

Transportation Committee

For the Metropolitan Council meeting of January 28, 2015

Subject: Authorization of Transit Advertising Sales Contract

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to enter into a contract with Titan Outdoor LLC for the purpose of selling advertising on Metro Transit buses, trains, shelters, LRT platform kiosks and other properties for a term of five years with a minimum revenue guarantee to the Council of \$23,450,000 and with two optional one-year extensions for a total minimum revenue guarantee of \$33,850,000.

Summary of Committee Discussion/Questions

Bruce Howard, Director of Customer Services and Marketing at Metro Transit, presented the business item providing a summary of the competitive selection process and evaluation committee's recommendation. Mr. Howard stated that revenue generated from Metro Transit advertising sales is used to help fund bus and rail operations.

Councilmember Munt commented that in her other job she had previously worked with Titan Outdoor LLC and was very pleased with the service they provide.

Councilmember Brimeyer asked for clarification about how the minimum annual revenue guarantee and the revenue share percentage proposed by Titan worked to generate revenue to the Council.

Mr. Howard explained that for each year of the contract a minimum annual revenue guarantee amount would be due to the Council. The minimum annual revenue guarantee is slightly different for each year of the contract (growing from \$4.4 million in year one to \$5.0 million in year five) but totals \$23,450,000 over five years. The proposal also includes a revenue share percentage of 65% of net sales during each of the five years of the contract. The Council then would receive either the minimum annual revenue guarantee or 65% of total net advertising sales each year whichever is greater. Mr. Howard further commented that the evaluation committee believes based on Titan's proposal that they would generate sales volumes that would allow them to significantly exceed the minimum annual revenue guarantee over the five years of the contract.

The Transportation Committee approved the proposed action as going Consent to Council.

Transportation Committee

Meeting date: January 12, 2015

For the Metropolitan Council meeting of January 28, 2015

Subject: Authorization of Transit Advertising Sales Contract

District(s), Member(s): All

Policy/Legal Reference: 3-2 Sources of Revenue
3- 2-2 Income/Grants Policy

Staff Prepared/Presented: Brian Lamb, General Manager
Bruce Howard, Director of Customer Services and Marketing
Maria Cone, Manager of Market Development
Laron Weddington, Principal Contract Administrator

Division/Department: Metro Transit/Marketing

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Background

The existing contract for transit advertising sales ends February 28, 2015. Revenues from transit advertising sales have contributed about \$4 million annually to support Metro Transit bus and rail operations. However, Metro Transit staff believes there is considerable potential to grow advertising sales revenues over the next several years with expanded transit services and technological innovations.

Staff issued a request for proposal (RFP) in August of 2014 and there were fifteen registered document holders for the project. Seven proposals were received by the October 22, 2014 closing. An evaluation panel of five staff from marketing, finance and bus and rail operations independently rated each proposal and then discussed and debated the merits of the seven proposals. The panel reached consensus that the three highest ranked proposals would receive further consideration. These three proposers were interviewed in early December and the panel reached consensus that the proposal submitted by Titan Outdoor LLC was the highest ranked proposal and most advantageous to the Council.

Rationale

In reviewing the proposals, six criteria were used: 1) Quality 2) Qualifications 3) Experience 4) Service Delivery Plan 5) Financial history and resources and 6) Revenue.

The proposal from Titan Outdoor LLC received an "Excellent" rating, the highest of the three finalists. Their proposal addressed all of the requirements of the RFP and demonstrated a strong understanding of Metro Transit's needs for the project. The proposal also included documentation of several major markets where Titan has operated and renewed

successful and growing transit advertising sales programs including Chicago, Boston, San Francisco, Dallas, and Seattle.

The two other finalists, OUTFRONT Media (formerly CBS Outdoor) and Lamar Transit Advertising received a “Very Good” rating from the panel.

Proposers needed to include a revenue sharing plan that detailed an annual revenue guarantee that would be paid to Metro Transit during each contract year and a percentage of net revenues due Metro Transit once the annual guarantee has been reached. All three finalists offered almost identical revenue proposals to Metro Transit over the five-year contract period. Minimum revenue guarantees ranged from \$23,450,000 to \$23,600,000. Two of the finalists proposed a 65% revenue share and one a 66% share. Titan’s proposal included an annual guarantee of \$23,450,000 and a revenue share of 65%.

The evaluation panel also reviewed the service delivery or sales approach submitted by each proposer and discussed the potential for each proposer to exceed the annual revenue guarantees. Based on Titan’s service delivery approach, sales staff experience, and innovative future ideas, the panel believes Titan has a high probability of significantly exceeding the revenue guarantee over the five-year contract period.

The evaluation panel reached consensus to recommend Titan Outdoor LLC to perform the advertising sales services for this contract. Titan Outdoor LLC submitted the highest ranked technical proposal, offered the best overall plan for generating revenue from the sales of advertising and represents the best value to the Council.

Funding

This is a revenue generating contract and no funding is being requested.

Known Support / Opposition

No stated opposition to staff recommendation at this time.