



Metro

Los Angeles County
Metropolitan Transportation Authority

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**REGULAR BOARD MEETING
DECEMBER 13, 2012**

SUBJECT: ADVERTISING ON METRO BUS & RAIL SYSTEM

ACTION: AWARD REVENUE-GENERATING CONTRACTS

RECOMMENDATION

1. Authorize the Chief Executive Officer to award Contract No. PS12714022, a five-year revenue-generating contract, inclusive of three one-year options, effective January 1, 2013, for a license to sell and display advertising on the Metro Bus fleet on a fixed, guaranteed revenue basis with revenue to Metro totaling \$104,250,000, to CBS Outdoor Group Incorporated.
2. Authorize the Chief Executive Officer to award Contract No. PS12714023, a five-year revenue-generating contract, inclusive of three one-year options, effective January 1, 2013, for a license to sell and display advertising on the Metro Rail system on a fixed, guaranteed revenue basis with revenue to Metro totaling \$5,750,000, to CBS Outdoor Group Incorporated.

The total amount of revenue generated from these two contracts will be \$110,000,000.

ISSUE

At the July 2012 Executive Management Committee meeting, staff presented a contract award recommendation for revenue-generating bus and rail advertising contracts to take effect January 1, 2013. Staff was asked to return with answers to various questions that were raised by committee members and at public comment. These answers are contained in the discussion below as well as in Attachment A.

DISCUSSION

The greatest risk factor in awarding Metro's revenue-generating advertising contracts is the possibility of the selected vendor becoming unable to pay Metro its guaranteed revenue. The staff recommendation poses the least risk of placing Metro in that situation.

As this solicitation was a Request for Proposals rather than a bid, the Source Selection Committee considered all aspects of each firm’s proposal; evaluation was not limited to the revenue offer. While both CBS and Titan are technically capable of performing the scope of work, significant differences were found in the areas of payment history and work plan. These factors are pertinent regardless of whether a fixed revenue or revenue-sharing basis is selected. Consequently, even though Titan’s fixed revenue offer was approximately 6.5% greater than that from CBS, CBS’s overall proposal was deemed to be in Metro’s best interests and was recommended.

The table below summarizes strengths and weaknesses identified in each proposal.

	Strengths	Weaknesses
CBS Outdoor	Strong Payment History – never failed to honor contract terms or pay all revenues due to any agency	Lower Guaranteed Revenue – 6.5% lower than Titan offer (\$7.25 million less over 5 years)
	Reasonable Work Plan – projected advertising sources & percent of space sold correlate to previous experience	Modest Yearly Increases – revenue structure increases payments to Metro evenly by \$1 million per year
	Conservative Rate Card – increases rates approximately 5% from current levels	
	Technically Capable – has worked successfully on Metro transit properties for 20+ years	
	Extensive Transit Advertising Experience – more than 70 years including predecessor companies	
Titan Outdoor	Higher Guaranteed Revenue – offer is 6.5% higher than CBS offer (\$7.25 million more over 5 years)	Recent Defaults – renegotiated contracts with 20 transit agencies to lower revenue payments in past 3 years.
	Technically Capable – performs similar work at other California transit agencies	NY MTA Contract Termination – by transit agency for non-payment; \$21 million LOC called
	Experienced Staff – Industry veterans, some formerly with CBS Outdoor and/or its predecessors	Unrealistic Assumptions - Anticipates doubling sales from local advertisers
		Aggressive Rate Card – raises rates 30% to 40% higher than CBS
		Unsold Space – Anticipates that 35% of all space will be unsold on average.
		Low Revenues for Union Station – proposes less than \$500 per month to Metro in Year 1

Naming Rights

The proposals from both CBS Outdoor and Titan Outdoor indicated that those firms would represent naming rights for Metro as part of the overall rail advertising contract. As CBS Outdoor is recommended for the rail advertising contract, staff recommends keeping naming rights as an element of that contract, specifying that element only to be implemented on a revenue-share basis, with 70% of the revenue realized from any such naming arrangement coming to Metro.

DETERMINATION OF SAFETY IMPACT

Advertising installation does not affect the incidence of injuries or healthful conditions for patrons or employees. Therefore, approval of these contracts will have no impact on safety.

FINANCIAL IMPACT

These new contracts continue to provide substantial revenue to Metro. The recommended contract award for a total of \$110,000,000 exceeds staff's advertising revenue forecast for FY13-FY17 of \$105,927,000 by 3.8%.

Guaranteed revenue amounts for the calendar years covered in the contract are shown below.

Year	Guaranteed Revenue - Bus	Guaranteed Revenue - Rail	Total
2013	\$ 19,000,000	\$ 1,000,000	\$ 20,000,000
2014	\$ 19,925,000	\$ 1,075,000	\$ 21,000,000
2015	\$ 20,850,000	\$ 1,150,000	\$ 22,000,000
2016	\$ 21,775,000	\$ 1,225,000	\$ 23,000,000
2017	\$ 22,700,000	\$ 1,300,000	\$ 24,000,000
Total	\$104,250,000	\$ 5,750,000	\$110,000,000

Impact to Budget

These are multi-year revenue-generating contracts and as such do not draw funds from a project or cost center budget. The revenue generated is eligible for all expenses including bus and rail operating and capital expenditures.

ALTERNATIVES CONSIDERED

1. Award the bus and rail advertising contracts to CBS Outdoor on a revenue-sharing basis, with Metro receiving 70% of total revenues against a minimum annual guarantee totaling \$90,000,000. While this offer holds the potential of realizing a greater amount of total revenue for Metro, it is not recommended because only the \$90,000,000 minimum is guaranteed; therefore, if sales do not reach projected levels, Metro could receive less revenue than it would under the recommended basis. Further, the revenue-sharing basis places greater responsibility on Metro to audit on-going advertising sales, investigate discrepancies and ensure receipt of all revenues properly due.
2. Award the bus and rail advertising contracts to Titan Outdoor on either a fixed, guaranteed revenue basis for \$117,250,000 or on a revenue sharing basis, with Metro receiving 65% of all net advertising sales against a minimum annual guarantee totaling \$117,250,000. While these alternatives offer a higher minimum guarantee, they are not recommended because Titan did not score as highly as CBS Outdoor during the Source Selection committee evaluation for the reasons stated above, and pose a greater risk to Metro than the recommended option.
3. Decline to award advertising contracts on Metro's bus and rail system. This alternative is not recommended as these contract awards will generate \$110,000,000 in revenue for Metro over five years.

NEXT STEPS

Procurement will execute the subject contracts to take effect January 1, 2013.

ATTACHMENT

- A. Questions and Answers regarding Metro's Advertising Contracts
- B. Procurement Summary
- C. Detail of Revenue Options

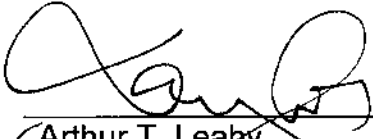
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Lynda Bybee
Interim Chief Communications Officer



Michelle Lopes Caldwell
Chief Administrative Services Officer



For Arthur T. Leahy
Chief Executive Officer

**Questions regarding Metro's Bus & Rail Advertising Contracts
raised at the July 19, 2012 Executive Management Committee Meeting**

1. Please verify the RFP requirement for a letter of credit and explain the difference between a 50% letter of credit and a 100% letter of credit.

The RFP requested that the proposer: *state ability to secure an Irrevocable Letter of Credit in the amount of 50% of the first year's payments proposed to the LACMTA and 50% in each of the follow on years of the contract.*

A Letter of Credit from an accredited financial institution protects the revenue guaranteed to Metro in the event the contractor cannot make the promised payments. Should the vendor default, Metro can exercise the Letter of Credit to recover from the proposer's financial institution any revenues due to Metro up to the limit of the Letter of Credit. A 50% Letter of Credit ensures that half of the guaranteed amount will be covered by the financial institution; a 100% Letter of Credit ensures that the full amount guaranteed to Metro will be paid by the financial institution in the event the contractor is unable to make payments for any reason.

While the RFP required a 50% Letter of Credit, the format of the procurement was a Request for Proposals. Therefore the vendors were free to propose alternatives that exceeded the requirements. Both vendors met the requirements of the RFP and no additional "points" were given for exceeding the RFP requirements.

2. Were both proposers (CBS Outdoor and Titan Outdoor) prequalified based on financial capacity?

Yes.

3. Did Metro call the proposers' references during the evaluation period?

References are requested in the RFP because at the time of issue, any firm can respond. Upon receipt of proposals, reference checks are not required if the proposer is already known to Metro, nor are they limited to phone calls to the list provided by the proposer.

However, since the July EMC meeting, Metro has conducted telephone reference checks on both proposers. The references supplied both by CBS Outdoor and by Titan Outdoor indicated that they are respectively satisfied with each company's work. The references did not reveal any new positive or negative information that would have altered the Source Selection Committee's scoring of the proposers.

4. Did CBS ask to renegotiate its contract with Metro?

CBS met with Metro staff and County Counsel at the height of the recession in 2009, informed Metro that it was losing approximately \$15 million on Metro's contract, and asked Metro if it would consider reducing the minimum guarantee. Metro declined, pointing out the contract was awarded in part on the basis of the minimum guarantee, and that agreeing to lower it due to changing market conditions would be unfair to those proposers who offered a lower minimum guarantee and were not awarded the contract. CBS accepted Metro's position and continued to pay all revenues owed under the current contract on time and in full.

5. Please provide a detailed review of the requests for contract renegotiations by both bidders during the past 5 to 10 years.

Titan: Titan stated in its proposal that as a result of the 2008-2009 recession, it approached each of the 20 transit agencies with which it had contracts and requested contract amendments. It went on to state that in some cases subsequent payment by Titan of the "revenue share only, rather than the Minimum Annual Guarantee, caused a technical default under the respective agreements." In other words, when the minimum amount guaranteed by these contracts proved to be greater than the specified percentage share of actual revenues, Titan was unable to pay it, and instead paid only the percentage share, which was a lesser amount, until negotiations were completed to reduce the minimum guarantee to less than the amount originally specified in the contract.

Titan reduced the following minimum guarantees:

<u>Agency</u>	<u>Original Guarantee</u>	<u>Reduced Guarantee</u>
BART, San Francisco	\$140.0 mil	\$95.0 mil
MBTA, Boston	\$126.3 mil	\$73.0 mil
Metro Transit, Minneapolis	\$ 13.1 mil	\$ 9.7 mil
OCTA, Orange County	\$ 8.3 mil	\$ 3.5 mil
MTA, New York	\$822.8 mil	None; contract terminated

CBS: CBS has not renegotiated any contracts, and has honored the original terms of all of its agreements and made all payments on time to every transit agency with which it had a contract.

An erroneous statement was made about correspondence in 2009 regarding CBS' contract with MARTA in Atlanta, which contains a "Loss of Use" provision specifying that fleet reductions, which reduce available advertising space, entitle CBS to a reduction in its minimum guarantee. Metro's contract with CBS contains a similar provision (about which a similar erroneous statement has been made; see Question 6). The correspondence discussed enforcement of this

contract provision when MARTA announced plans to retire 30% of its rail fleet and 13% of its bus fleet.

6. Did CBS stop paying its full minimum guarantee in July 2011? Was their contract amended to reduce their payments?

No. There has been no amendment to CBS' current contract. They have paid all revenue due as specified under the original terms of the contract.

Article II under "Compensation to Metro" in the contract with CBS clearly specifies that revenue payments are adjusted in accordance with increases or decreases in Metro's peak hour service; the full text is included below. The form used for notifying the vendor of such adjustments is part of the original contract on page 8. In previous contracts, increases to peak hour service have prompted increases in the vendor's payments to Metro. Reductions to peak hour service in June 2011 prompted a decrease in payments.

Adhering to this provision does not constitute an amendment to the original agreement; on the contrary, it represents compliance with the terms of a Board-approved contract. Nor does this constitute failure by CBS to pay its minimum guarantee. CBS and Metro both honored the terms of the original agreement, and CBS paid all revenue properly due to Metro under that agreement.

It is incorrect to equate Metro's adherence to this contract provision with Titan's failure to honor original contract terms with other transit agencies, or to suggest that that the contractually mandated adjustments constitute a deficiency in CBS' payment history.

The full contract language is as follows:

Article II COMPENSATION TO METRO

D. Circumstances Affecting Payment to Metro

Guaranteed Fixed Revenue Payment to Metro shall be adjusted in accordance with the following increase or decrease in peak-hour bus operations or special circumstances affecting over-all bus operations. The Contract benchmark for scheduled peak-hour buses that accept advertising is 2100. (Note: Increase/decrease adjustments affecting payment are calculated in increments of 200; fleet size adjustments smaller than 200 will not result in a fee change).

1. With each net increase of 200 buses that accept advertising scheduled during peak-hour service from the contract benchmark of 2100, payment to Metro shall be increased by ten percent (10%) the first day of the month following the increase in peak-hour buses.

2. With each net decrease of 200 buses that accept advertising scheduled during peak-hour service from the contract benchmark of 2100, payment to Metro shall decrease by ten percent (10%) the first day of the month following the decrease in peak-hour buses.

7. Did Titan pay all revenues that were owed the New York MTA?

Titan's 10-year contract with New York MTA, which took effect January 1, 2007, provided a minimum guarantee of \$822,800,000. Starting in 2009, Titan was unable to honor the original terms of this contract and stopped paying the minimum guarantee, as it did with several other transit agencies. The contract was terminated by New York MTA for non-payment of the minimum guarantee in February 2010. New York MTA recovered some of the funds owed to them by Titan by drawing on a \$21 million Letter of Credit, and reached a settlement with Titan regarding the remainder of funds owed.

8. By what percent would Titan's minimum guarantee offer of \$117,250,000 exceed Metro's revenue projection for the period?

Nearly 11%.

9. Are occupancy and rate card irrelevant in a fixed fee contract?

No. Regardless of whether Metro awards the contracts on a fixed revenue or revenue-share basis, both options offer a minimum guarantee, meaning the vendor must develop sales projections in order to determine how large a minimum guarantee it can offer. Occupancy and rate card are integral to the proposer's sales projections, regardless of the payment mechanism selected by Metro.

10. What was the staff's rationale for choosing the flat fee proposal over the revenue share proposal?

The fixed, guaranteed revenue basis is the most conservative approach and poses the least risk to Metro. The revenue-sharing basis places greater responsibility on Metro to audit on-going advertising sales, investigate discrepancies and ensure receipt of all revenues due.

11. Is CBS Outdoor for sale?

No sale of CBS Outdoor is pending. It remains a division of the CBS Corporation, one of the world's largest media organizations. For the fiscal year ended December 31, 2011, CBS Outdoor had revenues of nearly \$1.9 billion, with operating income before depreciation and amortization of \$342 million. CBS Outdoor has assets in 46 states worth approximately \$5 billion. Rumors regarding the possibility of a sale have speculated that the potential price tag for CBS Outdoor could be \$6 billion.

12. Has CBS been issued a default notice on street furniture by the City of LA? Did the LA City audit by Wendy Gruel find wrongdoing by CBS?

No. CBS Outdoor is a party with JC Decaux to a joint venture that manages various types of street furniture, including bus shelters, pursuant to a contract with the City. In compliance with that contract, the joint venture has installed 604 new bus shelters in neighborhoods throughout the City, only 90 of which are in Westside districts. The remaining new shelters are disbursed as evenly as possible throughout the City's Council Districts. There has been a difference in interpretation of the contract between the City and the joint venture regarding permit approvals. In January 2012, the City Controller conducted an audit of the street furniture contract, including this issue, and determined that "untimely approval of permits by the City's Bureau of Street Services for advertising on street furniture led to \$23.1 million in lost financial opportunity for the City." The Controller's sole recommendation was to "urge City officials to pursue a contract amendment to resolve these issues to the mutual benefit of the City and CBS Decaux." There has been no default or suggestion of default by CBS.

13. Is CBS involved in litigation with London Transport?

CBS Outdoor and Transport for London had a dispute in 2011 related to construction delays that affected CBS when they were upgrading advertising displays on the London Underground from traditional posters to digital screens. The delays caused CBS to incur unexpected costs. The issue was settled in 2011. This dispute had nothing to do with advertising revenue or payment of minimum guarantees due to Transport of London. Metro's advertising contracts have no situations that are analogous to this matter.

14. Is it likely for Titan to be able to double the current amount of local advertising?

No. Metro's own experience as a local advertiser contradicted this assumption. The rates Metro pays for advertising space in the Los Angeles market have remained flat over the past five years. Further, Metro's budget would not allow for a 30% to 40% increase in the advertising rates it pays for outside media; the Source Selection Committee concluded that in the current economic climate, other local advertisers would be likely to have similar limitations.

15. Is CBS' request to lower the minimum guarantee with Metro the same as Titan's renegotiation of contracts?

No. CBS met with Metro staff and County Counsel at the height of the recession in 2009, informed Metro that it was losing approximately \$15 million on Metro's contract, and asked Metro if it would consider reducing the minimum guarantee. When Metro declined, CBS accepted Metro's position and continued to pay all revenues owed under the current contract on time and in full. In contrast, "Titan notified all the transit agencies with which it had contracts that they would not be able to honor the minimum annual guarantees for 2009" per documents from

Metro Transit in Minneapolis, which went on to say, "Titan asked each of its clients to renegotiate its contracts as part of a business restructuring." Per documents from the Orange County Transit Authority, Titan "indicated it would likely default" if it did not receive relief from the original contract terms. One of Titan's clients, New York MTA, terminated Titan's contract and called their Letter of Credit for \$21,766,667. The CEO of New York MTA issued a statement at the time saying "MTA can't afford to bail out businesses that do not perform the contractual promises that were the basis for their selection."

16. Did CBS install 41 billboards illegally on Metro property?

No. In 2001, a joint venture called STI Outdoor LLC (founded by Strategic Technologies International, Inc. and Omni Outdoor, Inc.) secured a contract with Metro to build automatic pay toilets (APTs) in return for the right to erect and operate billboards on Metro's property. After that contract was in place, Infinity Outdoor ("Infinity") replaced Omni Outdoor as minority partner in the venture. (Infinity is the predecessor to Viacom Outdoor and in turn ultimately, to CBS Outdoor.) As STI prepared to erect its billboards, Infinity made clear in writing that it expected STI Outdoor to obtain all necessary approvals from Metro before commencing any construction on Metro property. STI promised to do so. The venture's construction was halted by court order on January 3, 2002, when it was discovered that STI had failed to secure the necessary Metro approvals despite representing to Infinity that all required approvals would be obtained before any construction would occur. When Infinity learned that it had been defrauded, it withdrew from the venture and sued STI. Infinity won a multi-million dollar fraud judgment against STI in Los Angeles Superior Court. The verdict fully supported Infinity's position that it had been defrauded, and that the unlawful construction was the product of STI's fraudulent and deceptive representations to Infinity.

**PROCUREMENT SUMMARY
LICENSE TO SELL AND DISPLAY ADVERTISING ON METRO BUSES
LICENSE TO SELL AND DISPLAY ADVERTISING ON METRO RAIL SYSTEMS**

1.	*Contract Number: PS12714022 License to Sell and Display Advertising on Metro Buses PS12714023 License to Sell and Display Advertising on Metro Rail Systems	
2.	Recommended Vendor: CBS OUTDOOR	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> RFP--A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: 01/05/12	
	B. Advertised/Publicized: 01/05/12	
	C. Pre-proposal/Pre-Bid Conference: 01/17/12	
	D. Proposals/Bids Due: 03/15/12	
	E. Pre-Qualification Completed: 05/07/12	
	F. Conflict of Interest Form Submitted to Ethics: 05/10/12	
	G. Protest Period End Date: 06/21/12	
5.	Solicitations Picked up/Downloaded: 26	Bids/Proposals Received: 3
6.	Contract Administrator: Linda Rickert	Telephone Number: 213-922-4186
7.	Project Manager: Warren Morse	Telephone Number: 213-922-5661

*Note: Two Requests for Proposals were released – one for bus advertising and one for rail advertising. Although historically and for the current procurement, the recommendation for award is for one contractor, separate RFP's have provided an option for the Source Selection Committee to award to different firms or award a combination of shared and fixed revenue contracts in the best interests of Metro, to maximize revenues.

A. Procurement Background

This Board Action is to award revenue-generating contracts to provide licenses to sell and display advertising on Metro's bus and rail systems.

The RFP was issued in accordance with Metro's Acquisition Policy and the contract type is a Fixed Revenue Contract with annual guarantees. Ten firms were represented at the pre-proposal meeting on January 17, 2012. These firms and approximately 15 other firms that downloaded the procurements from the web site generated 39 questions that were answered by the Metro team.

One amendment was issued during the solicitation phase of this RFP; amendment No. 1 issued on 02-06-2012 clarified the headings on the revenue sheets.

B. Evaluation of Proposals/Bids

A total of three proposers responded to this solicitation. A Source Selection Committee consisting of staff from Communications and Operations was convened and conducted a comprehensive technical evaluation of the proposals received.

The proposals were evaluated based on the following evaluation criteria and weights:

- Revenue Projections 40 percent
 - Highest Guaranteed Revenue
 - Reasonableness of the total revenue in relationship to the RFP and in the best interest of the LACMTA
 - Adequacy of data in support of revenue proposed

- Qualifications of the Firm 30 percent
 - Technical experience demonstrated in providing advertising as indicated in the Statement of Work
 - Experience working with public agencies
 - Strength and stability of firm and subcontractors (if applicable)
 - Past Performance (includes reference checks, contract history)
 - Ability to obtain Letter of Credit

- Management and Work Plan 30 percent
 - Demonstrated understanding of the requirements of the Statement of Work
 - Detail and logic of Work Plan and Adequacy of Labor Commitment
 - Innovative approaches to maximize revenue

The evaluation criteria are appropriate and consistent with criteria developed for other, similar revenue procurements. Several factors were considered when developing these weights, giving the greatest importance to the revenue projections and methodology for achieving the projections.

Of the three proposals received, two were determined to be within the competitive range. The two firms within the competitive range are listed below in alphabetical order:

1. CBS OUTDOOR
2. TITAN OUTDOOR LLC

One firm was determined to be outside the competitive range because their offer did not propose guaranteed revenues and, therefore, was not included for further consideration.

During the period from March 15, 2012 through May 08, 2012, the source selection committee met to consider the revenue projections and the other criteria proposed. Some clarifications were requested. Both Titan and CBS Outdoor were given the opportunity to present Best and Final Offers. Both proposers provided proposals on a fixed guaranteed revenue basis and on a revenue-sharing basis. Since the staff recommends award on the guaranteed fixed revenue basis, the report will focus on the fixed revenue part of the proposals.

(Please see Attachment C for a detailed discussion of the fixed revenue and revenue share proposals.)

C. Summary of Proposals

CBS OUTDOOR

This firm proposed a combined \$110 million fixed guaranteed revenue for bus and rail advertising for the total five years of the contract term. The proposal included a work plan that appropriately balanced the sources of revenue and forecasted reasonable pricing that aligned closely with Metro's independent forecast. CBS Outdoor has not re-negotiated any of their transit advertising contracts during the past five years. CBS proposed an experienced project team fully capable of performing the tasks required in the contract.

TITAN OUTDOOR LLC

This firm proposed a combined \$117.6 million fixed guaranteed revenue for bus and rail advertising for the total five years of the contract term. The work plan identified that 45% of the advertising would be sold to local sources. The proposed pricing for the advertising was nearly 11% higher than Metro's independent cost estimate. Titan has re-negotiated at least 20 fixed revenue contracts with transit agencies in the past five years. Titan proposed an experienced project team capable of performing the work.

Following is an overview of the source selection committee's scoring:

1	FIRM	Average Score	Factor Weight	Weighted Average Score	Rank
2	CBS OUTDOOR				
3	Revenue	90.0	40.00%	36.0	
4	Qualifications of Firm	98.0	30.00%	29.4	
5	Management and Work Plan	89.0	30.00%	26.6	
6	Total		100.00%	92.0	1
7	TITAN OUTDOOR LLC				
8	Revenue	72.0	40.00%	28.8	
9	Qualifications of Firm	76.0	30.00%	22.8	
10	Management and Work Plan	78.0	30.00%	23.2	
11	Total		100.00%	74.8	2

D. Revenue Analysis

The recommended fixed revenue guarantee has been determined to be fair and reasonable based upon historical analysis and experience of our staff considering current reasonable advertising rates and occupancy projections.

Bus Advertising Revenue Comparison

Vendor	Terms	Year	Guaranteed Revenue
CBS	Fixed	1	\$19,000,000
		2	\$19,925,000
		3	\$20,850,000
		4	\$21,775,000
		5	\$22,700,000
		Total	\$104,250,000
Titan	Fixed	1	\$19,511,000
		2	\$21,173,000
		3	\$22,176,000
		4	\$23,790,000
		5	\$24,940,000
		Total	\$111,590,000

Rail Advertising Revenue Comparison

Vendor	Terms	Year	Guaranteed Revenue
CBS	Fixed	1	\$1,000,000
		2	\$1,075,000
		3	\$1,150,000
		4	\$1,225,000
		5	\$1,300,000
		Total	\$5,750,000
Titan	Fixed	1	\$989,000
		2	\$1,077,000
		3	\$1,124,000
		4	\$1,210,000
		5	\$1,260,000
		Total	\$5,660,000

E. Background on Recommended Contractor

The recommended firm, CBS Outdoor located in New York, has been in business for over 70 years, and is a leader in the field of transit advertising. CBS Outdoor, as a division of CBS Corporation, provides strong financial wherewithal and integrity that has proven to be a particular asset in the economic downfalls in recent years.

CBS Outdoor is a self-funded division of CBS Corporation with headquarters in Delaware and an office in Los Angeles. Throughout 7 decades and changes in ownership, CBS Outdoor has focused on transit advertising. In 2011, CBS generated over \$300 million for all agencies under contract, including WMATA in Washington DC, New York City Transit and Miami-Dade Transit, as well as many European agencies.

CBS Outdoor has a team of advertising executives, many of whom have 20 years or more in advertising. CBS Outdoor partners with J. Perez Associates. This sub-contractor has been providing installation and maintenance of advertising for 20 years and was the sub-contractor on previous CBS Outdoor contracts.

F. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) did not recommend a Disadvantaged Business Enterprise (DBE) Anticipated Level of Participation (DALP) on this shared revenue procurement. However, CBS Outdoor Group, Inc. is partnering with a DBE subcontractor, J. Perez Associates.

G. All Subcontractors Included with Recommended Contractor's Proposal

	Subcontractor	Services Provided
1.	J. Perez Associates	Installation and Maintenance of displays

Detailed discussion of revenue options

Proposal Choices

The RFPs asked for proposals under two payment scenarios which meant that the Source Selection committee had four possible contract award scenarios to consider as summarized in the chart and narration below.

1. Fixed, guaranteed revenue basis, with Metro receiving a specified annual amount of revenue sales; and
2. Revenue-sharing basis, with Metro receiving either a percentage of actual net revenues OR a minimum guaranteed annual amount, whichever is greater.

	Vendor	Terms	Percentage Share	5-Year Total Guaranteed Revenue	5-Year Potential Metro Revenue (based on CBS sales estimate)	5-Year Potential Metro Revenue (based on avg. of sales estimates)	5-Year Potential Metro Revenue (based on Titan sales estimate)
A.	CBS	Fixed	n/a	\$110,000,000	n/a	n/a	n/a
B.	Titan	Fixed	n/a	\$117,250,000	n/a	n/a	n/a
C.	CBS	Rev Share	70%	\$90,000,000	\$117,772,060	\$124,680,688	\$131,589,317
D.	Titan	Rev Share	65%	\$117,250,000	\$109,359,770	\$115,774,925	\$122,190,080

A. CBS Outdoor – Fixed, Guaranteed Basis – This scenario provided an offer of fixed, guaranteed revenue totaling \$110,000,000, an amount that exceeds staff’s advertising revenue forecast of \$105,927,000 for the period by 3.8%. The work plan from CBS accompanying this revenue offer was deemed to be superior by the Source Selection Committee, as was CBS’ payment history. Scenario A was deemed to pose the least risk that Metro would ever be unable to collect the revenue guaranteed by this contract and was selected as the recommendation.

B. Titan Outdoor – Fixed, Guaranteed Basis – This scenario provided an offer of fixed, guaranteed revenue totaling \$117,250,000, an amount that is identical to the minimum guarantee in Titan’s revenue-sharing proposal. It is approximately 6.5% greater than CBS Outdoor’s offer of \$110,000,000 in Scenario A, and it exceeds Metro’s revenue forecast for the period by nearly 11%. However, the Source Selection Committee found serious weaknesses regarding Titan’s payment record and work plan, affecting its ability to achieve the guaranteed revenues to Metro. Consequently, Scenario B was not recommended.

- C. CBS Outdoor – Revenue-sharing Basis – This scenario clearly offered the greatest *potential* revenue to Metro, as CBS proposed giving Metro 70% of all net advertising sales. As shown in the chart above, this option yields the most revenue to Metro under varying sales projections, as long as those projections are met. However, the revenue in this option is designated as a percentage of actual net revenues OR a minimum guaranteed amount, whichever is greater. So the only *guaranteed* revenue under this scenario is CBS' minimum guarantee totaling \$90,000,000, which was the lowest minimum guarantee of any option. In addition, the revenue-sharing basis places greater responsibility on Metro to audit on-going advertising sales, investigate discrepancies and ensure receipt of all revenues properly due. Because of these risks, Scenario C was not recommended.
- D. Titan Outdoor – Revenue-sharing Basis – This scenario offered less *potential* revenue to Metro, as Titan proposed giving Metro 65% of all net advertising sales; yet it proposed a higher *minimum guarantee* of \$117,250,000. As with Scenario C, however, the revenue-sharing basis places greater responsibility on Metro to audit on-going advertising sales, investigate discrepancies and ensure receipt of all revenues due. Further, the Source Selection Committee found serious weaknesses regarding Titan's payment record and work plan, affecting its ability to achieve the guaranteed revenues to Metro. Because of these risks, Scenario D was not recommended.