

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM
ALAMODOME**

TO: Mayor and City Council
FROM: Michael Abington, Director, Alamodome
THROUGH: Terry M. Brechtel, City Manager
COPIES: Roland Lozano, Assistant to the City Manager; File
SUBJECT: Alamodome Non-Alcoholic Beverage Advertising and Product Rights Contract
DATE: November 13, 2003

SUMMARY AND RECOMMENDATION

An ordinance authorizing the City Manager to execute a five-year license agreement granting advertising and product rights at the Alamodome to The Pepsi Bottling Group for compensation in the amount of \$100,000 per year of the license agreement and a marketing and promotional package with an estimated annual value of \$1,281,100, for a total value to the Alamodome of \$1,381,100.

Staff recommends approval.

BACKGROUND

Since the Alamodome's opening in May 1993 the San Antonio Spurs owned sole rights to advertising and concessions for the facility including all public concession stands and areas, luxury suites, the Sports Club and the Top of the Dome restaurants. As part of the agreement the Spurs paid to the Alamodome approximately \$309,000 annually for the advertising rights and 40% of food and beverage sales for concessions rights. Upon the San Antonio Spurs leaving the facility, the Alamodome acquired all existing advertising and concessions rights. Accordingly, in May 2003 City Council approved a five-year agreement with Aramark Sports and Entertainment Services, Inc. to provide concessions and catering services at the Alamodome

In June 2003, the Alamodome issued a request for proposals for non-alcoholic beverage advertising and product rights to both the San Antonio Coca-Cola Bottling Company and The Pepsi Bottling Group.

Several meetings were conducted with both the San Antonio Coca-Cola Bottling Company and The Pepsi Bottling Group regarding the future event forecast for the Alamodome, signage inventory and existing fountain equipment. Both the San Antonio Coca-Cola Bottling Company and The Pepsi Bottling Group submitted proposals for the exclusive non-alcoholic beverage advertising and product rights to the Alamodome.

POLICY ANALYSIS

In the request for proposals, the Alamodome offered the following for the advertising and products rights agreement:

Selected company shall be exclusive advertiser of non-alcoholic beverage products in the Alamodome.

- Advertisement for non-alcoholic beverage vendor shall be placed on 15 separate signage locations inside and outside the Alamodome.
- All equipment dispensing the products shall carry panels advertising such products.
- The products shall be prominently listed on the menu boards of all food and refreshment outlets in the Alamodome.
- The products shall be available in cups bearing approved advertising for non-alcoholic beverage vendor in all areas where drink products are sold or dispensed.
- The products shall be offered for sale in the seating areas (hawking) in cups bearing approved advertising for non-alcoholic beverage vendor.
- The products shall be sold to Alamodome concessionaire at lowest competitive price.

Selected company shall be given the exclusive right to sell non-alcoholic beverage products at all public concession stands and restaurants in the Alamodome.

➤ The Pepsi Bottling Group proposal provided the following:

- Five (5) year agreement
- Annual sponsorship fee to the Alamodome in the amount of \$100,000
- Invest a minimum of \$250,000 in improvements to the Alamodome concession areas, converting all fountain equipment.

Advertising, Marketing & Promotional Programs

- Marketing programs that advertise and promote family shows, trade & consumer shows and sporting events in which the Alamodome participates in the marketing and promotion.

Radio Support

Approximate Annual Value: \$37,900

- Three (3) weeks of radio commercials to support various promotions and events at the Alamodome.
- Two (2) on-site radio broadcasts for support of Alamodome events.

Local Retail and Promotional Support

Two (2) in-store retail promotions designed to promote events in which the Alamodome participates in marketing and promotion.

Can Advertising

Approximate Annual Value \$1,243,200

Two (2) advertisements on beverage cans to promote family shows, trade & consumer shows and sporting events in which the Alamodome participates in the marketing and promotion.

Approximately 3,360,000 cans will be distributed in the San Antonio/Austin/Rio Grande Valley markets.

Total Annual Value: \$1,381,100

In addition, the Pepsi proposal will allow the Alamodome to continue to offer its patrons both bottle/can products and fountain products during all events.

The Pepsi Bottling Group is the worldwide manufacturer and distributor of Pepsi-Cola beverages and allied products, operating in the United States, Mexico, Canada, Russia, Spain, Greece and Turkey. Its annual revenues exceed \$10 billion. The Pepsi Bottling Group of San Antonio employs more than 250 local citizens.

➤ The San Antonio Coca-Cola Bottling Company proposal provided the following:

- Five (5) year agreement
- Annual sponsorship fee to the Alamodome of \$110,000
- Provide refrigeration equipment to dispense and cool non-alcoholic beverage products (\$142,000 value)
- Service and repair all non-alcoholic beverage equipment

Total Annual Value: \$110,000

The Coca-Cola proposal was contingent on the Alamodome offering for sale bottle/can products only, with the exception of the Alamo Bowl, NCAA events, Texas Football Classic, Thrill Shows and Concerts exceeding 25,000. This would allow the beverage company a greater financial return, but would virtually eliminate fountain beverage service. Fountain beverages are the traditional choice to offer patrons of public events; and although cans and contour bottles are an acceptable addition to the concessions menu, a near total conversion to these products would result in higher cost of sale, lower profits and fewer choices for Alamodome patrons.

Based on the best overall value, staff has determined The Pepsi Bottling Group proposal to be in the best interest of the city.

FINANCIAL IMPACT

The overall cash value of the Pepsi agreement is \$500,000 payable to the Alamodome in equal annual payments of \$100,000. The amounts are set forth below:

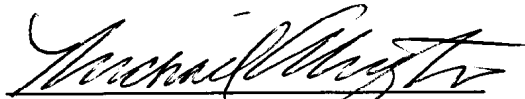
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Cash Value	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Can Panel Value	\$ 1,243,200	\$ 1,243,200	\$ 1,243,200	\$ 1,243,200	\$ 1,243,200
Media Value	\$ 37,900	\$ 37,900	\$ 37,900	\$ 37,900	\$ 37,900
Annual Value	\$ 1,381,100	\$ 1,381,100	\$ 1,381,100	\$ 1,381,100	\$ 1,381,100

Total Cash and Marketing/Promotional Value: \$6,905,500

COORDINATION

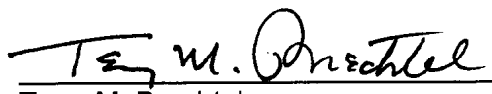
This item has been coordinated with the City Attorney's Office and Asset Management Department.

SIGNATURES


Michael Abington, Director
Alamodome

APPROVED


Roland Lozano
Assistant to the City Manager


Terry M. Brechtel
City Manager