

(R-89-2105)

RESOLUTION NUMBER R- 273324

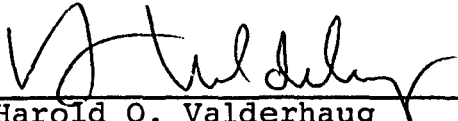
ADOPTED ON APR 25 1989

BE IT RESOLVED, by the Council of The City of San Diego, that the City Manager's recommendations as contained in Report No. 89-198 attached hereto and by this reference incorporated herein, with regard to a 1990 air exhibition by Air/Space America at Brown Field, are hereby approved.

BE IT FURTHER RESOLVED, that the disbursement of not to exceed \$300,000 of Transient Occupancy Tax funds as proposed in said report is hereby authorized and approved.

APPROVED: JOHN W. WITT, City Attorney

By



Harold O. Valderhaug
Deputy City Attorney

HOV:ps
07/26/89
Or.Dept:Clerk
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The City of San Diego

MANAGER'S REPORT

DATE ISSUED: April 25, 1989

REPORT NO. 89-198

ATTENTION: Honorable Mayor and City Council

SUBJECT: 1990 Air Show Permit

SUMMARY

- Issues:
1. Should the City Council authorize the City Manager to enter into an agreement with Air/Space America (ASA) or U.S. Air Show (USAS) for a 1990 air exhibition at Brown Field?
 2. Should the City Council authorize the disbursement of \$300,000 Transient Occupancy Tax funds (T.O.T.) previously allocated for support of a 1990 event at Brown Field?

Recommendations:

1. Authorize the City Manager to enter into an agreement with ASA for a 1990 air exhibition at Brown Field containing the basic provisions outlined in this report.
2. Authorize the disbursement of the \$300,000 T.O.T. funds previously allocated for support of a 1990 event.

Other Recommendations: None.

Fiscal Impact: The FY 1989 budget contains an allocation of \$300,000 in Transient Occupancy Tax funds for this purpose.

BACKGROUND

On April 10, 1989 the matter of City contribution to ASA was discussed at the City Council meeting. Public testimony was taken, a revised business plan was presented by ASA and a new business plan was offered by USAS. After discussion, the Council referred the matter to the City Manager for a report and recommendations on April 24, 1989.

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The firm of Deloitte, Haskins and Sells (DH&S) was previously retained to perform an independent analysis of the original ASA business plan and presented its analysis to the City in February, 1989. Because of this background we retained DH&S to perform an independent analysis of ASA's new business plan and USAS's business plan. The results of the DH&S analysis has been transmitted to the City Council. The following is a summary of the key findings and our conclusions.

DISCUSSION

A. Air/Space America (ASA)

1. The ASA management team has been strengthened measurably. Bob Wilson and Bill Walsh are Chairman and Vice Chairman, respectively, concentrating on promotion in the international and military marketplace. Dick Shigley is the acting chief executive officer and an active recruitment for a new chief executive officer is underway.
2. The Lufkin Group has entered into an agreement with ASA to market and promote the 1990 event. The Lufkin Group contributed \$50,000 cash and \$250,000 in marketing expenses toward the venture.
3. After paying expenses for the 1990 event and a portion of the debt from the 1988 event DHS projects that ASA will have a deficit balance of \$900,000 after the 1990 event.
4. ASA has agreed to the key provisions outlined later in this report for the conduct of a 1990 event.
5. ASA has agreed to use its best efforts to incorporate the talents of the principals of the USAS proposal in the planning and execution of the 1990 event.

B. U.S. Air Show (USAS)

1. The USAS management team consists of several individuals who held key roles in the 1988 event. They have provided a business plan in a most timely manner and have demonstrated a high degree of cooperation and understanding of air show operations and marketing. USAS does not currently have a chief executive officer but an active recruitment is underway.
2. After paying expenses for the 1990 event and a portion of the debt from the 1988 event DHS projects that USAS will have a deficit balance of \$1,840,000 after the 1990 event.
3. USAS principals have expressed a strong willingness to incorporate their talents into the planning and execution of an ASA 1990 event.

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C. Basis Provisions for a 1990 Event

1. ASA shall secure construction bonds in the amount of 100% of the estimated construction cost of the work to be performed.
2. ASA shall secure and maintain \$25 million minimum in public liability and property damage insurance.
3. All engineering and construction items will be preceded by normal City permits and approved construction and development plans.
4. Costs associated with repairing damage to City property that occurred by reason of the 1988 air show will be paid to City. Any damages to City property resulting from a 1990 air show will be repaired at no cost to the City.
5. Payment of a minimum \$100,000 permit fee for a 1990 event shall be made.
6. ASA shall provide quarterly progress reports to the Public Facilities & Recreation Committee including the resolution of outstanding debts to creditors. The first report shall be made in June, 1989 and shall include timeline for the marketing plan, transportation plan and field improvement plan.
7. ASA shall appoint a new chief executive officer with the experience necessary to provide comprehensive excellent management of the planning and execution of all aspects of the 1990 event. ASA shall use its best efforts to incorporate the talents of the principals of the USAS proposal. It is strongly suggested that ASA consider seeking a qualified "loaned" executive through the auspices of the Aerospace Industries Association.

CONCLUSIONS

Providing ASA with a permit to conduct a 1990 event at Brown Field presents a risk to the City of San Diego. The basic permit conditions outlined in this report, and agreed to by ASA, are designed to reduce that risk as much as possible.

Providing ASA with \$300,000 for the 1990 event also presents a risk to the City of San Diego. Without this City cash support ASA will likely not be able to meet operational expenditures that need to be made up front in order for the 1990 event to be successful. If the 1990 event is not successful, the money will not have been well spent and the likelihood of receiving the money for rents due and damages incurred will not be good. If the 1990 event is successful, the likelihood of recoupment for

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rents due and damages incurred will be good. And, the promotional value of a recurring Air/Space America event at Brown Field will exceed the \$300,000 paid to ASA.

On balancing the positives and negatives, our judgement falls on the positive side. We recommend proceeding with a 1990 Air/Space America event at Brown Field.

Respectfully submitted,



COLEMAN CONRAD
Deputy City Manager

FLYNN

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Passed and adopted by the Council of The City of San Diego on..... ,
by the following vote:

Council Members	Yeas	Nays	Not Present	Ineligible
Abbe Wolfsheimer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ron Roberts	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gloria McColl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
H. Wes Pratt	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ed Struikma	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
J. Bruce Henderson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Judy McCarty	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bob Filner	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mayor Maureen O'Connor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

AUTHENTICATED BY:

MAUREEN O'CONNOR
Mayor of The City of San Diego, California.

(Seal)

CHARLES G. ABDELNOUR
City Clerk of The City of San Diego, California.

By *Jana Martin* , Deputy.

Office of the City Clerk, San Diego, California

Resolution Number *R-273324* Adopted *APR 25 1989*