

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM
CONVENTION FACILITIES DEPARTMENT**

TO: Mayor and City Council

FROM: Michael J. Sawaya, Convention Facilities Director

THROUGH: Terry M. Brechtel, City Manager

COPIES: Roland A. Lozano, Assistant to the City Manager; File

SUBJECT: Staff Briefing on the Performance of Smart City Networks, the
Telecommunication Services Contractor for the Henry B. Gonzalez Convention
Center

DATE: June 10, 2004

SUMMARY AND RECOMMENDATIONS

A five-year determination of satisfaction performance review is required for the ten-year Agreement for Telecommunication Services for the Henry B. Gonzalez Convention Center with Smart City Networks, (formerly U. S. Telecom). Staff has determined that Smart City Network's performance has been satisfactory on all accounts

No action by City Council is required.

BACKGROUND INFORMATION

Approved by Ordinance #89088 on January 14, 1999 the Agreement for Telecommunication Services with Smart City Networks, LLC, (formerly U. S. Telecom), has been in effect since March 3, 1999. The term of the agreement is for ten (10) years with no renewal options. Smart City Networks provides telephone, Internet, network, and wireless services to customers of the Convention Center, generating an average \$300,000 in commissions to the City annually. The agreement requires a comprehensive review to be conducted by the City and (be) presented to City Council for a determination of satisfactory performance at the end of the fifth year to ensure the following:

1. Satisfactory performance by the Vendor, as determined by, but not limited to, the ability to satisfy customer's telecommunication needs.
 - *Smart City Networks consistently provides outstanding service to Convention Center customers*

2. At least a 90% approval rating from Convention Facilities customer surveys.
After each function, a post-event evaluation form is distributed. Of those returned from 1999 – 2003, a total sample of 208 Convention Center customers gave Smart City a 94% approval rating.
3. Responsiveness to reasonable requests for service by the Convention Facilities Director.
- Smart City is helpful and very responsive to the needs of the Convention Center.

Projected gross sales for the first five (5) years of the agreement were \$2,932,094: Projections were provided by Smart City as follows:

Calendar Years:	Projected Gross Sales				
	1999	2000	2001	2002	2003
Number of Lines	1,600	1,600	2,000	2,500	3,125
Telephone Rental	\$ 344,000	\$ 344,000	\$ 430,000	\$ 537,500	\$ 671,875
Instrument Rental	\$ 9,600	\$ 9,600	\$ 12,000	\$ 15,000	\$ 18,750
LD Revenue	\$ 68,800	\$ 68,800	\$ 86,000	\$ 107,500	\$ 134,375
Cellular Income	\$ 1,720	\$ 1,720	\$ 2,150	\$ 2,688	\$ 3,359
Internet Sales	\$ 5,000	\$ 10,000	\$ 12,500	\$ 15,625	\$ 19,531
Gross Income	\$ 429,120	\$ 434,120	\$ 542,650	\$ 678,313	\$ 847,891

Actual revenues for the past five (5) years were as follows:

Calendar Year	Gross Sales	City Commissions
1999	\$ 533,347	\$ 190,701
2000	\$ 688,037	\$ 268,425
2001	\$ 1,594,097	\$ 419,775
2002	\$ 1,871,660	\$ 491,221
2003	\$ 1,369,436	\$ 348,012
Total	\$ 6,056,577	\$ 1,718,134

The considerable variance from actual sales to projections was due to Internet usage far exceeding expectations of five (5) years ago, as represented below:

Internet Sales		
Calendar		
Year	Projected	Actual
1999	\$5,000.00	\$159,301.00
2000	\$10,000.00	\$409,734.00
2001	\$12,500.00	\$737,326.00
2002	\$15,625.00	\$1,092,495.00
2003	\$19,531.00	\$905,514.00
Totals	\$62,656.00	\$3,304,370.00

POLICY ANALYSIS

The Economic Development Department has reviewed and approved the updated Smart City Good Faith Effort Plan. Ten percent (10%) of Smart City Network's San Antonio Operation is owned by a local Minority-Owned Business (Luis Terrazas-The Julian Group). Slightly over 15% is being subcontracted to local SBEDA qualified companies.

FISCAL IMPACT

The Agreement for Telecommunication Services requires the Vendor to pay commissions to the City utilizing the following commission structure:

City Commission Rates	
Telephone Revenue Share:	
0-800 lines	25%
801-1500 lines	28%
1501+ lines	30%
Long Distance	30%
Instrument Sales	25%
Cellular Phones	15%
Internet Services	25%
Wireless Fidelity Services	25%

The Convention Facilities Director has approved three (3) separate requests for changes to rates as follows:

Rate Change Summary				
	<u>Previous Rate</u>	<u>New Rate</u>	<u>% Change</u>	<u>Chg. Date</u>
Single Line Phone	\$ 215.00	\$ 235.00	9.3%	2001
Multi-line Phone	\$ 295.00	\$ 335.00	13.6%	2001
Dedicated Line	\$ 290.00	\$ 375.00	29.3%	2001
0+ Calls/Info	\$ 1.05	\$ 2.00	90.5%	2001
Single Line Phone Instrument	\$ 20.00	\$ 31.50	57.5%	2001
T1 Circuit w/ 29 IP's	\$ 6,900.00	\$ 5,900.00	-14.5%	2002
IP Address	\$ 125.00	\$ 150.00	20.0%	2002
Labor Rate (Show Mgmt.)	\$ 125.00	\$ 75.00	-40.0%	2004
Shared Ethernet	\$ 1,295.00	\$ 1,195.00	-7.7%	2004

Projected revenues to the City of San Antonio for the remaining five (5) years of the ten (10) year term are listed below. Forecasted revenues have been provided by Smart City Networks. As part of the budget process, staff assesses the projections based upon the previous year's actuals and typically increases the projection based upon this assessment. Over the next 5 years, staff anticipates this revenue source will increase as it has over the past 5 years.

Calendar Year	Gross Sales	Commissions
2004	\$ 1,102,923	\$ 286,246
2005	\$ 1,144,748	\$ 296,879
2006	\$ 1,188,407	\$ 307,988
2007	\$ 1,233,983	\$ 319,605
2008	\$ 1,281,569	\$ 331,716
Total	\$ 5,951,630	\$ 1,542,434

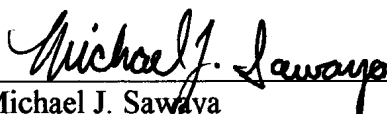
If the Agreement for Telecommunication Services is terminated, the City is obligated to refund Smart City Networks \$20,000/year of the remaining term and allows the vendor to retain all equipment.

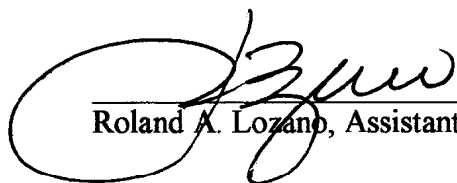
COORDINATION

This item has been coordinated with the City Attorney's office, the Contract Services Division of the Asset Management Department, the Office of Management and Budget, and the Economic Development Department.

SUPPLEMENTARY COMMENTS

The required Ethics Disclosure form is attached.


 Michael J. Sawaya
 Convention Facilities Director


 Roland A. Lozano, Assistant to the 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:

NONE

(2) the identity of any business entity¹ that would be a party to the discretionary contract:

SMART CITY NETWORKS OF SAN ANTONIO, LLC;
FORMERLY KNOWN AS US TELCOM OF SAN ANTONIO,
LLC

and the name of:

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

NONE

and the name of:

(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;

SMART CITY NETWORKS LP, 90% PARTNER
THE JULIAN GROUP, 10% PARTNER LOUIS TERRAZAS,
OWNER

¹ 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.

- (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.

FRANK B. BURNEY
MARTIN, DROUGHT & TORRES, INC.

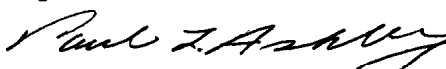
Political Contributions

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:
SMART CITY NETWORKS	NONE	
THE JULIAN GROUP	NONE	
FRANK B BURNEY	SEE ATTACHED	

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 question² 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.

Signature: 	Title: PRESIDENT Company: SMART CITY NETWORKS	Date: 1-20-04

² 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.

MARTIN, DROUGHT & TORRES, INC.

POLITICAL CONTRIBUTIONS - 2002 (SA Council)

1/28/2002	TONI MOORHOUSE	250.00
2/29/2002	BOBBY PEREZ	500.00
2/27/2002	RAUL PRADO	250.00
4/16/2002	FRIENDS OF MAYOR ED GARZA	1,000.00
7/10/2002	CARROLL SCHUBERT	1,000.00
7/12/2002	JOSH COPELAND	1,000.00
9/20/2002	RAUL PRADO	250.00
	ENRIQUE BARRERA	250.00

MARTIN, DROUGHT & TORRES, INC.

POLITICAL CONTRIBUTIONS – 2003 (SA Council)

1/13/2003	THOMAS AGUILLON	500.00
2/04/2003	ED GARZA	500.00
3/10/2003	JULIAN CASTRO	250.00
3/18/2003	CARROLL SCHUBERT	500.00
5/07/2003	PHIL CORTEZ	500.00
6/20/2003	RON SEGOVIA	500.00
7/09/2003	ART HALL	500.00
7/09/2003	ROGER FLORES, JR.	500.00
7/09/2003	CHIP HAAS	500.00
7/14/2003	JOEL WILLIAMS	500.00