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COMMISSION

AGENDA MEMORANDUM Item No. 8b

ACTION ITEM Date of Meeting October 24, 2023

DATE : September 7, 2023

TO: Stephen P. Metruck, Executive Director

FROM: Jeffrey Wolf, Director, Aviation Commercial Management

Geoffrey Foster, Interim Sr. Manager, Aviation Commercial Management

Jason Berg, Property Manager

SUBJECT: Airport Network Programming Service Agreement Amendment for Extension

Amount of this request: \$ 0

ACTION REQUESTED

Request Commission authorization for the Executive Director, or his designee pursuant to the Delegation of Authority, to execute an amendment to the Airport Network Programming Service Agreement incorporating up to three (3), six (6)-month extension option periods allowing for continued television programming in the airport terminal gate hold areas for the traveling public's entertainment.

EXECUTIVE SUMMARY

In January 2019, AC Holdings, Inc dba CNN Airport Network entered into a 5-year agreement with the Port of Seattle (Port) to provide in-terminal content services (television programming) in designated gate hold areas at Seattle-Tacoma International Airport (SEA). This agreement was then assigned to Travel Content, LLC dba ReachTV (ReachTV) through a Conditional Consent to Assignment on March 31, 2021, as CNN Airport Network was exiting this line of business across all airports they served. ReachTV is a Minority-owned Business Enterprise (MBE) that also contracts with local telecommunications contractors certified as a Disadvantaged Business Enterprise (DBE) and an Airport Concessionaire Disadvantaged Business Enterprise (ACDBE) to manage the on-site daily operations.

The current agreement is set to expire on December 31, 2023, and does not contain a holdover provision or additional options to extend. Adding limited options to extend to the current agreement would allow for continued television programming in the gate hold areas while work continues on the future of the in-terminal content services program. The current revenue structure will remain in place during any extension period with a Minimum Annual Guarantee (MAG) of \$150,000.

Template revised January 10, 2019.

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JUSTIFICATION

ReachTV currently provides 24 hours a day television programming service in 33 designated gate hold areas at SEA. Their programming consists of a mix of national news, sporting events (local, regional and national broadcasts), business news, entertainment, as well as short local documentary spots. The Port currently has control of up to six, one-minute segments per available hour during the day ("Local Spots"), with content provided by our External Relations team.

This extension would ensure the Port continues this service to the traveling public at the airport beyond the original agreement expiration date, as well as continue a revenue stream for the Port. This service contributes to the Port's Century Agenda goal of advancing the region as a leading tourism destination and business gateway by continuously improving the customer experience at SEA.

DETAILS

This authorization would enable the execution of an amendment adding three, 6-month extensions to the existing agreement at the current revenue levels. The maximum this agreement would extend is June 30, 2025. This extension would allow the Port to continue work on the future of the in-terminal content services while maintaining customer service levels through gate lobby entertainment and sporting events.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Allow the agreement to expire on December 31, 2023.

Cost Implications: \$50,000 plus reduced revenue

Pros:

(1) Provides Port an opportunity to manage in-terminal content directly.

Cons:

- (1) Loss of \$150,000 in annual revenue.
- (2) Approximately \$50,000 expenditure to purchase replacement TVs in designated gate hold areas where existing ReachTV-owned TVs will be removed.
- (3) Extended period where traveling public will be without any in-terminal content, including sports broadcasts, which will decrease the customer experience at SEA.

This is not the recommended alternative.

Alternative 2 – Issue an RFP for In-Terminal Content Services without extending current agreement.

Cost Implications: \$0

Pros:

(1) Opportunity to find alternatives to programming of in-terminal content services.

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Cons:

- (1) Time to solicit and award a new agreement will extend beyond current agreement, resulting in period of no in-terminal content services.
- (2) Uncertain revenue stream levels due to changing market conditions in airport terminal content services

This is not the recommended alternative.

Alternative 3 – Amend current agreement to allow for up to three (3), six (6)-month extension periods.

Cost Implications: \$0

Pros:

- (1) Continued revenue stream to the Port at current levels.
- (2) Continuation of in-terminal content services, including sports broadcasts, for the traveling public's entertainment which enhances the customer experience at SEA.
- (3) Allow time to further develop future in-terminal content services program.

Cons:

(1) Port not able to fully manage in-terminal content in-house.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

There are no costs to the Port for this Amendment. All costs will be incurred by the provider.

Financial Analysis and Summary

Project cost for analysis \$0

Business Unit (BU) Aviation Commercial Management

Effect on business performance This is a revenue-generating agreement with \$150,000 in (NOI after depreciation) annual revenue. There would be a total of \$225,000 in revenue over the three (3), six (6)-month extension periods if exercised.

IRR/NPV (if relevant) N/A

CPE Impact N/A

Future Revenues and Expenses (Total cost of ownership)

The total MAG revenue for this lease is \$150,000. Each 6-month extension would generate \$75,000 each period for a total MAG revenue, spanning all extension periods, of \$225,000.

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ATTACHMENTS TO THIS REQUEST

- (1) Draft Amendment
- (2) Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None

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