

0150-12288-0000

TRANSMITTAL

TO Justin Erbacci, Chief Executive Officer Department of Airports	DATE 06/13/2023	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 11	

Proposed Non-Exclusive Vending Machine Services Concession Agreement with First Class Vending, Inc. at Los Angeles International Airport and Van Nuys Airport

Transmitted for further processing, including Council consideration. See the City Administrative Officer report attached.



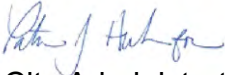
MAYOR
(Chris Thompson for)

MWS/PJH/JVW:DG:10230121t

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 3, 2023

CAO File No. 0150-12288-0000
Council File No.
Council District: 6, 11

To: The Mayor 

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from Los Angeles World Airports Board of Airport Commissioners (Board) dated February 16, 2023 and March 8, 2023; referred by the Mayor for a report on February 16, 2023

Subject: **RESOLUTION NO. 27671 AND PROPOSED NON-EXCLUSIVE VENDING MACHINE SERVICES CONCESSION AGREEMENT WITH FIRST CLASS VENDING, INC. AT LOS ANGELES INTERNATIONAL AIRPORT AND VAN NUYS AIRPORT**

RECOMMENDATION

That the Mayor:

1. Approve Los Angeles World Airports (LAWA) Resolution No. 27671 authorizing a proposed non-exclusive concession agreement, with First Class Vending Machine Services, Inc. at Los Angeles International Airport and Van Nuys Airport for a five-year term, with two one-year extension options, generating a minimum of \$86,400 in revenue during the first year and \$432,000 over the initial five-year term;
2. Adopt the California Environmental Quality Act (CEQA) determinations of the March 8, 2023 Board of Airport Commissioners (Board) Resolution 27671, that this action is exempt from CEQA pursuant to State CEQA Guidelines Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines; and
3. Authorize the LAWA Chief Executive Officer, or designee, to execute the proposed agreement and return the Resolution to LAWA for further processing, including Council consideration.

SUMMARY

The Los Angeles World Airports (LAWA) Board of Airport Commissioners (Board) requested approval of its March 8, 2023 Resolution 27671, to execute a proposed non-exclusive vending machine services concession agreement (Agreement) with First Class Vending Machine Services, Inc. (First Class) for the operations and maintenance of vending machines at Los Angeles

International Airport and Van Nuys Airport (collectively hereinafter referred to as the Airports). The term of the proposed agreement is for a period of five years commencing upon Council approval and LAWA's execution. The Department may extend the term of the agreement for up to two additional years through a series of one-year extension options. If LAWA exercises all of its options to extend the agreement, it will remain in effect until the second quarter of 2030. LAWA will collect a minimum of \$86,400 in revenue during the first year of the agreement and \$432,000 over the five-year period.

The proposed lease has been approved as to form by the City Attorney. Pursuant to Charter Section 606 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative contract term exceeds five years. Our Office has reviewed the request and recommends approval.

BACKGROUND

On March 8, 2023 and February 16, 2023, the Board approved Resolution 27671 and a LAWA staff report requesting approval to execute a proposed five-year concession agreement with two one-year extension options with First Class at the Airports. Since 2010, First Class has provided vending concession operations as a sub-concessionaire for two consecutive Airport concession agreements: 1) LAA-8533 (executed on July 16, 2010) with BCI Coca-Cola Bottling Company of Los Angeles dba Coca-Cola Bottling Company of Southern California, commencing on August 1, 2010 and terminating on July 31, 2015, and 2) LAA-8882 (executed on October 14, 2015) with the Bottling Group, LLC, an indirect subsidiary of PepsiCo, Inc., commencing on October 1, 2015 and terminating on September 30, 2022. Both agreements were approved for separate five-year terms, however, the Board authorized LAWA's General Manager to exercise two one-year renewal options through a series of amendments (Resolution 27093; Resolution 27118) to extend Concession Agreement LAA-8882, which lengthened the term from five years to seven years.

Though the primary concession agreement with the Bottling Group, LLC has expired, First Class continues to perform vending concession operations as a holdover tenant through its sub-concessionaire agreement until a new concession agreement is executed.

On September 1, 2022, LAWA staff released a Request for Proposals (RFP) to procure beverage and snack vending services at the Airport. As indicated in the RFP, a two-level evaluation would be used to select the highest responsive bidder. Proposers were required to successfully pass the first level evaluation in order to proceed to the second phase. The first level consisted of a review of required compliance and document submittals and proposers were found to be either responsive or non-responsive. The second level comprised an award to the highest responsive bidder.

Competitive Selection Process - The Department received three responses to the RFP on September 19, 2022 from 1) First Class Vending, Inc., 2) Compass Group USA, Inc., and 3) Gilly Vending, Inc. Each of the three proposers was considered responsive and advanced to the second level of the evaluation. Upon concluding the second level review, LAWA reported that First Class submitted the highest responsive bid and subsequently selected the firm to provide non-exclusive vending services at the Airports. LAWA staff determined that the concessionaire has the

experience, background, and financial capability to maintain and operate vending machine concessions services to airport guests, passengers, and employees. LAWA further reports that First Class is a top-tier vending service organization headquartered in Los Angeles County and it provides vending services to major airline clients and local government agencies such as American Airlines, United Airlines, Los Angeles Department of Recreation & Parks, and Los Angeles Department of Animal Services.

Terms of Service - Under the terms and conditions of the proposed agreement, the concessionaire must compensate LAWA with a minimum monthly guarantee of \$100 per machine or 59.5 percent of the gross receipts obtained from vending machine sales, whichever is greater, over the five-year term, in addition to any approved extension periods. LAWA indicates that First Class will deploy 67 machines at LAX and five machines at the Van Nuys FlyAway building, located in areas restricted to employees only and in areas accessible to the public. LAWA may authorize the addition, reduction, or relocation of machines at the sole expense of the concessionaire. First Class will not incur any additional building expenses, however, utility costs are factored into their monthly payment obligation. The Department further reports that LAWA retains the right to terminate the agreement 30 days from the original date of the concessionaire's receipt of the Department's written notice to conclude the concession services.

Earned Income - The proposed agreement with First Class remains within the parameters, and does not significantly differ from preceding airport vending concession agreements. The table below reflects the five-year summary of the revenues earned through Concession Agreement LAA-8882, as well as revenue paid to LAWA:

Concession Agreement with the Bottling Group, LLC with First Class Vending Machine Services, Inc. as the Sub-Concessionaire		
Year	Gross Receipts	Revenue to LAWA
2018	\$510,491	\$262,903
2019	\$450,449	\$231,981
2020	\$166,901	\$84,054
2021	\$412,395	\$212,384
2022	\$466,995	\$240,503
Total	\$2,007,231	\$1,031,825
<i>*Payment terms is the greater of \$100 per machine or 51.5 percent of gross the receipts.</i>		

CITY COMPLIANCE

The City Attorney has reviewed the proposed concession agreement as to form and legality. The proposed concession agreement includes provisions to ensure compliance with applicable City Ordinances, contracting, and insurance requirements. In accordance with Charter Section 606 and Administrative Code Section 10.5(c), the Agreement requires Council approval because the total term of the Agreement exceeds five years.

California Environmental Quality Act (CEQA) – On February 16, 2023, the Board determined that the proposed concession agreement with First Class Vending at LAX and VNY is exempt from CEQA pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.

FISCAL IMPACT STATEMENT

Approval of the proposed five-year non-exclusive vending machine services concession agreement, comprising two one-year extension options with First Class Vending Machine Services, Inc. at Los Angeles International Airport and Van Nuys Airport will have no impact on the City's General Fund. Execution of the proposed agreement will result in a minimum of \$86,400 in annual revenue to LAWA during the first year, and \$432,000 over the five-year term. The actions of the proposed non-exclusive vending machine services concession agreement comply with Los Angeles World Airports' adopted Financial Policies.

Attachment 1 - BOAC February 16, 2023 Report and March 8, 2023 Resolution

MWS/PJH/JVW:DG:10230121

February 17, 2023

The Honorable Karen Bass
Mayor, City of Los Angeles
City Hall – Room 303
Los Angeles, CA 90012

ATTN: Heleen Ramirez, Legislative Coordinator
ATTN: Thomas Arechiga, Deputy Legislative Coordinator

LAX

Van Nuys

City of Los Angeles

Karen Bass
Mayor

**Board of Airport
Commissioners**

Beatrice C. Hsu
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Nicholas P. Roxborough
Belinda M. Vega
Karim Webb

Justin Erbacci
Chief Executive Officer

RE: Request to award a Non-Exclusive Vending Machine Services Concession Agreement to First Class Vending, Inc

In accordance with Executive Directive No. 4, we are transmitting a copy of the specified board report for the request to award a Non-Exclusive Vending Machine Services Concession Agreement to First Class Vending, Inc. for a five-year term, with two one-year options, generating a minimum of \$86,400 in revenue the first year and \$432,000 over the initial five-year term.

City Council approval is required pursuant to Section 606 of the Los Angeles City Charter.

Sincerely,



Justin Erbacci
Chief Executive Officer

JPE:MSA:ksf
Attachments





Item Number
2

Report to the BOARD OF AIRPORT COMMISSIONERS

Approver:

Dave Jones, Deputy Executive Director
Commercial Development Division

Reviewer:

D Dazé (Feb 10, 2023 13:19 PST)

Brian C. Ostler, City Attorney *MT*

Justin Erbacci (Feb 10, 2023 13:38 PST)

Justin Erbacci, Chief Executive Officer

Meeting Date

2/16/2023

Needs Council Approval: ☒ Y

Reviewed for/by	Date	Approval Status	By
Finance	2/2/2023	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
CEQA	1/26/2023	<input checked="" type="checkbox"/> Y	BMS
Procurement	2/6/2023	<input checked="" type="checkbox"/> Y <input type="checkbox"/> Cond	SGL
Guest Experience	2/6/2023	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	1/31/2023	<input checked="" type="checkbox"/> Y	BNZ

SUBJECT

Request to award a Non-Exclusive Vending Machine Services Concession Agreement to First Class Vending, Inc. for a five-year term, with two one-year options, generating a minimum of \$86,400 in revenue the first year and \$432,000 over the initial five-year term.

RECOMMENDATIONS

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
3. FIND that the work can be performed more economically or feasibly by an independent contractor than by City employees.
4. APPROVE the award of the proposed five-year Non-Exclusive Concession Agreement with First Class Vending, Inc. to operate a vending machine concession at Los Angeles International Airport and Van Nuys Airport.
5. AUTHORIZE the Chief Executive Officer, or designee, to execute the Concession Agreement with First Class Vending, Inc. upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION

1. Purpose

Staff requests approval of the proposed concession agreement to provide convenient and cost-effective options for passengers to purchase bottled beverages and snacks at Los Angeles International Airport (LAX) and Van Nuys Airport (VNY).

2. Prior Related Actions/History of Board Actions

- **October 1, 2015 – Resolution No. 25799 (LAA-8882)**

The Board of Airport Commissioners (Board) approved a five-year contract with Bottling Group, LLC for non-exclusive vending machine operations at LAX and VNY.

- **April 16, 2020 – Resolution No. 27003 (LAA-8882A)**

The Board approved the revision of the payment term of the contract requiring Bottling Group, LLC to pay percentage rent instead of a Minimum Annual Guarantee from April 1, 2020, through June 30, 2020.

- **September 30, 2020 – Resolution No. 27093 (LAA-8882B)**

The Board approved a one-year term extension of the contract with Bottling Group, LLC for non-exclusive vending machine operations at LAX and VNY.

- **October 1, 2020 – Resolution No. 27118 (LAA-8882C)**

The Board approved an additional one-year term extension of the contract with Bottling Group, LLC for non-exclusive vending machine operations at LAX and VNY. Contract LAA-8882C expired on September 30, 2022.

3. Background

Bottling Group, LLC, through their sub-concessionaire First Class Vending, Inc. (First Class), currently provides vending machine services at LAX and VNY through a concession agreement on a month-to-month basis. These vending machines offer guests options for purchase of bottled beverages and snacks. The vending machines are in public areas of LAX, including parking structures, non-secured public areas, post security checkpoints, and in the VNY FlyAway building.

4. Current Action/Rationale

Award of the proposed concession agreement to First Class will provide continued vending machine services for guests at LAX and VNY. Vending machines provide passengers with a touchless option to choose a variety of snacks and drinks and provide an option for guests during times when concessions may be closed or operations limited. In addition, Los Angeles World Airports (LAWA) staff believe this is a valuable service for guests as passengers are prohibited from bringing water and drinks through passenger security screening checkpoints.

The proposed concession agreement requires compliance with the upcoming ban on plastic water bottles which goes into effect on June 30, 2023. In addition, First Class is responsible for all associated maintenance of the machines.

Pursuant to the terms of the proposed concession agreement, First Class will pay LAWA the greater of a minimum monthly guarantee of \$100 per machine or 59.5 percent of gross sales over the five-year term and any approved options. First Class initially will operate 67 machines at LAX and five machines at the Van Nuys FlyAway building, both in employee only and public areas. Los Angeles World Airports' Chief Executive Officer may authorize the reduction or addition of machines based on passenger need.

How This Action Advances a Specific Strategic Plan Goal and Objective

This action advances this strategic goal and objective: *Deliver Facilities & Guest Experiences that are Exceptional: Develop, maintain and operate first class facilities.* Vending machines provide an economical and convenient concessions option for both guests and employees.

5. Selection Process

On September 1, 2022, LAWA posted a Request for Bids on Rampla.org (Ramp ID 204042) to provide non-exclusive beverage and snack vending services at LAX and VNY. On September 19, 2022, LAWA received three bids as follows:

Concessionaire	Bid (% of Gross Sales)
First Class Vending, Inc.	59.5%
Compass Group USA, Inc. by and through its Canteen Division	51.6%
Gilly Vending, Inc.	42.0%

First Class was selected as the highest responsive bidder.

6. Fiscal Impact

Award of the Non-Exclusive Vending Machine Services Concession Agreement will generate a minimum of \$86,400 in revenue the first year and \$432,000 over the initial five-year term.

7. Alternatives Considered

- ***Take No Action***

This course of action would result in guests having fewer economical options for purchasing beverages and snacks once they pass terminal security checkpoints.

APPROPRIATIONS

No appropriation of funds is required for this action.

STANDARD PROVISIONS

1. The issuance of permits, leases, agreements and space assignments, and renewals, amendments or extensions thereof, or other entitlements granting use of existing airport facilities or its operations is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
2. The proposed document(s) is/are subject to approval as to form by the City Attorney.
3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 606.
4. First Class Vending, Inc. will comply with the provisions of the Living Wage Ordinance.
5. Procurement Services has reviewed this action (File No. 10364). No Airport Concessions Disadvantaged Business Enterprise (ACDBE) goal was set for this project, as no subcontracting opportunities were identified.
6. First Class Vending, Inc. will comply with the provisions of the Affirmative Action Program.
7. First Class Vending, Inc. has been assigned a Business Tax Registration Certificate No. 0000147973-0001-3.
8. First Class Vending, Inc. will comply with the provisions of the Child Support Obligations Ordinance.
9. First Class Vending, Inc. has approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports.
10. Pursuant to Charter Section 104 (g) staff determined that airport concession agreements are exempt from the provisions of Charter Section 1022 (Use of Independent Contractor).
11. First Class Vending, Inc. has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. First Class Vending, Inc. has been determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance.
13. First Class Vending, Inc. will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. First Class Vending, Inc. has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. First Class Vending, Inc. has submitted the MLO Bidder Contributions CEC Form 50 and will comply with its provisions.
16. This item is not subject to the provisions of the Iran Contracting Act.

March 8, 2023

The Honorable City Council
of the City of Los Angeles
City Hall, Room 395
Los Angeles, CA 90012

Subject: Non-Exclusive Concession Agreement with First Class Vending, Inc.

Pursuant to Section 606 of the City Charter, enclosed for your approval is a five (5)-year Non-Exclusive Concession Agreement with First Class Vending, Inc., with two (2) one-year extension options, that was approved by the Board of Airport Commissioners at its February 16, 2023 meeting. There is no impact to the General Fund.

LAX

Van Nuys

City of Los Angeles

Karen Bass
Mayor

Board of Airport
Commissioners

Beatrice C. Hsu
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Matthew M. Johnson
Nicholas P. Roxborough
Belinda M. Vega
Karim Webb

Justin Erbacci
Chief Executive Officer

RECOMMENDATIONS FOR CITY COUNCIL:

1. Adopt the determination by said Board that the action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1(18)(c) of the Los Angeles City CEQA Guidelines; and
2. Approve the five (5)-year Non-Exclusive Concession Agreement with First Class Vending, Inc., with two (2) one-year extension options, covering vending machine services at Los Angeles International Airport and Van Nuys Airport; and
3. Concur with said Board's action on February 16, 2023, by Resolution 27671, authorizing the Chief Executive Officer, or designee, of Los Angeles World Airports to execute said Non-Exclusive Concession Agreement with First Class Vending, Inc.

Very truly yours,



Grace Miguel, Commission Executive Assistant II
BOARD OF AIRPORT COMMISSIONERS

GM/lfc

Enclosures

cc: Trade, Travel and Tourism Committee
Councilmember Park, e-file
Councilmember McOsker, e-file
Councilmember Soto-Martinez, e-file
CAO (Airport Analyst), e-file
CLA (Airport Analyst), e-file
City Clerk's Office, e-file



RESOLUTION NO. 27671

WHEREAS, on recommendation of Management, there was presented for approval, Award of five (5)-year Non-Exclusive Concession Agreement to First Class Vending, Inc., with two (2) one-year extension options, covering vending machine services at Los Angeles International Airport and Van Nuys Airport; and

WHEREAS, Bottling Group, LLC, through its sub-concessionaire First Class Vending, Inc. (First Class), provides vending machine services at Los Angeles International Airport (LAX) and Van Nuys Airport (VNY) through a concession agreement on a month-to-month basis. The vending machines offer guests options for purchase of bottled beverages and snacks. The vending machines are in public areas at LAX, including parking structures, non-secured public areas, post security checkpoints, and in the Van Nuys FlyAway building; and

WHEREAS, in September 2022, three (3) firms submitted bids in response to Los Angeles World Airports (LAWA) Request for Bids for non-exclusive beverage and snack vending services at LAX and VNY:

Concessionaire	Bid (% of Gross Sales)
First Class	59.5%
Compass Group USA, Inc. by and through its Canteen Division	51.6%
Gilly Vending, Inc.	42.0%; and

WHEREAS, First Class was selected as the highest responsive bidder; and

WHEREAS, the new Concession Agreement with First Class will provide continued vending machine services for guests at LAX and VNY. Vending machines provide passengers with a touchless option to choose a variety of snacks and drinks and provide an option for guests during times when concessions may be closed or operations limited. In addition, LAWA staff believe it is a valuable service for guests as passengers are prohibited from bringing water and drinks through passenger security screening checkpoints; and

WHEREAS, the new Concession Agreement requires compliance with the upcoming ban on plastic water bottles that goes into effect on June 30, 2023. In addition, First Class will be responsible for all associated maintenance of the machines; and

WHEREAS, pursuant to the terms of the Concession Agreement, First Class will pay LAWA the greater of a minimum monthly guarantee of \$100 per machine or 59.5% of gross sales over the five (5)-year term and any approved options. First Class will initially operate 67 machines at LAX and five (5) machines at the Van Nuys FlyAway building, both in employee only and public areas. LAWA's Chief Executive Officer may authorize reduction or addition of machines based on passenger need; and

WHEREAS, issuance of permits, leases, agreements and space assignments, and renewals, amendments or extensions thereof, or other entitlements granting use of existing airport facilities or its operations is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines; and



WHEREAS, First Class will comply with the provisions of the Living Wage Ordinance, Child Support Obligations Ordinance, and Affirmative Action Program; and

WHEREAS, First Class has been assigned Business Tax Registration Certificate 0000147973-0001-3; and

WHEREAS, First Class has approved insurance documents, in the terms and amounts required, on file with LAWA; and

WHEREAS, First Class has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance, and will comply with the provisions of said program; and

WHEREAS, First Class has been determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance; and

WHEREAS, First Class will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX jobs; and

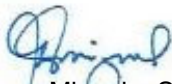
WHEREAS, First Class has submitted the Bidder Contributions CEC Form 55 and MLO Bidder Contributions CEC Form 50, and will comply with their provisions; and

WHEREAS, actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 606;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners adopted the Staff Report; determined that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines; found that the work can be performed more economically or feasibly by an independent contractor than by City employees; approved Award of five (5)-year Non-Exclusive Concession Agreement to First Class Vending, Inc., with two (2) one-year extension options, covering vending machine services at Los Angeles International Airport and Van Nuys Airport; and authorized the Chief Executive Officer, or designee, to execute said Non-Exclusive Concession Agreement with First Class Vending, Inc. after approval as to form by the City Attorney and approval by the Los Angeles City Council.

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I hereby certify that this Resolution No. 27671 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, February 16, 2023.



Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS