

# ***Airport Advertising Concession Contract***

Briefing to the Finance, Audit and Accountability Committee  
September 24, 2007



# Purpose of Briefing

- To inform the Finance, Audit and Accountability Committee about the existing advertising display program at Dallas Love Field and the recent procurement process to award a new 5 year advertising concession contract.

# Airport Advertising Concession Existing Contract

- Original 5 year contract effective June 1, 2001.
- Annual MAG \$1,500,000 or 67.6% of Gross Revenues
- Total Contract MAG: \$7,500,000
- Supplemental Agreement No.1 authorized by Council April 9, 2003, following decrease in passenger traffic from events of 9/11, reduced the MAG in years two and three by 10%. The MAG for years four and five was restored to the original \$1,500,000 annual MAG.
- Extended Advertising Contract on Month-to-Month through August 31, 2007 to enable staff to research and evaluate alternatives.
- Extended Advertising Contract on Month-to-Month through November 30, 2007 pending Council approval of new contract.

# Airport Advertising Research/Analysis

## Advertising Program Methodologies

Business Models	Cost of Sales	Capital Investment	Maintenance	Revenues To Airport	Examples
<b>Concession Contract</b>	100% Concession	100% Concession	100% Concession	Percentage of Sales <b>DAL - \$6.5 M</b>	Majority of Airports
<b>Management Contract</b>	100% Contractor	100% Airport	100% Airport	Percentage of Sales less Approved Expenses, Management and Incentive Fee	Charlotte, NC Richmond, VA
<b>In-House Operations</b>	100% Airport	100% Airport	100% Airport	100% of Sales	Austin, TX Jacksonville, FL

# Procurement Activities

- April 12, 2007, Business Development and Procurement (BDPS) Staff advertised the RFP for advertising services at Dallas Love Field
- April 12, 2007, BDPS notified all registered vendors by email
- April 19, 2007, BDPS Staff issued a second advertisement of the RFP
- April 24, 2007, BDPS conducted pre-proposal conference
- May 18, 2007, Received two proposals
- May 25, 2007, Presentations were made to the Selection Committee by both of the proposers

# Selection Criteria

- The successful proposer was selected by the Selection Committee on the qualifications under the following criteria:
- Financial Projection - 40%
- Experience & Capability of the Proposer - 20%
- Financial Strength - 15%
- Quality of the Advertising Plan - 15%
- Airport Concession Disadvantage Business Enterprise (ACDBE Plan) - 10%

# Analysis & Recommendation

- The proposers were ranked with JCDecaux receiving the highest score

<u>Vendor</u>	<u>Average Score</u>
JCDecaux Airport Inc.	93.83
Clear Channel Airports	79.50

- The proposed contract is in the amount of \$6.5M for a sixty-month period

# Airport Advertising Concession Financial Comparison: Existing Contract to Current Proposal

	<b>MAG</b>	<b>Percentage Rental Rate</b>	<b>Capital Investment</b>
<b>Existing Contract</b>	\$6,750,000 (over 5 year Primary Term)	67.6%	\$275,000
<b>Proposed</b>	\$6,500,000 (over 5 year Primary Term)	65% from \$0- \$2,000,000 70% over \$2,000,000	\$470,000



# Airport Advertising Concession

## Current Comparative Airport Financials

Airport/2006 PAX	MAG	Percentage of Sales	Payments
Houston Airport System/25,638,092	\$2,200,000	70%	\$3,090,000
Seattle/29,979,097	\$3,750,000	70%	1 <sup>st</sup> Year of Contract
<b>Dallas Love Field/6,874,717</b>	<b>\$1,300,000</b>	<b>65/70%</b>	<b>Current Proposal</b>
DFW/60,226,138	\$5,160,000	61.5%	\$6,220,523
Chicago Midway/18,680,663	\$1,000,000	60%	\$1,504,924
San Diego/17,481,942	\$1,000,000	60%	1 <sup>st</sup> Year of Contract
Orange County/9,613,540	\$760,000	58%	\$1,392,000
Memphis/11,176,460	\$450,000	55%	\$450,000
Cincinnati/16,244,962	\$765,000	50%	1 <sup>st</sup> Year of Contract
Cleveland Hopkins/11,321,050	\$900,000	50%	1 <sup>st</sup> Year of Contract

# Questions and Answers

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