



City of San Antonio

Agenda Memorandum

File Number: 15-1349

Agenda Item Number: 18.

Agenda Date: 2/19/2015

In Control: City Council A Session

DEPARTMENT: Convention & Sports Facilities

DEPARTMENT HEAD: Michael J. Sawaya

COUNCIL DISTRICTS IMPACTED: Council District 1

SUBJECT:

Smart City Contract Extension

SUMMARY:

This ordinance authorizes a ten (10) year extension to the data and telecommunications contract between the City and Smart City Networks, LLC commencing on July 1, 2018, after expiration of the current contract.

BACKGROUND INFORMATION:

Smart City Networks, LLC provides telephone, internet, network, and wireless services to customers of the Henry B. Gonzalez Convention Center (HBGCC) and is the premier provider of technology services for 14 of the top 25 convention centers in the U.S. In June 2008, City Council authorized a five (5) year extension with a five (5) year renewal option in consideration of a \$250,000.00 investment to upgrade the WiFi system and IT infrastructure at the HBGCC. The Convention and Sports Facilities Department exercised the five (5) year renewal option in return for an additional \$375,000.00 in wireless and infrastructure improvements. The current agreement with Smart City is scheduled to expire on June 30, 2018 and has no renewal options.

ISSUE:

A key consideration and major expense of the convention center expansion project is to ensure that technology in the new building interfaces with the existing convention center. In October 2014, Smart City approached the City with a major capital investment offer to further upgrade the data and telecommunications network infrastructure, including adding new wireless access points in the existing footprint of the convention center as well as to the expanded areas to increase speed

and capacity for Wi-Fi. The following are the key terms of the agreement:

- Complete overhaul and replacement of the Convention Center’s technology infrastructure both in the existing building and in the new expanded Center estimated at \$1.9 million
- Ten (10)-year extension term beginning July 1, 2018 - June 30, 2028
- \$500,000 “refresh investment” mid-term (2023)
- Increase technology fund (used to replace dated equipment) from 2% to 3% of gross receipts
- Revenue share and commission structure would increase as follows:

Gross Revenue	Existing Commission (% of Gross Revenue)	Proposed Commission (% of Gross Revenue)
> \$1.5M	26%	30%
< \$1.5M and > \$2.0M	31%	33%
< \$2.0M and > \$2.5M	32%	34%
< \$2.5M and > \$3.0M	33%	35%
< \$3.0M and > \$3.5M	34%	36%
< \$3.5M	35%	37%

- All other terms would remain the same as in the current agreement

ALTERNATIVES:

If we do not move forward with this early extension, the following are considerations:

1. Construction contingency funds would need to be used to make improvements
2. When contract expires in 2018, Smart City would have no incentive to make a significant investment in the Center
3. Smart City is the only major national provider of these services in convention centers

FISCAL IMPACT:

Telecommunications commissions to the City under these terms would total approximately \$850,000.00 annually and \$9,000,000 over the ten (10)-year term of the contract.

RECOMMENDATION:

In collaboration with the City’s IT Department, the CSF Department recommends that we enter into a ten (10)-year agreement with Smart City Networks, LLC beginning July 1, 2018 - June 30, 2028.