



City of San Antonio

Agenda Memorandum

File Number:13-825

Agenda Item Number: 35.

Agenda Date: 11/21/2013

In Control: City Council A Session

DEPARTMENT: Convention & Sports Facilities

DEPARTMENT HEAD: Michael J. Sawaya

COUNCIL DISTRICTS IMPACTED: Council District 2

SUBJECT:

Extension and Third Amendment of Alamodome Advertising License Agreement with Pepsi Beverages Company

SUMMARY:

This ordinance authorizes an Extension and Third Amendment of the Alamodome Advertising License Agreement with Bottling Group, LLC d/b/a Pepsi Beverages Company ("Pepsi") to extend the term for ninety days through February 22, 2014, with up to three additional ninety-day extensions, as a transition period for the City to determine the provision of these services in the future, with estimated revenue to the City during the full extension period of \$79,036.00.

BACKGROUND INFORMATION:

Ordinance Number 98468, dated November 13, 2003, authorized an Alamodome Advertising License Agreement with Pepsi, including pouring rights, for an initial term of five years, from November 23, 2003, through November 22, 2008, with a five-year renewal option through November 22, 2013. Pepsi was selected after proposals were solicited from Pepsi and Coca-Cola.

Ordinance Number 2008-11-20-1048, dated November 20, 2008, authorized an Extension Agreement and First Amendment to the Agreement and exercised the five-year renewal option.

Ordinance Number 2011-06-23-0581, dated June 23, 2011, authorized a Second Amendment incorporating the Convention Center due to an expiring agreement between the City and Pepsi for the Convention Center and

City golf courses.

Terms of the current agreement with Pepsi include:

- City provides Pepsi the exclusive rights to dispense (i.e. “pouring rights) at the Alamodome and Convention Center, and advertise its products at the Alamodome.
- City provides 10 advertising locations to Pepsi inside and outside the Alamodome, and nine advertising locations inside the Convention Center
- Pepsi pays the City an annual fee of \$40,000.00 for the Alamodome and provides all beverage dispensing equipment and marketing support in the form of retail promotions, can panel advertisements, and radio advertising and broadcasts. Pepsi pays the City an annual fee of \$30,000 for the Convention Center and rebates of \$2.00/case (estimated at \$6,404.00 annually)

ISSUE:

Previously, the Alamodome and Convention Center had separate contracts with Pepsi with different expiration dates. That issue was resolved in the previous Second Amendment when the two facilities were incorporated into one contract, which expires on November 22, 2013, and has no further renewals authorized.

In order to allow sufficient time to determine the provision of these services in the future, it is proposed to extend this Pepsi agreement for ninety days, with up to three additional ninety-day extension options. This Extension and Third Amendment specifies, however, that if a new contract for pouring rights is executed prior to the end of any of the extension options, the agreement automatically terminates.

ALTERNATIVES:

City Council could direct staff to revise the terms and conditions of the extension and amendment.

As the agreement expires November 22, 2013, the City has no option except to extend the agreement. The proposed Extension and Third Amendment continues the current terms and conditions of the agreement, as previously amended, including compensation to the City at the same rates.

FISCAL IMPACT:

If approved, this action is expected to generate approximately \$19,992.00 in additional City revenue for the initial ninety day extension (Alamodome \$10,000.00 per ninety-day extension + \$891.00 in prorated vending commissions per ninety-day extension; Convention Center \$7,500.00 + \$1,601.00 in prorated rebates per ninety-day extension) with estimated revenue of \$79,036.00 during the full extension period.

In addition, the City receives marketing support from Pepsi for Alamodome events throughout the year.

This revenue is budgeted in the FY 2014 Adopted Budget.

RECOMMENDATION:

Staff recommends authorizing an Extension and Third Amendment of the Alamodome Advertising License

Agreement with Pepsi Beverages Company to extend the term for an additional ninety days, through February 22, 2014, with up to three additional ninety-day extension options.