



City of San Antonio

Agenda Memorandum

File Number:18-3348

Agenda Item Number: 13.

Agenda Date: 6/14/2018

In Control: City Council A Session

DEPARTMENT: Aviation

DEPARTMENT HEAD: Russell J. Handy

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Advertising Concession Agreement at the San Antonio International Airport

SUMMARY:

This Ordinance authorizes the negotiation and execution of a non-exclusive, 10-year concession at the San Antonio International Airport with Lamar Airport Advertising (Lamar) for the development and management of the Airport Advertising Concession Program. The minimum annual guarantee (MAG) is \$700,000.00.

The negotiation time will allow Lamar Airport Advertising to develop a transition plan with the current advertising vendor. Currently, advertisements throughout the airport campus use equipment owned by the current contractor and the contracts are with the current contractor. A transition plan will allow all parties to discuss the transition period and develop a schedule that provides a seamless experience for the traveling passenger.

BACKGROUND INFORMATION:

Over nine million visitors travel through the San Antonio International Airport each year, providing a prime advertising location for local and national advertising and a non-airline revenue generator for the San Antonio Airport System.

In late 2017, the City released a solicitation for proposals from vendors that have demonstrated expertise in the planning, development, execution and management of an advertising concession program at airports, major transportation centers, shopping centers or other high traffic volume public facilities for the San Antonio

International Airport on a non-exclusive basis. The selected respondent shall have the non-exclusive rights and responsibilities for the design, fabrication, installation, operation, maintenance, sale of advertising space throughout the airport as well as the overall management of the Airport Advertising Concession Program at its own expense.

In the solicitation, the City sought the development of a state-the-art, energy-efficient advertising display program that included other ways to enhance interest and augment revenues besides the current backlit billboard-type static advertising. In addition, the solicitation identified the following goals for the program:

- Optimize revenue to the Airport with an effective Advertising Program;
- Enhance the aesthetics of the Airport and create a sense of place unique to San Antonio and reflective of the region, as a highly desirable destination by highlighting the culture, quality of life, the strong and diverse business environment, and tourism opportunities. To promote the transformation of the Airport into a hi-tech airport;
- Incorporate innovative, cutting-edge technology, tools and methods that reflect best practices in public-spacing advertising
- Enhance the overall passenger experience at the Airport by creating a high quality, passenger friendly environment, increase awareness of the amenities at the Airport, and not to interfere with signage and way finding clarity

As a non-exclusive advertising contract, the City will have the right to display, or enter into contracts for displaying, advertising with other parties on city-owned monitors or other media not owned or operated by the selected respondent.

High-Profile Solicitation

This solicitation was identified as High-Profile and briefed as an individual item at the Audit and Accountability Council Committee.

Airport Concessionaire Disadvantaged Business Enterprise (ACDBE) Program

Advertising concessions program are released under the federal ACDBE program per 49 CFR 23 (Participation of Disadvantaged Business Enterprise in Airport Concessions). The ACDBE goal was determined 8% of the total gross revenues of this contract.

Solicitation Process

The Request for Proposals was released on November 2, 2017 and advertised on the City's Bidding and Opportunities website and TVSA. It was also advertised in the San Antonio Express-News and on the websites for the Association of American Airports Executives and Airports Council International - North America. . On January 5, 2018, three proposals were received. The criterion used was: Experience, Background Qualifications (20 points); Proposed Plan (30 points); Compensation (30 points); and ACDBE (20 points).

An evaluation committee that included representatives from the City Manager's Office, Aviation Department, Convention Sports and Entertainment Department, Airport Advisory Commission and San Antonio Zoo met on March 13, 2018 to score the proposals on the criterion outlined in the solicitation. Lamar received 99.15 out of the maximum 100 points and 26.41 above the second highest ranked proposal.

Lamar is one of the largest outdoor advertising companies in the world and manages the advertising contracts for McCarran International Airport (Las Vegas), Phoenix Sky Harbor International Airport, Portland International Airport, John Wayne Airport, Dallas Love Field and Salt Lake City International.

As part of their proposal, Lamar estimated their initial capital investment in the amount of \$840,000.00 with an

additional \$160,000.00 being invested at the mid-point of their 10-year term. As part of the concession agreement, the city will receive the greater of the minimal annual guarantee of \$700,000.00 or the total percentage of gross sales from the Percentage Fee Rates on Static, Digital and Outdoor Advertisements as well as Specialty Themed Displays from the sale of advertising. The Percentage Fee Rates are:

- Percentage Fee Rate for Static Advertising: 60%
- Percentage Fee Rate for Digital Advertising: 55%
- Percentage Fee Rate for Exhibits/Specialty Themed Displays: 60%
- Percentage Fee Rate for Outdoor Advertising: 30%

ISSUE:

Approval of this action is consistent with the City's policy to lease City-owned property to generate revenue.

The Ordinance will authorize the negotiation and execution of a concession agreement with Lamar for the development and management of the Airport Advertising Concession Program at the San Antonio International Airport.

ALTERNATIVES:

City Council could direct staff to re-issue the RFP for the development and management of the Airport Advertising Concession Program at the San Antonio International Airport. This action would result in a delay of revenue to the City and risk fewer respondents being proposed in future RFP solicitations. The process followed federal, state and local procurement procedures and the selected proponent

FISCAL IMPACT:

The agreement is for a term of 10 years which will commence with the execution of the agreement. For the first full year of operations, Lamar will pay the City the greater of the Minimum Annual Guarantee (MAG) in the amount of \$700,000.00 or the greater of a specified percentage of gross sales, defined below, from the sale of advertising:

- Percentage Fee Rate for Static Advertising: 60%
- Percentage Fee Rate for Digital Advertising: 55%
- Percentage Fee Rate for Exhibits/Specialty Themed Displays: 60%
- Percentage Fee Rate for Outdoor Advertising: 30%

For each subsequent lease year, the MAG will be set at 85% of the MAG plus Percentage Rent payable during the previous year. The MAG will never be lower than \$700,000.00.

RECOMMENDATION:

Staff recommends the authorization of the negotiation and execution of a non-exclusive, 10-year concession at the San Antonio International Airport with Lamar for the development and management of the Airport Advertising Concession Program.