

**REVISED 11/3/10**



**SAN DIEGO COUNTY  
REGIONAL AIRPORT AUTHORITY  
STAFF REPORT**

Item No.  
**16**

Meeting Date: **NOVEMBER 4, 2010**

**Subject:**

**Consent to the Assignment of the In-Terminal Advertising Agreement Between the Authority and The Joint Venture for the Operation of the Advertising Concession at San Diego International Airport, LLC to JCDecaux Airport, Inc. and the Subcontract Between JCDecaux Airport, Inc and the Elizabeth Younger Agency, LTD; and Authorizing the President/CEO to Execute the Second Amendment to the In-Terminal Advertising Concession Agreement**

**Recommendation:**

Adopt Resolution No. 2010-0128, consenting to the assignment of the In-Terminal Advertising Agreement between the Authority and the Joint Venture for the Operation of the Advertising Concession at San Diego International Airport, LLC to JCDecaux Airport, Inc. and to the subcontract between JCDecaux Airport, Inc. and the Elizabeth Younger Agency, Ltd.; and authorizing the President/CEO to execute the Second Amendment to the In-Terminal Advertising Concession Agreement.

**Background:**

The Authority has a 10 year Agreement for in-terminal advertising with the Joint Venture for the Operation of the Advertising Concession at the San Diego International Airport ("Joint Venture"). The parties to the Joint Venture consist of JCDecaux Airport, Inc. ("JCD") and Elizabeth Younger Agency, Ltd. ("EYA"). The Agreement with the Authority commenced March 2, 2008 and expires June 30, 2018. The Authority has a buy-out option to terminate the Agreement beginning July 1, 2013.

On October 7, 2010, the Board approved the settlement of all claims between the Authority and the Joint Venture as more fully described in Resolution No. 2010-0113.

The parties to the Joint Venture wish to dissolve the Joint Venture and enter into a contractor/subcontractor relationship. Therefore, as is required by the terms of the Agreement, the parties request the Authority's consent to (i) an assignment of the Joint Venture's interests to JCD, and (ii) a subcontract between JCD and EYA. Staff recommends that the Authority consent to the assignment and subcontract.

Staff also recommends that the Authority approve the 2nd Amendment to the Agreement to resolve certain ambiguities in the rent provision defining methodology for adjustments to the Minimum Annual Guarantee ("MAG") and to allow for periodic changes to the advertising fixture locations, without first obtaining Board approval.

**Justification:**

Consenting to the assignment of the Agreement to JCD with EYA acting as a subcontractor does not change the current management or front-line personnel handling the advertising business. Additionally, because the proposed assignee, JCD, is already a party to the Joint Venture, the financial strength the Authority relied upon when the Agreement was granted also is retained.

The proposed Amendment to the Agreement will clarify that the annual adjustment in the MAG will be the greater of the Authority's standard adjustment methodology and the annual increases offered by the Joint Venture in the procurement process. No impact to the actual rent received by the Authority will result from this proposed amendment. The proposed Amendment will also allow the Authority's President/CEO to amend the advertising fixture locations, to allow for periodic changes necessary to allow staff to react expeditiously to construction projects and other operational impacts that affect the location of advertising fixtures.

**Fiscal Impact:**

There is no fiscal impact anticipated from the proposed Board action.

**Environmental Review:**

- A. This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act (CEQA), as amended. 14 Cal. Code Regs. Section 15378. This Board action is not a "project" subject to CEQA. Pub. Res. Code Section 21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act Pub. Res. Code Section 30106.

**Equal Opportunity Program:**

EYA is an Airport Concession Disadvantaged Business Enterprise ("ACDBE"). Staff has received written confirmation from the Federal Aviation Administration ("FAA") indicating that the proposed contractor/subcontractor arrangement will not jeopardize the Authority's ability to include EYA as an ACDBE toward the Authority's ACDBE goals. However, the FAA directed that "...the Airport must carefully and accurately credit only the payments that JCDA makes to EYA according to the subcontract agreement."

In October 2007, when the Board awarded the concession agreement to the Joint Venture, it was noted in the staff report that the Authority elected not to set a participation goal for this agreement and that the creation of the joint venture resulted in 15% of the agreement being applied towards the Authority's overall ACDBE goal. Based on the new subcontract arrangement, staff estimates ACDBE participation will be 3-4%.

**Prepared by:**

VERNON EVANS  
VICE PRESIDENT, FINANCE/TREASURER



RESOLUTION NO. 2010-0128

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY CONSENTING TO THE ASSIGNMENT OF THE IN-TERMINAL ADVERTISING AGREEMENT BETWEEN THE AUTHORITY AND THE JOINT VENTURE FOR THE OPERATION OF THE ADVERTISING CONCESSION AT SAN DIEGO INTERNATIONAL AIRPORT, LLC. TO JCDECAUX AIRPORT, INC. AND TO THE SUBCONTRACT BETWEEN JCDECAUX AIRPORT, INC. AND THE ELIZABETH YOUNGER AGENCY, LTD.; AND AUTHORIZING THE PRESIDENT/CEO TO EXECUTE THE SECOND AMENDMENT TO THE IN-TERMINAL ADVERTISING CONCESSION AGREEMENT

WHEREAS, the Authority has a 10 year Agreement for in-terminal advertising ("Agreement") with the Joint Venture for the Operation of the Advertising Concession at the San Diego International Airport ("Joint Venture"); and

WHEREAS, the parties to the Joint Venture consist of JCDecaux Airport, Inc. ("JCD") and Elizabeth Younger Agency, Ltd. ("EYA"); and

WHEREAS, the Agreement with the Authority commenced on March 2, 2008 and expires June 30, 2018; and

WHEREAS, on October 7, 2010, the Board approved the settlement of all claims between the Authority and the Joint Venture as more fully described in Resolution No. 2010-0113; and

WHEREAS, the parties to the Joint Venture wish to dissolve the Joint Venture and enter into a contractor/subcontractor relationship; and

WHEREAS, therefore, as required by the terms of the Agreement, the parties request the Authority's consent to (i) an assignment of the Joint Venture's interests to JCD, and (ii) a subcontract between JCD and EYA; and

WHEREAS, Staff recommends that the Authority consent to the assignment and subcontract; and

**WHEREAS, Staff recommends that the Agreement be amended to clarify that the annual adjustment in the Minimum Annual Guarantee ("MAG") will be the greater of the Authority's standard adjustment methodology and the annual increases offered by the Joint Venture in the procurement process and to allow for periodic changes to the advertising fixture locations, without first obtaining Board approval; and**

**NOW THEREFORE BE IT RESOLVED, the Board hereby consents to the assignment of the In-Terminal Advertising Agreement between the Authority and the Joint Venture for the Operation of the Advertising Concession at San Diego International Airport, LLC to JCDecaux Airport, Inc. and to the subcontract between JCDecaux Airport, Inc. and the Elizabeth Younger Agency, Ltd; and authorize the President/CEO to execute the second amendment to the In-Terminal Advertising Concession Agreement.**

**BE IT FURTHER RESOLVED, that the Board authorizes the President/CEO to execute a Second Amendment to the In-Terminal Advertising Concession Agreement to resolve certain ambiguities in the rent provision defining methodology for adjustment to the MAG and to allow for periodic changes to the advertising fixture locations without first obtaining Board approval.**

**BE IT FURTHER RESOLVED that the Board of the San Diego County Regional Airport Authority finds that this Board action is not a "project" as defined by the California Environmental Quality Act (CEQA), Cal. Pub. Res. Code §21065; and is not a "development" as defined by the California Coastal Act, Cal. Pub. Res. Code §30106.**

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 4th day of November 2010, by the following vote:

**AYES:** Board Members:

**NOES:** Board Members:

**ABSENT:** Board Members:

**ATTEST:**

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**TONY R. RUSSELL**  
**DIRECTOR, CORPORATE SERVICES/  
AUTHORITY CLERK**

**APPROVED AS TO FORM:**

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**BRETON K. LOBNER**  
**GENERAL COUNSEL**

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