

**CITY OF SAN ANTONIO  
INTERDEPARTMENTAL MEMORANDUM  
AVIATION DEPARTMENT**

**TO:** Mayor and City Council

**FROM:** Kevin C. Dolliole, Aviation Director

**THROUGH:** Terry M. Brechtel, City Manager

**COPIES TO:** Christopher J. Brady, Asset Management, Budget, Legal, Finance and File

**SUBJECT:** Duty Free Concession Contract at San Antonio International Airport

**DATE:** May 29, 2003

**SUMMARY & RECOMMENDATION**

The proposed ordinance authorizes the City Manager or her designee to accept the proposal of International Duty Free Stores Company to operate the duty free concession at San Antonio International Airport. This concession agreement comprises one of the final components of the Concession Redevelopment Program at Airport. International Duty Free Stores Company is being recommended to operate the duty free concession in a 1,046 square foot facility in Terminal 1. In the event that international flights should be offered in Terminal 2 during the contract term, operation will also be permitted from a Terminal 2 kiosk location. The term of the proposed contract will be a five-year period. Concessionaire will pay the greater of 15% of Gross Revenues on sales up to \$500,000 and 20% of Gross Revenues on sales over \$500,000 or a Minimum Annual Guarantee of \$125,000 per year. In the event that a 35% decline in international enplaned passengers as compared to the previous year is experienced for a three-month period, the concessionaire would be relieved of the obligation to pay a Minimum Annual Guarantee and would pay 15% of gross revenue until such time as international enplanements return to their prior level.

Staff recommends the approval of this ordinance.

**BACKGROUND INFORMATION**

International Duty Free Stores Company is a Texas corporation. It is a subsidiary of UETA, Inc., which itself is a subsidiary of Duty Free Americas, Inc. This company, under various corporate names and ownership, has been operating the duty free stores at San Antonio International Airport for more than thirty years. The concessionaire will offer duty free items to international passengers and duty paid items to domestic passengers. Such items will include fragrances, tobacco products, liquor and wines, cosmetics, edibles, watches and gifts.

In response to the City's request and through its Concession Manager, Westfield Concession Management, proposals for the operation of the duty free concession have been submitted on three occasions. The first submission occurred on December 14, 2001. One proposal was received. Since this submission followed in close proximity to the tragic events of September 11, 2001 which greatly impacted air travel, the financial offering was low and it was determined that resolicitation would be beneficial. The second submission occurred on May 31, 2002. Two proposals were received and contract award was considered by the City Council on November 21, 2002. The Council directed an RFP again be issued so that advertising and marketing program submission would be clearly required, financial information submitted would clearly pertain only to the responding company and other technical clarifications would be made. The third solicitation was made on March 28, 2003. On April 28, 2003, a single response, that International Duty Free Stores Company, was received

### **POLICY ANALYSIS**

The proposed ordinance is consistent with prior policy, as evidenced by the City Council approved Concession Procedures Manual and Policy Statement of January 11, 2001, and will provide needed service to international and domestic passengers at the Airport.

### **FISCAL IMPACT**

The concessionaire will pay during the five-year contract term the greater of a Minimum Annual Guarantee of \$125,000 or 15% of Gross Revenues on sales up to \$500,000 and 20% of Gross Revenues on sales over \$500,000.

### **COORDINATION**

This item has been coordinated with the Asset Management Department and the City Attorney's Office. The proposed agreement was presented to the Economic & Human Development Council Committee on May 14, 2003.

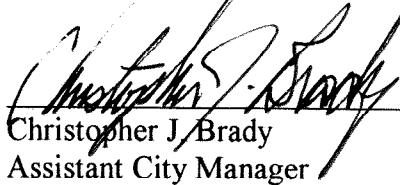
**SUPPLEMENTARY COMMENTS**

The Ethics Ordinance Required Disclosures form completed by the concessionaire is attached.

**SIGNATURES**



Kevin C. Dolliole  
Aviation Director



Christopher J. Brady  
Assistant City Manager

**APPROVED:**



Terry M. Brechtel  
City Manager

# City of San Antonio

## Discretionary Contracts Disclosure\*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2  
Attach additional sheets if space provided is not sufficient.  
State "Not Applicable" for questions that do not apply.

\* This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.

### Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any **individual** who would be a party to the discretionary contract;

N/A

(2) the identity of any **business entity**<sup>1</sup> that would be a party to the discretionary contract:  
INTERNATIONAL DUTY FREE STORES COMPANY  
and the name of:

(A) any individual or business entity that would be a *subcontractor* on the discretionary contract;

N/A

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

UETA of Delaware, Inc. (parent company to International Duty Free Stores Company)  
UETA, Inc. (parent company to UETA of Delaware, Inc.)  
Duty Free Americas, Inc. (parent company to UETA, Inc.)  
Duty Free Holdings, Inc. (parent company to Duty Free Americas, Inc.)  
Simon Falic, Jerome Falic, Leon Falic (Duty Free Holdings, Inc.)

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

Baltazar R. Serna, Jr., Attorney at Law, 120 Villita, San Antonio, Texas 78205


<sup>1</sup> A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
(by Simon Falic to) Mayor Ed Garza	\$2,500.00	2002
(by Jerome Falic to) Mayor Ed Garza	\$2,500.00	2002
(by Leon Falic to) Mayor Ed Garza	\$2,500.00	2002
(by Baltazar R. Serna, Jr. – Please see attached documents)		

#### Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question<sup>2</sup> as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

None		
Signature: 	Title: VP, Corporate Services & Business Development Company: Duty Free Americas, Inc.	Date: April 23, 2003

<sup>2</sup> For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

## CONTRIBUTIONS MADE

### By BALTAZAR R. SERNA, JR. - 2003

<u>To Whom:</u>	<u>Amount:</u>	<u>Date:</u>
Mayor Ed Garza	\$500.00	2003
Councilman John Sanders	\$750.00	2003
Councilwoman Toni Moorehouse	\$300.00	2003
Councilman Julian Castro	\$1,000.00	2003
Candidate Thomas Aguillon	\$250.00	2003
Candidate Phillip Cortez	\$250.00	2003
Candidate Henry Rosales	\$500.00	2003

### By BALTAZAR R. SERNA, JR. - 2002

<u>To Whom:</u>	<u>Amount:</u>	<u>Date:</u>
Mayor Ed Garza	\$2,500.00	2002
Councilman Julian Castro	\$1,200 (In Kind)	2002
Councilman Enrique Barrera	\$500.00	2002
Councilman John Sanders	\$500.00	2002
Councilman David Carpenter	\$500.00	2002
Councilman Antoniette Moorhouse	\$500.00	2002
	\$500.00 (In Kind)	2002
Councilman Enrique Martin	\$750.00	2002
Councilman Carroll W. Shubert	\$1,000.00	2002
Councilman David Garcia	\$1,000.00	2002
Candidate Thomas Aguillon	\$750.00	2002
Candidate Phillip Cortez	\$750.00	2002

### By BALTAZAR R. SERNA, JR. - 2001

<u>To Whom:</u>	<u>Amount:</u>	<u>Date:</u>
Mayor Ed Garza	\$1,500.00	2001
Councilman Julian Castro	\$500.00	2001
Councilman Enrique Barrera	\$500.00	2001
Councilman David Carpenter	\$500.00	2001
Councilman Antoniette Moorhouse	\$500.00	2001
Councilman Enrique Martin	\$500.00	2001