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Title: Actions pertaining to Exclusive Airport Advertising Concession Agreement at Fresno Yosemite International Airport (Council District 4)

1. Adopt a finding of Categorical Exemption pursuant to Article 19, Section 15301(a) and (d)/Class 1 (Existing Facilities) of the California Environmental Quality Act (CEQA) Guidelines to authorize Exclusive Airport Advertising Concession Agreement with Clear Channel Outdoor, Inc. DBA Clear Channel Airports at Fresno Yosemite International Airport (FAT)
2. Approve Exclusive Airport Advertising Concession Agreement between the City of Fresno and Clear Channel Outdoor, Inc. DBA Clear Channel Airports (Clear Channel)

Sponsors: Airports Department

Indexes:

Code sections:

Attachments: 1. 07-30-15 FYI Adverstising Concession Agreement Mar15.pdf

Date	Ver.	Action By	Action	Result
7/30/2015	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

July 30, 2015

FROM: KEVIN R. MEIKLE, Director of Aviation
Airports Department

SUBJECT

Actions pertaining to Exclusive Airport Advertising Concession Agreement at Fresno Yosemite International Airport (Council District 4)

1. Adopt a finding of Categorical Exemption pursuant to Article 19, Section 15301(a) and (d)/Class 1 (Existing Facilities) of the California Environmental Quality Act (CEQA) Guidelines to authorize Exclusive Airport Advertising Concession Agreement with Clear Channel Outdoor, Inc. DBA Clear Channel Airports at Fresno Yosemite International Airport (FAT)
2. Approve Exclusive Airport Advertising Concession Agreement between the City of Fresno and Clear Channel Outdoor, Inc. DBA Clear Channel Airports (Clear Channel)

RECOMMENDATION

Adopt a finding of Categorical Exemption and approve an Exclusive Airport Advertising

Concession Agreement (Agreement) with Clear Channel for operation of the commercial advertising concession in and about the passenger terminal facilities at FAT.

EXECUTIVE SUMMARY

Due to the volume of people that utilize aviation facilities annually, terminal area advertising provides a significant revenue stream for airports and enhances the customer experience. Airport advertising medium historically include, but is not limited to, static and dynamic screens, product displays, and passenger information boards. The current advertising concession agreement for FAT was executed in 1995 with a 20 year term (currently in holdover status) with Clear Channel.

Significant technological advancements in advertising have occurred over the last 20 years, which are reflected in the new Agreement. Examples include implementation of "FAT-TV" (a continuous programming of news and entertainment interspersed with advertising and promotional time), a digital kiosk for passenger information and reservations, and upgrades to the LCD video displays throughout the terminal facility.

The Agreement will significantly enhance the customer experience and provide additional revenue to the Airports Department (Airports). The Agreement is for seven years and includes provisions for three consecutive one-year extension options. This type of concession agreement is consistent with the airport industry.

BACKGROUND

After reaching out to peer airports that recently recruited for a commercial advertising concessionaire and the City's Purchasing Division, Airports prepared a Request for Proposals (RFP) that was reflective of today's terminal environment and technology.

On January 23, 2015, Airports issued a Notice Inviting Proposals for exclusive airport advertising concessions. Three advertising firms attended the mandatory pre-proposal conference at FAT. Two advertising firms submitted proposals before the March 10, 2015, due date. Both proposals met the RFP minimum qualification standards. An Evaluation Committee determined that Clear Channel's proposal was the superior proposal due to its use of innovative technology, integration of local area themes, and added visual compliment to the atmosphere of the airport terminal building, and projected potential revenue.

Clear Channel's proposal includes an annual revenue to Airports of 47% of gross advertising receipts (50% when FAT's total passenger volume exceed 1,500,000) plus an additional 15% of FAT-TV gross revenues. This is backed up with a Minimum Annual Guarantee (MAG) of \$127,500 for the first year. The MAG annually adjusts upward based on 85% of the previous year gross receipts. Based on Clear Channel's Proforma, first year revenue to Airports is projected to be \$193,875 and includes a 2% growth rate over the term of the Agreement. By comparison, the total annual payment to Airports in calendar year 2014 was \$119,468.

The proposal also includes a commitment to invest \$235,000 in initial capital upgrades and an annual minimum expenditure of 1% of total gross revenues to refresh the advertising equipment.

The Agreement has been reviewed and approved as to form by the City Attorney.

ENVIRONMENTAL FINDINGS

This Agreement falls within the Class 1 Categorical Exemptions set forth in California Environmental Quality Act (CEQA) Guidelines, Sections 15301(a) and (d) (Existing Facilities), as it involves minor or no alteration of existing leasehold structures with no expansion of use, and will not result in any significant negative effects relating to traffic, noise, air quality or water quality. None of the exceptions to Categorical Exemptions set forth in the CEQA Guidelines, Section 15300.2 apply to this project

LOCAL PREFERENCE

The City's Local Preference Ordinance (FMC 4-108) does not apply because there were no proposals received from local firms.

FISCAL IMPACT

Total revenue from this Agreement over the initial seven year term is projected to be a minimum of \$1,199,437 (MAG) with a potential of up to \$1,492,654 depending on total gross receipts. This revenue stream helps offset terminal costs, thereby supporting our airline partners and the overall viability of FAT as a regional economic engine. All revenue will be deposited into the Airports Enterprise Fund and will contribute to the operation and maintenance of FAT. There is no impact to the General Fund from this item.

Attachment:

Exclusive Airport Advertising Concession Agreement between the City of Fresno and Clear Channel Outdoor, Inc. DBA Clear Channel Airports