



# City of San Antonio

## Agenda Memorandum

**File Number:** 17-5842

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**Agenda Item Number:** 14.

**Agenda Date:** 12/7/2017

**In Control:** City Council A Session

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**DEPARTMENT:** Aviation

**DEPARTMENT HEAD:** Russell J. Handy

**COUNCIL DISTRICTS IMPACTED:** Citywide

### **SUBJECT:**

Amendment to Advertising Concession Agreement with Clear Channel Outdoor, Inc. at the San Antonio International Airport

### **SUMMARY:**

This Ordinance will authorize an amendment to the advertising concessions agreement with Clear Channel Outdoor, Inc. (Clear Channel) for advertising services for the San Antonio International Airport (SAT). The amendment will extend the agreement, currently operating under a holdover provision, through April 30, 2018 and, to mitigate revenue risk to the vendor of a short-term lease extension, alter the revenue methodology to a direct monthly percentage of gross sales without a minimum guarantee requirement.

This amendment was requested by the Aviation Department and agreed to by Clear Channel to ensure the continuity of soliciting and executing advertising services in the months leading up to and throughout the NCAA Men's Basketball Championship. This continuity will ensure a quality advertising product for customers and maximize revenue for Clear Channel and the Aviation Department.

### **BACKGROUND INFORMATION:**

Advertising programs in airports assist in generating non-airline revenue and provides passengers and airport employees with information on services from local and national vendors. In May of 2007, City Council authorized an advertising concession agreement with Clear Channel Outdoor, Inc. for advertising services for the San Antonio International Airport for a term of 10 years and a minimum annual guarantee (MAG) of \$912,000.00 through an Ordinance No. 2007-05-17-0563. Under the agreement, Clear Channel and the

Aviation Department identified 91 locations that the advertising firm could use for advertisement. Typical advertisements are backlit billboard on a terminal wall or on a digital display for a flight information screen. The agreement expired on May 31, 2017 and has continued operation under a month-to-month holdover provision.

#### *Amendment*

The amendment will extend the term of the concession agreement through April 30, 2018. Beginning on November 1, 2017, Clear Channel will pay the City the percentage payments on gross sales:

- 60% on indoor static advertising such backlit billboards on the walls of the airport that do not change images or messages.
- 40% on indoor tech advertising and fees such as the digital displays on TV screens in the baggage claim area.

The City would like Clear Channel to continue their services until after the NCAA Men's Basketball Championship and the award by City Council of the new agreement which is expected in April 2018. With the extension of the agreement, advertising services will not be disrupted before or during the event. The solicitation was briefed to the Audit Council Committee in April 2017 as a pre-solicitation item and approved for release. As a standard practice when advertising service concession agreements are extended for a short period of time, the City agreed to remove the MAG requirement beginning on November 1, 2017 as part of the amendment.

#### **ISSUE:**

This Ordinance will authorize an amendment to the advertising concessions agreement with Clear Channel for advertising services for SAT. The amendment will extend the agreement, currently operating under a holdover provision, through April 30, 2018 (and after the NCAA Men's Basketball Championship).

With this amendment, advertising services will not be impacted before or during the Basketball Championship season.

#### **ALTERNATIVES:**

City Council could elect to not approve the amendment which could result in the vendor deciding to not continue to operate on a month-to-month basis and the San Antonio International Airport without an advertisement program until City Council awards a new agreement.

#### **FISCAL IMPACT:**

The City will receive the percentage payments on gross sales:

- 60% on indoor static advertising (backlit billboards)
- 40% on indoor tech advertising and fees (digital displays)

The City expects to receive approximately \$48,000.00 to \$52,000.00 each month on the percentage payments on gross sales through April 30, 2018.

#### **RECOMMENDATION:**

Staff recommends the approval of an amendment to the advertising concessions agreement with Clear Channel for advertising services for the San Antonio International Airport.