



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 5

Agenda Date: September 21, 2022

In Control: Audit and Accountability Committee Meeting

DEPARTMENT: Office of the City Auditor

DEPARTMENT HEAD: Kevin Barthold

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Acceptance of the Office of the City Auditor report AU22-002 Audit of the Aviation Concession Contracts

SUMMARY:

Determine if Aviation concessions are properly managed in accordance with contract terms.

BACKGROUND INFORMATION:

Background

The Aviation Concession Management Division manages concession operations at the San Antonio International Airport (SAT), which serves over 8 million passengers on over 13 airlines annually and partners with operators of light aircraft, individuals, and private aviation companies. SAT has approximately 54 various concessionaires, including retail, food, beverage, and business services establishments.

Concessionaires are authorized to conduct business and lease concession spaces at the airport through individual concession contracts with the City. According to each concession agreement, the concessionaire must report gross sales to the city on a monthly basis and pay the City rent revenue. Revenue consists of the greater of a Minimum Annual Guaranteed (MAG) Rent or a percentage rent based on a percentage of the concessionaire's gross sales, as outlined in the contract.

In FY 2020, concessionaires reported approximately \$25.8 million in gross sales and paid the City approximately \$4.7 million in rent revenue. In FY 2021, concessionaires reported approximately \$32.7 million in gross sales and paid the City approximately \$5.4 million in rent revenue.

Scope & Methodology

The audit scope included all concessionaires excluding rental car agreements from October 2019 through December 2021. We reviewed the calculation and billing for the Minimum Annual Guarantee (MAG) and percentage rent payments to concessionaires. We also reviewed the adequacy of insurance certificates, completeness of audited annual statements, and accuracy of contract fees.

Conclusions

Aviation concessions are properly managed in accordance with contract terms. Aviation has effective controls over the Minimum Annual Guarantee (MAG) and percentage rent payments process. Insurance Certificates were sufficient and in compliance with contract terms. Contract reporting requirements were in compliance and concessionaire Annual Statements were submitted as applicable. Finally, concessionaire fees such as utilities, trash removal and office space were paid in accordance with contract terms.

ISSUE:

This item is presented for acceptance by the Audit and Accountability Committee.

FISCAL IMPACT:

None

ALTERNATIVES:

NA

RECOMMENDATION:

Staff recommends acceptance of this audit report.