

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: July 8, 2022

CAO File No. 0150-10406-0003

Council File No. 15-0694

Council District: 11

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Communications from Los Angeles World Airports dated June 2, 2022; referred by the Mayor for a report on June 2, 2022

Subject: **PROPOSED FOURTH AMENDMENT TO CONCESSION AGREEMENT LAA-8862 WITH BOINGO WIRELESS, INC.**

RECOMMENDATION

That the Mayor:

1. Approve a proposed Fourth Amendment to Concession Agreement LAA-8862 with Boingo Wireless, Inc. to extend the term for 18 months, through December 30, 2023, to manage and operate the Wi-Fi network at Los Angeles International Airport, subject to City Attorney approval as to form and compliance with the City's Standard Provisions, including: Living Wage Ordinance, Affirmative Action Program, Business Tax Registration Certification, Child Support Obligations Ordinance, Contractor Responsibility Program, First Source Hiring Program, and Bidder Contributions CEC Form 55;
2. Authorize the Chief Executive Officer of the Los Angeles World Airports to execute the proposed Fourth Amendment to Concession Agreement LAA-8862, upon approval by the Los Angeles City Council, and prior to the execution of the Fourth Amendment, Boingo Wireless, Inc. must:
 - a. Have approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports; and
 - b. Be determined by Public Works, Office of Contract Compliance to be in full compliance with the provisions of the Equal Benefits Ordinance; and
3. Return the request to the Los Angeles World Airports for further processing, including Council consideration.

SUMMARY

The Los Angeles World Airports (LAWA) Board of Airport Commissioners (BOAC) requests approval to amend Concession Agreement LAA-8862 (Concession Agreement; Agreement) with Boingo Wireless, Inc. (Boingo Wireless; Contractor). The current Agreement expires on June 30, 2022, and a Fourth Amendment will extend the term for an additional 18 months, to December 30, 2023, for the management and operation of the Wi-Fi network in all terminals at Los Angeles International Airport (LAX).

From the original Agreement through the Third Amendment, Boingo Wireless has upgraded, managed, and operated the Wi-Fi network at LAX. The Agreement allowed Boingo Wireless to require airport guests to view a short advertisement to gain access to free Wi-Fi at the LAX campus or pay a fee to access faster-speed Wi-Fi. In return, Boingo Wireless agreed to pay LAWA a Base Annual Fee (escalated annually by the Consumer Price Index), an additional Annual Contingent Fee of 50 percent of the annual gross revenue from advertising or membership fees exceeding \$1.4 million per year, and to upgrade LAX's Wi-Fi network with an expected capital investment of \$1.5 million over the seven-year term.

Over the ensuing years, a series of amendments were granted to: 1) restructure the payment terms by reducing the Base Annual Fee by \$400,000 per year and crediting the Contractor \$65,000 for constructing additional wireless access points to support the Mobile Passport operations in the Tom Bradley International Terminal; 2) revise the monthly payment terms to 50 percent of gross revenue for April, May, and June 2020 instead of the Base Annual Fee due to a decline in revenue resulting from COVID-19 travel restrictions; and 3) further amend the payment terms to pay the lower of 40 percent of gross revenues or 1/12th of the Base Annual Fee for the rent relief period ending June 30, 2021, to offset the continued losses in revenue resulting from the adverse impacts of the pandemic.

LAWA's vision is to ensure that Wi-Fi exists throughout the entire airport campus, from the CONRAC facility to the airport gates. This will ensure all wireless users (travelers, LAWA stakeholders, and federal partners) enjoy seamless service no matter where they are at LAX. To carry out this plan, LAWA intends to release a Request for Proposal (RFP) for the design, deployment, optimization, monitoring, maintenance, and administration of a new LAWA-owned Wi-Fi system that will cover all LAX facilities. In addition to the new Wi-Fi network, LAWA's Managed Service Partner will operate and maintain existing Wi-Fi networks, integrating both into one campus-wide system. The new Wi-Fi system will also enable LAWA to communicate directly with passengers and provide connectivity for digital marketing and guest engagement.

Approval of the Fourth Amendment will allow reasonable time for LAWA to complete the RFP process and ensure that Wi-Fi service is preserved until a new agreement is awarded, executed, and a new system is implemented. The current Concession Agreement with Boingo Wireless will end either upon the award of a new contract and transition of operations to a new Managed Services Partner or after 18 months. According to LAWA staff, RFP processes are underway as the Department is finalizing the draft to the scope of work. It is estimated that the RFP will be released in the fourth quarter of 2022.

LAWA staff indicates that its revenue has been incrementally rising and is approaching pre-pandemic levels as a result of increased passenger volume at LAX. Over the 18-month extension period, Boingo Wireless will compensate LAWA approximately \$1.7 million. Funds will derive from the Base Annual Fee (\$485,591), plus the potential revenue share generated by the Additional Annual Contingent Fee. The revenue paid to LAWA is based on the following key factors:

- Base Annual Fee – $\$485,591 \times 1.5 \text{ years} = \$728,387$. The Base Annual Fee is escalated annually by the Consumer Price Index (CPI), or 2 percent, whichever is greater. The amount shown above does not include the annual CPI adjustment, therefore, the Base Annual Fee will likely increase as a modification to the CPI is anticipated in July 2022; and
- Additional Annual Contingent Fee – 50 percent of gross revenues over \$1.4 million. It is expected that LAWA's revenue share for the 18-month period should exceed \$1 million.

LAWA's Procurement Services staff has reviewed the proposed action (File No. 6820) and no Airport Concession Disadvantaged Business Enterprise goal was set for this project, as no subcontract opportunities were identified.

The BOAC approved the proposed Fourth Amendment to Concession Agreement LAA-8862 with Boingo Wireless, Inc. at its meeting on June 2, 2022. Actions taken on this item by the BOAC will become final pursuant to the provisions of Los Angeles City Charter Section 606.

FISCAL IMPACT STATEMENT

Approval of the proposed Fourth Amendment to Concession Agreement LAA-8862 with Boingo Wireless, Inc. to extend the term for an additional 18 months and provide approximately \$1.7 million to LAWA in revenue will have no impact on the City's General Fund. This item complies with the Los Angeles World Airports' adopted Financial Policies.