract subject to:  W/MBE  DBE  SBE  XO101  ACDBE  N/A

WBE/MBE/DBE commitments (construction, design, Airport concession contracts): N/A

Who are the subcontractors to this contract? N/A

Location: Denver International Airport Grounds

Affected Council District: 11

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