

ORANGE COUNTY AIRPORT COMMISSION
EDDIE MARTIN BUILDING
Airport Commission Hearing Room
3160 Airway Avenue
Costa Mesa, CA 92626

MINUTES OF REGULAR MEETING

December 1, 2010

COMMISSIONERS PRESENT: Stephen Blythe, Stephen Bristol, Bruce Junor, Tony Lam

COMMISSIONERS ABSENT: Chris Welsh

STAFF PRESENT: Loan Leblow, Assistant Airport Director
Steve Miller, Senior Deputy Counsel
Larry Serafini, Deputy Airport Director, Facilities
Roy Freeman, Deputy Airport Director, Business Development
Courtney Wiercioch, Deputy Airport Director, Public Affairs
Jenny Wedge, Administrative Manager, Public Affairs
Holly Felipe, Administrative Manager, Business Development
David DeLeon, Administrative Manager, Business Development
Debbie Temple, Contract Specialist, Business Development
Tammy Adams, Asset Manager, Business Development
Dan Simich, Program Manager, Parsons Transportation Group
Elsa Garcia, Staff Specialist, Finance & Administration

CALL TO ORDER: Chair Blythe called the meeting to order.

PLEDGE OF ALLEGIANCE: Commissioner Lam led the assembly in the Pledge of Allegiance.

1. **APPROVAL OF MINUTES** Noting no corrections, the November 17, 2010 Regular Meeting Minutes were approved as written.
2. **AWARD TERMINAL A & B FAST FOOD CONCESSION LEASE (ASR 10-001513)** Award fast food concession lease to CKE Restaurants Inc., dba Carl's Jr./Green Burrito for operation of a fast food concession for Terminals A and B at John Wayne Airport. Assistant Director Leblow summarized the proposal solicitation and review process.

Becky Davis and James Yeung of CKE Restaurants addressed the Commission. Ms. Davis informed the Commission of the company's history in Orange County and relevant experience. Mr. Yeung informed the Commission of his relevant experience. Responding to Chair Blythe, Mr. Yeung stated that Carl's Jr./Green Burrito has a proven method to manage their operation with limited storage capacity. In response to Commissioner Bristol's inquiry, Mr. Yeung stated that flame-broiling does not negatively impact speed of service.

Jay and Clara Shin of JC Grand Host addressed the Commission to provide information they felt was not fully stated in the Agenda Staff Report. Mr. Shin stated that, to emphasize the speed of service, 27 core products were included in the proposal, but all menu items are available. Mr. Shin also noted that the Minimum Annual Guarantee (MAG) and rent percentage offered by JC Grand Host was much higher than other proposers, and informed the Commission that Burger King Corporation will consider a corporate guarantee on the lease. Mrs. Shin informed the Commission of full menu offerings and relevant experience.

Isabelle Villaseñor, Lisa DeBono, and John Lueken addressed the Commission on behalf of McDonalds LLC. Ms. Villaseñor summarized her 20 year experience at John Wayne Airport and expressed her disappointment in the evaluation committee's scoring, stating that McDonalds expected top marks in all areas. Commissioner Bristol stated, for the record, that he had met with Ms. Villaseñor and associates. Ms. DeBono stated that the panel undervalued the menu submitted

and excluded the dessert & beverage line. Ms. DeBono also stated that she believes the breakfast line is unparalleled in the industry. Mr. Lueken stated that their financial proposal is stronger than the firm recommended by the evaluation committee and indicated that McDonald's initial investment as well as midterm refurbishment is one of the strongest. Mr. Lueken noted timely payments & sales increases, in addition to McDonalds' financial strength. Responding to Chair Blythe's inquiry pertaining to passenger surveys, Ms. Villaseñor stated that diverse menu items are continuously added, including products comparable to Green Burrito. Ms. Villaseñor noted that due to new McCafé items, the same revenue is expected.

Responding to Commissioner Junor, Assistant Director Leblow stated that all proposals were excellent, but noted that the weighting on menu offerings was due to multiple annual passenger surveys results requesting variety. In addition, Assistant Director Leblow indicated that in the future, passenger traffic will be diluted amongst three terminals and not the current two terminals, reducing the fast food revenue percentage for Terminals A & B. In response to Commissioner Junor, Assistant Director Leblow stated that the panel recognized the fee structure, menu proposal and the traveling public's desire for variety. Responding to Commissioner Bristol's inquiry regarding McDonald's beverage & dessert menu, Assistant Director Leblow stated that the Agenda Staff Report summarized proposals, but assured the Commission that all menu items included in proposals were considered for scoring; Assistant Director Leblow also noted that McCafé menu items did not include specific pricing for panel consideration. Commissioner Bristol took note that CKE Restaurant pricing was 20-30% less expensive than McDonalds and proposed a lower MAG; Commissioner Bristol also expressed lack of understanding how McDonalds and CKE Restaurants received the same score of four for experience, when McDonalds has been at John Wayne Airport for many years. Commissioner Junor & Chair Blythe noted that changing the experience points did not change proposer's finishing order. In response to Chair Blythe, Assistant Director Leblow stated that passenger survey results indicate that menu choices are important and that these results are shared with all current tenants. Assistant Director Leblow also noted that McDonalds did not specify which of the four design concepts submitted would be used for tenant improvements. Responding to Chair Blythe, Assistant Director Leblow stated that the MAG is expected for fast food revenue.

On Commissioner Bristol's motion and Commissioner Junor's second, Item 4 passed 3-to-1 with Chair Blythe opposing.

3. **AWARD TERMINAL C FAST FOOD CONCESSION LEASE (ASR 10-001534)** Award fast food concession lease to Seven Hills, Inc., for operation of a fast food concession in Terminal C at John Wayne Airport. Assistant Director Leblow summarized the proposal, review & selection process, selecting Seven Hills with the Sbarro/Panda Express concept.

Isabelle Villaseñor, Lisa DeBono, and John Lueken addressed the Commission on behalf of McDonalds LLC. Ms. Villaseñor expressed the same comments as with Item 2 and noted that McDonalds breakfasts are "grab & go" for the commuter traveler, such as Southwest. Responding to Chair Blythe, Ms. Villaseñor stated that over 45% of revenue is from breakfast food. John Lueken and Lisa Debono concurred with Ms. Villaseñor's comments for the record.

Responding to Commissioner Bristol, Assistant Director Leblow stated that the Specialty Fast Food Concessionaire, Subway offers a breakfast menu in addition to breakfast offerings by Sbarro/Panda Express. Commissioner Bristol & Chair Blythe expressed concern with the breakfast offerings proposed by Sbarro/Panda Express.

Taeyun Kim addressed the Commission on behalf of Panda Restaurant Group. Responding to Chair Blythe, Ms. Kim stated that from a revenue standpoint the location at the Orlando Airport keeps pace with the McDonalds location next door; and on the subject of breakfast, Sbarro offers typical breakfast offerings while Panda Express may offer Asian breakfast items in the future.

Chair Blythe stated that a “grab & go” menu is important and is concerned that changes would negatively impact customer satisfaction. Responding to Chair Blythe, Assistant Director Leblow assured the Commission that Airport revenue would be stable or higher.

With a unanimous vote to oppose the recommended action, Item 3 did not pass.

4. **AIP PROGRAM MGMT SERVICES A-E AGREEMENT, AMENDMENT 3 (ASR 10-001623)**
Approve Amendment 3 to the Architect-Engineer Agreement with Parsons Transportation Group for the John Wayne Airport Improvement Program Management Services. Responding to Commissioner Junor, Deputy Director Serafini stated that other projects developed that had not been previously identified.

On Commissioner Bristol’s motion and Commissioner Junor’s second, Item 4 passed 3-to-0, with Commissioner Lam abstaining.

5. **SUMMARY OF RELEVANT ACTIONS BY THE BOARD OF SUPERVISORS** – All items passed as recommended.

6. **ADDITIONAL BUSINESS**

- A. OTHER BUSINESS – None
- B. UPDATE ON AIRPORT IMPROVEMENT PROJECT – None
- C. ITEMS OF INTEREST TO THE PUBLIC – None

7. **ADJOURNMENT OF PUBLIC MEETING** The meeting adjourned at 6:56 p.m.

Respectfully submitted,

Elsa Garcia
Staff Specialist