



City of San Antonio

Agenda Memorandum

File Number: 17-5888

Agenda Item Number: 22.

Agenda Date: 11/9/2017

In Control: City Council A Session

DEPARTMENT: Convention & Sports Facilities

DEPARTMENT HEAD: Michael J. Sawaya

COUNCIL DISTRICTS IMPACTED: District 2

SUBJECT: Third Amendment of Food Service Agreement for the Alamodome with SAVOR Black Tie Joint Venture through its majority partner, SMG Food and Beverage, LLC.

SUMMARY:

This Ordinance authorizes a Third Amendment to the Food Service Agreement for the Alamodome with SAVOR Black Tie Joint Venture through its majority partner, SMG Food and Beverage, LLC., revising the commission structure for food and beverage services.

BACKGROUND INFORMATION:

Ordinance No. 2016-01-28-0031, dated January 28, 2016, authorized a Food Services Agreement for the Alamodome with SAVOR Black Tie Joint Venture through its majority partner, SMG Food and Beverage, LLC, for a period of fifteen (15) years, beginning March 1, 2016 through February 28, 2031, to perform catering, concession services and merchandise sales for a variety of events to include sporting events, concerts, and family shows. Ordinance 2017-04-20-0259, dated April 20, 2017, authorized a Second Amendment to clarify the commission structure related to Merchandise sales and branded third party sales, meaning the third-party is clearly linked with the unique product (s) being sold.

The Food Services Agreement for the Alamodome is structured with the City receiving a percentage commission on various types of food, beverage, and merchandising sales. This commission structure assumed a certain amount of event days would be held at the Alamodome each year over the life of the agreement. Within the last two years, the amount of event days at the Alamodome has been below the forecasted amount anticipated in the Food Services Agreement, and the corresponding revenues have been lower than anticipated. SAVOR's original proforma anticipated revenues of \$9.7M. Last year, SAVOR had sales of \$7M and they are projected to have sales of \$8.5M the second contract year. In order to maintain the service levels and operating standards of food and beverage service at the Alamodome, staff is recommending a modification of the

commission structure in an effort to preserve the continued success of the Alamodome and its Concessionaire. The intent of this amendment is to modify the commission structure to alleviate the negative financial effects from decreased sales that could ultimately impact the food service operation at the Alamodome. The City and SAVOR Black Tie Joint Venture have negotiated and agreed to the supplemental terms and conditions set forth in this Third Amendment:

Commission Type	Current Commission	Proposed Commission
Catering & Suites	32%	27% under \$1M 37% over \$1M
Concession & Bar Sales	40% \$0-3M 44% over \$3M	38% \$0-3.8M 40% \$3.8 – \$6.5M 44% over \$6.5M
Branded Sales (meaning the third-party is clearly linked with the unique product (s) being sold)	30%	27.5%
Major Event Bonus if over 40,000 in attendance for non-recurring events excluding the Alamobowl	3%	3%, if Annual Gross Receipts exceed \$9.7 million

In the last two years, the Concessionaire has invested over \$3.5M in capital improvements in the Alamodome and has contributed significantly to major improvements in food and beverage service delivery. Also, the recommended revised commission structure is in alignment with similar volume operations in the US. As the Concessionaire experiences an increase in food and beverage with Alamodome event activity levels closer to amounts originally forecasted in the Food Services Agreement, the amount of commission revenue to the Alamodome will also increase accordingly.

ISSUE:

The terms have been negotiated between the parties to ensure that the SAVOR Black Tie Joint Venture is successful by breaking even or making a reasonable profit from this operation.

ALTERNATIVES:

Alternatives to the proposed action include not amending the current agreement with SAVOR Black Tie Joint Venture and directing staff to renegotiate the terms of the amended agreement.

FISCAL IMPACT:

This contract generates approximately \$2.8 million annually and was projected to generate a total of \$39 million in commissions over the length of the contract. This action will reduce the revenue by an estimated \$300,000 annually and \$3,900,000 over the term of the contract. The revenue is budgeted in the Community and Visitor Facilities Fund.

RECOMMENDATION:

Staff recommends authorizing a Third Amendment of Food Service Agreement for the Alamodome with SAVOR Black Tie Joint Venture through its majority partner, SMG Food and Beverage, LLC.