



City Council Report

Date: October 17, 2016
To: City Council
Through: Mike Kennington, Chief Financial Officer
From: Edward Quedens, MPA, C.P.M., CPPO, Business Services Director
Matt Bauer, MBA, CPPO, CPPB, CPSM, Procurement Administrator
Subject: Ten-Year Term Contract for a Transit Stop and Transit Shelter Advertising Program for the Transit Services Department **(Citywide)**

Purpose and Recommendation

Council is requested to approve the Term Contract for a Transit Stop and Transit Shelter Advertising Program as recommended. A committee representing Transit Services and Purchasing evaluated responses.

The Transit Services Department and Purchasing recommend awarding the contract to the qualified proposal from OutFront Media Group LLC (formerly CBS Outdoor Americas, Inc. dba CBS Outdoor, LLC).

The contractor will provide revenue sharing with the City on an annual basis based on the Agreement's Compensation Schedule.

Background / Discussion

The goal of this program is to enhance the transit rider experience for fixed-route riders by increasing the number of transit shelters to provide shade through a shared revenue advertising program.

The City has an estimated 750 bus stops. Of these bus stops, 244 have existing shelters of various styles and sizes and that typically include seating, trash container(s), bike loops, and bus scheduling information. This program would add 50 new shelters, increasing the percentage of stops with shelters from 33% to 39%. The potential build-out is approximately 400 shelters of 53% of all bus stops.

The contractor will be responsible for managing the sale of advertising, producing and installing advertising materials, constructing and installing advertising panels or kiosks and shelters, and maintaining all transit stops that include advertising.

Scope of Work

A minimum of fifty transit shelters with advertising space will be installed within the first two years of the contract term (a minimum of twenty-five shelters each year).

A minimum of fifty kiosks with advertising space will be installed within the first two years of the contract term (a minimum of twenty-five kiosks each year).

The Contractor shall:

- Design, construct, install, or enhance/retrofit and maintain an advertising program at its own expense that meets City of Mesa Standards and applicable City Codes.
- Comply with Mesa Advertising Standards.
- Sell, place, update and maintain advertising at eligible bus stops by adding new and/or enhancing or retrofitting existing shade shelters and kiosks.
- Clean and maintain all bus stop structures and ad structures constructed by, installed by, or enhanced or retrofitted by the contractor and at a level that meets City standards. In addition, all maintenance and remedial services must be performed at the same, City-approved, consistent level throughout the entire contract.
- Provide revenue-sharing with the City of Mesa on an annual basis.
- Install the agreed upon number of shelters according to the timeframe and design agreed to by the parties. If shelters and/or kiosks are not installed by this timeframe, liquidated damages may be assessed.

Shelters and kiosks become property of the City at the end of the contract term.

Staff from the Transit Services Department, City Attorney's Office, City Manager's Office, Engineering, City of Phoenix Public Transit Department and an outside third party evaluated the proposals based on the evaluation criteria as stated in the solicitation. After the evaluation committee reviewed both responses and conducted interviews with the respondents, the preliminary scoring indicated Creative Outdoor Advertising as not susceptible for award. The evaluation committee then decided to proceed with issuing a Best and Final to the sole remaining respondent, OutFront Media Group LLC.

OutFront Media submitted their BAFO on August 14, 2014. The City determined their BAFO as acceptable, and contract negotiations began at that time. Contract negotiations have been underway since and the City and OutFront Media recently finalized the Agreement #2014195. OutFront Media signed the Agreement on 9/28/2016; the City will execute this Agreement upon Council approval.

Alternatives

Council may choose not to authorize the purchase.

Fiscal Impact

The City provides the contractor the exclusive right to provide the Transit Stop and Transit Shelter Advertising Program. The contractor will provide revenue to the City on an annual basis. Through this contract, the City receives annual compensation of a Minimum Annual Guarantee and a Percentage of Revenue from the advertising program. The revenue generated from this program will be used to fund additional bus shelters in Mesa.

The contractor will pay the City a minimal annual guarantee (annual base rent) of \$25,000 per year for Years 1 through 10; or a percentage of all gross revenue (8% for Years 1 through 7, and 15% for Years 8 through 10), whichever is greater.

The projected value of this agreement to the City of Mesa is between \$1,614,000 and 1,985,000. This includes potential revenue, shelter and kiosk installation, cleaning and maintenance.

Projected Revenue over 10 years	\$250,000 - 585,000
50 Shelters	\$600,500*
50 Kiosks	\$313,500*
<u>Estimated cleaning and maintenance</u>	<u>\$450,000</u>
Total Projected Value	\$1.614 - 1.985 Million

*includes shelters, seating, trash cans, concrete pad and solar lighting

Coordinated With

Transit Services Department, City Attorney's Office, City Manager's Office, Engineering
City of Phoenix Public Transit Department, an outside Third Party and Purchasing

PURCHASING INFORMATION

Action: Initial Award

Procurement Type: Request for Proposals

Solicitation Number: 2014195

Vendors Registered: ProcureAZ (700 plus) and Bidders List (66)

Advertising: Arizona Republic, Bid Net and Purchasing Website

Downloads: 63

Responses: 2

Local Consideration: Policy did not apply to this procurement (Revenue Sharing Contract)

Protests Received: None

Initial Contract Term: Ten years

Possible Renewals: Two, one-year renewals subject to future Council consideration

Prices: Future price increases are capped by the Index – Not applicable

Pricing Available to Other Cooperative Agencies: No

Proposals received May 27, 2014

CBS Outdoor Americas, Inc. dba CBS Outdoor, LLC – Phoenix, AZ

Creative Outdoor Advertising of America, Inc. – Jupiter, FL

AWARD RECOMMENDATION
OutFront Media
(formerly CBS Outdoor Americas, Inc. dba CBS Outdoor, LLC)
Phoenix, AZ

Description											
<p>Transit Stop and Transit Shelter Advertising Program per Agreement No. 2014195; Exhibits – Scope of Work, Compensation and Mesa Standard Terms and Conditions; Other Exhibits; Solicitation including any addenda; and Contractor Response</p> <p>The Contractor will provide the minimum following revenue to the City for advertising assets installed by the Contractor – this includes advertising shelters, advertising kiosks, BRT advertising kiosks, and shelter wraps. The City’s revenue will be a minimum of \$25,000 per year or the revenue percentage, whichever is greater.</p> <p><u>Compensation Schedule</u></p> <table><tr><th>Year</th><th>Minimum Annual Guarantee (Annual Base Rent)</th><th>% of Revenue</th></tr><tr><td>1 through 7</td><td>\$25,000.00</td><td>8%</td></tr><tr><td>8 through 10</td><td>\$25,000.00</td><td>15%</td></tr></table>			Year	Minimum Annual Guarantee (Annual Base Rent)	% of Revenue	1 through 7	\$25,000.00	8%	8 through 10	\$25,000.00	15%
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