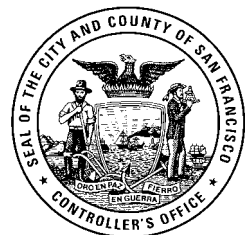


**AIRPORT
COMMISSION:**

Concession Audit of
Bayport Concessions, LLC

**FINANCIAL AUDITS
DIVISION**



*December 1, 2005
05014*



CITY AND COUNTY OF SAN FRANCISCO

**OFFICE OF THE CONTROLLER
FINANCIAL AUDITS DIVISION**

**Ed Harrington
Controller**

**Monique Zmuda
Deputy Controller**

December 1, 2005

Audit Number 05014

San Francisco Airport Commission
P.O. Box 8097
San Francisco International Airport
San Francisco, CA 94128-8097

President and Members:

The Office of the Controller presents its report concerning the audit of Bayport Concessions, LLC (Bayport). Bayport has a ten-year lease through May 21, 2015, with the Airport Commission of the City and County of San Francisco to operate the Willow Creek Grill, a retail food and beverage operation at two locations at the San Francisco International Airport.

Reporting Period: September 1, 2004, through June 30, 2005

Rent Paid: \$594,014

Results:

Bayport correctly reported gross revenues of \$3,416,527 and, in all material respects, correctly paid its rent to the Airport Department.

Respectfully submitted,

Original signed by:
Noriaki Hirasuna
Director

INTRODUCTION

BACKGROUND

In September 2004, Bayport Concessions, LLC (Bayport) began operating two interim food and beverage facilities, North Beach Trattoria and Willow Café, at the San Francisco International Airport (SFO) under a permit with the Airport Commission (Commission). The permit required Bayport to pay the Airport Department (Airport) rent of 20 percent of gross revenues generated at the two facilities. Bayport ceased operations of these facilities in February and May 2005.

Soon afterwards, Bayport began operating another food and beverage facility, the Willow Creek Grill, in two different locations at SFO. Under the terms of its ten-year lease with the Commission, which expires on May 21, 2015, Bayport is to pay the Airport rent at the greater of a minimum annual guarantee or a tiered percentage rent of 6 percent to 10 percent of the total gross revenues that Bayport earns at both locations. The percentage rent tiers are contingent on the amount of Bayport's total gross revenues.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if Bayport complied with the reporting and payment provisions of its lease with the Commission. To conduct the audit, we reviewed the applicable terms of the lease and the adequacy of Bayport's procedures for recording, summarizing, and reporting its gross revenues to the Airport. To determine whether Bayport accurately reported its gross revenue to the Airport, we tested on a sample basis Bayport's monthly sales summaries, daily sales reports, and cash register reports.

AUDIT RESULTS

BAYPORT CORRECTLY REPORTED ITS REVENUES AND GENERALLY PAID ITS RENT CORRECTLY

From September 1, 2004, through June 30, 2005, Bayport correctly reported gross revenues of \$3,416,527 and, in all material respects, correctly paid rent of \$594,014 to the Airport.

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

Staff: Ben Carlick, Audit Manager
Houman Boussina

cc: Mayor
Board of Supervisors
Civil Grand Jury
Public Library