

CONSENT AGENDA
ITEM NO. **38**

**CITY OF SAN ANTONIO
CONVENTION FACILITIES DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Mayor and City Council

FROM: Michael J. Sawaya, Convention Facilities Director

SUBJECT: Termination of Concession Agreements for Henry B. Gonzalez Convention Center and Municipal Auditorium

DATE: December 16, 2004

SUMMARY AND RECOMMENDATIONS

An Ordinance authorizing the Interim City Manager to execute Consensual Termination Agreements with 1) San Antonio Concessions Inc. terminating the Amended and Restated Concession License Agreement for concession and novelty services at the Convention Center and Lila Cockrell Theatre and 2) Facility Concession Services doing business as Spectrum Inc. terminating the Food and Beverage Concession Contract for concession services at the Municipal Auditorium.

Staff recommends approval of this Ordinance.

BACKGROUND INFORMATION

The recommendation implements City Council's November 4, 2004 decision (Ordinance #99968) to consolidate concession services at the Municipal Auditorium and catering/novelty sales/concession services at the Henry B. Gonzalez Convention Center and the Lila Cockrell Theatre under an Amendment and Restatement of the Henry B. Gonzalez Convention Center Food, Beverage and Concession Services Agreement (Consolidated Agreement) between the City and RK Group LLC (RKGLLC). The Consolidated Agreement, which begins on February 1, 2005, will replace:

- The Henry B. Gonzalez Convention Center Food and Beverage Service between the City and RK Group Joint Venture (RKGJV) which was approved by Ordinance #85056 on February 1, 1997 and is scheduled to expire on January 31, 2005.
- The Amended and Restated Concession License Agreement between the City and San Antonio Concessions, Inc. (SACI) which was approved by Ordinance #69539 on May 25, 1989, subsequently amended by Ordinance #72279 on September 15, 1990, and is scheduled to expire September 30, 2006.
- The Municipal Auditorium Concessions Agreement between the City and Spectrum, Inc. (Spectrum) which was approved by Ordinance #95557 on April 4, 2002, subsequently extended on a month-to-month basis by Ordinance #99586 on August 19, 2004 with such month-to-month extension not exceed ten months or February 28, 2005.

Both SACI and Spectrum have agreed to the recommended Consensual Termination Agreements. Should the City Council approve the recommendation, notices of termination will be sent to SACI and Spectrum on or before January 1, 2005 in order to give the RKGJV, RKGLLC, SACI, and Spectrum sufficient time to transition operations.

POLICY ANALYSIS

In addition to furthering the implementation of a previous City Council decision to consolidate the stated services, the recommendation supports City policies for providing quality services at the Convention Center, the Theatre and the Auditorium and for maximizing revenue potential.

FISCAL IMPACT

Concession commission rates at the Center will remain the same under the Consolidated Agreement. However, with the agreed upon addition of licensed sales (e.g. Starbucks, Subway, etc.), an increase in sales and commissions is expected. The concession commission rate at the Auditorium will increase from 32.5% to 35%. The following table reflects historical commissions paid, the estimated commissions to be paid over the five-year term of the Consolidated Agreement and estimated increase in commission.

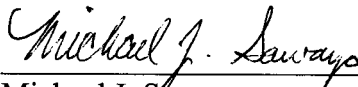
	<u>Past Five Years</u> <u>(Paid)</u>	<u>Next Five Years</u> <u>(Estimated)</u>	<u>Estimated Increase</u> <u>Over Five Years</u>
Center and Theatre Concessions	\$ 1,194,759	\$ 1,600,827	\$ 406,068
Auditorium Concessions	\$ 110,863	\$ 156,169	\$ 45,306
Center and Theatre Novelties	12,388	\$ 49,510	\$ 37,122
Total	\$ 1,318,010	\$ 1,806,506	\$ 488,496

COORDINATION

This action has been coordinated with the City Attorney's Office, the Contract Services Department, and the Office of Management and Budget.

SUPPLEMENTARY COMMENTS

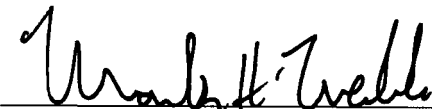
A Discretionary Contracts Disclosure form is not required for this action.



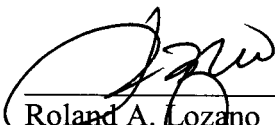
Michael J. Sawaya
Convention Facilities Director



Andrew Martin
City Attorney



Mark H. Webb
Contract Services Director



Roland A. Lozano
Assistant to the City Manager



J. Rolando Bono
Interim City Manager