

Airport Advertising Concession Contract

Briefing to the Finance, Audit and Accountability Committee
October 8, 2007



Purpose of Briefing

- To provide additional information to the Finance, Audit and Accountability Committee regarding the advertising concession contract in follow-up to questions raised at the September 24, 2007 Committee meeting.
- To receive Committee support for award of advertising contract to JCDecaux Airports, Inc. on October 10, 2007 Council Agenda.

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
- Following the events of September 11, 2001, JCD requested a reduction in the year 2 MAG with such reduction being recovered in years 3, 4, and 5. Council passed Resolution #021653 May 22, 2002, approving this request which did not change the Total Minimum Guarantee of \$7,500,000 over a five-year term. The amendment was not executed by JCD
- A second request was made by JCD to reduce the MAG in years 2 and 3. April 9, 2003, Council approved by Supplemental Agreement No. 1 to reduce the MAG for years 2 and 3 which in effect reduced the original five-year contract Total Minimum Annual Guarantee from \$7,500,00 to \$6,750,000. This agreement was executed by JCD and did not provide for “catch up” payments

JCDecaux Sales & Payment History

Contract Year	Gross Sales	Payment to City
6/01/2001 – 5/31/2002	\$1,171,074	\$1,500,000
6/01/2002 – 5/31/2003	\$1,267,598	\$1,125,000
6/01/2003 – 5/31/2004	\$ 996,575	\$1,125,000
6/01/2004 – 5/31/2005	\$ 846,837	\$1,500,000
6/01/2005 – 5/31/2006	\$1,404,368	\$1,500,000
Total Five Years	<u>\$5,686,452</u>	<u>\$6,750,000</u>

JCDecaux Last 12 Month Sales

Sales Period	Sales
9/1/06 – 8/31/07	\$2,193,937

Airport Advertising Companies

Advertising Company	Current Airport Clients
Alliance Airport Advertising	Burbank, Las Vegas, Salt Lake City
Action Sports Media	San Diego
Clear Channel/Interspace	El Paso, Tulsa, Palm Beach, New Orleans, Nashville, Cleveland, Kansas City, Buffalo plus 190 others
Clear Channel Airports	DFW, Chicago Midway, Chicago O'Hare, Atlanta, Denver, San Antonio, Phoenix plus 10 others
Corey Airport Services	Atlantic City, Cincinnati, Columbus, GA
JCDecaux Airports	New York JFK, New York LaGuardia, Newark, Houston Intercontinental, Houston Hobby, Los Angeles, Miami, Dallas Love Field plus 23 others
Departure Media	Charlotte, Charleston, Little Rock, Richmond plus 3 others
Elizabeth Younger Agency	Reno, Boise, Eugene

Recent Airport Advertising RFPs

Airport	Proposers	Awardee
Cincinnati	Corey Airport Services, Action Sports Media ClearChannel/Interspace	Corey Airport Services
Cleveland	ClearChannel/Interspace, JCDecaux Airport, Inc.	Clear Channel/Interspace
Grand Rapids	ClearChannel/Interspace, Departure Media, Business Image Services (local)	Clear Channel/Interspace
Portland	Alliance Airport Advertising, JCDecaux Airport, Inc. ClearChannel/Interspace	Staff recommending Alliance, awaiting approval
Richmond	ClearChannel/Interspace, Departure Media	Departure Media
San Diego	Action Sports Media, Alliance Airport Advertising JCDecaux Airport, Inc.	Staff recommending JCDecaux, awaiting approval
San Jose	Clear Channel Airports, JCDecaux Airport, Inc.	Clear Channel Airports
Seattle	Clear Channel Airports, JCDecaux Airport, Inc.	Clear Channel Airports

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
- BDPS contacted 25 chambers of commerce, and 2 advocacy groups (DFW Minority Business Council and Women's Business Council-Southwest)
- Direct contact was made with the 4 major airport advertising companies in addition to the 2 current proposers
- April 24, 2007, BDPS conducted pre-proposal conference
- Pre-Proposal Attendees: 1) Corey Airport Services, 2) Action Sports Media, 3) Clear Channel Airports, 4) JCDecaux Airport, Inc., 5) Elizabeth Younger Agency and 6) Respario Digital Ad Group
- May 18, 2007, Received two proposals
- May 25, 2007, Presentations were made to the Selection Committee by both of the proposers
- September 25, 2007, BDPS requested Best and Final Offer from the two proposers: JCDecaux did not alter their original proposal of a \$6.5 million MAG and 65%/70% of sales. Clear Channel increased their MAG from \$5 million to \$6.650 with the percentage remaining at 65%

DAL Advertising RFP Criteria

Criteria/Components	2000 RFP	2007 RFP
Financial Projections: MAG, Percentage, Gross Revenues & Reasonableness	30%	40%
Experience and Capability; Demonstrated Experience, Sales Track Record	20%	20%
DBE Program; DBE Plan, Historical Involvement, Program Viability	20%	10%
Financial Strength to Deliver the Plan and Pay the MAG; Quality of Financials, References	15%	15%
Quality of the Advertising Plan; Quality of Marketing Plan, Reasonableness of Management Plan, Quality & Quantity of Fixtures, Clarity of the Plan.	15%	15%

Advertising Total Criteria Scoring Each Category

Category	JCDecaux	Clear Channel
Financial Projections	203.33	186.66
Experience & Capability	106.67	97.78
Financial Strength	86.67	80.00
Quality of the Advertising Plan	85.00	73.75
ACDBE Plan	60.00	60.00
Total	541.67	498.19

Advertising Total Criteria Scoring All Categories

Total All Categories	JCDecaux	Clear Channel
On the 600 Point Maximum Scale	541.67	498.19
Average Score of all 6 evaluators	90.28	83.03

Airport Advertising Concession Current Comparative Airport Financials

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

Comparison of 2001 Current Contract vs 2007 Proposed Contract with JCDecaux

	MAG	Percentage Rental Rate	Capital Investment
Existing Contract 2001	\$6,750,000 (over 5 year Primary Term)	67.6%	\$275,000
Proposed 2007	\$6,500,000 (over 5 year Primary Term)	65% from \$0-\$2,000,000 70% over \$2,000,000	\$470,000

JCDecaux Projected Sales Current Proposal Annual MAG Adjustment

Contract Year	Proposed MAG	Revised MAG based on 90% of Prior Year Payments	Projected Sales	Annual Payment based on Sales
Year 1	\$1,300,000	\$1,300,000	\$2,251,000	\$1,475,700
Year 2	\$1,300,000	\$1,328,130	\$2,521,120	\$1,664,784
Year 3	\$1,300,000	\$1,498,305	\$2,697,598	\$1,788,319
Year 4	\$1,300,000	\$1,609,487	\$2,859,454	\$1,901,618
Year 5	\$1,300,000	\$1,711,456	\$3,002,427	\$2,001,699
Total 5 Year	\$6,500,000	\$7,447,378	\$13,331,599	\$8,832,120

Analysis & Recommendation

- The proposers were ranked with JCDecaux receiving the highest score

<u>Vendor</u>	<u>Average Score</u>
JCDecaux Airport Inc.	90.28
Clear Channel Airports	83.03

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

Questions and Answers

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