



Council Communication

Office of the City Manager

Date

May 7, 2007

Agenda Item No. 46
Roll Call No. 07-
Communication No. 07-282
Submitted by: Craig Smith, A.A.E.
Aviation Director

AGENDA HEADING:

Approval of Advertising Concession Agreement with In-ter-space Services Inc. d/b/a Interspace Airport Advertising for Advertising and Display Services at the Des Moines International Airport.

SYNOPSIS:

Recommend approval of five year advertising concession agreement with Interspace Airport Advertising for advertising and display services at the Des Moines International Airport.

Historically, the Airport staff has negotiated Concession Agreements for Advertising and Display Services at the Des Moines International Airport at three-year terms and submitted such Agreements to the Airport Board for approval. Discussions with the current concessionaire as well as others in the industry have indicated that longer term agreements would attract more interest and benefit the Airport. Because the term of the proposed new agreement is greater than three years, City Council Approval is required.

FISCAL IMPACT:

Amount:

During the first five years of the Agreement, Interspace has projected that gross sales will increase from \$436,563 in Gross Revenues during for the first year of the Agreement to \$494,874 during the fifth year. During the entire ten year term, including the option, Interspace has projected that the Airport would receive nearly \$2.2 million in revenue (approximately \$220,000 per year). Under the existing contract with JCDecaux Airports, Inc., revenues to the Airport totaled approximately \$155,000 annually.

Funding Source:

Revenue will be generated within the Airport Enterprise Fund and will be credited towards the Airport's general operating fund to offset ongoing expenses: 2007-08 Recommended Operating Budget, Operation, EN002, AIR040100, Airport Operations Fund, page 65.

ADDITIONAL INFORMATION:

On March 3, 2004, by Resolution No. A04-38, the Airport Board approved the Concession Agreement with JCDecaux Airport Inc. for Advertising and Display Services for a three-year term commencing July 1, 2004, and expiring June 30, 2007. The selection of JCDecaux Airport Inc. was the result of a Request for Proposals (RFP) process.

Under City Code, Chapter 2, Division 6, Purchasing, Section 2-85, Competitive Bidding and Advertisement, it is required that (a) except as otherwise provided, all purchase orders or contracts of whatever nature, made by or on behalf of the City, for independent contractors' services or work, involving amounts in excess of \$5,000, shall be let by free and open competitive bidding after advertisement, to the lowest responsible or in the appropriate instance, to the highest responsible bidder, depending upon whether the City is to expend or receive money. In competitive solicitations for Airport contracts, selection criteria other than compensation to the City may be considered.

On January 9, 2007, by Resolution No. A07-08, the Board authorized Staff to issue a RFP for Advertising and Display Services with the following selection criteria: Percentage of Gross (0-20 points), Marketing Plan (0-10 points), Revenue Maximization (0-10 points), Experience (0-20 points), References (0-10 points), Formal Proposal (0-10 points), City of Des Moines Corporate Entity (0 – 1 point), and Additional Factors (0 - 9 points).

On February 14, 2007, the City's Purchasing Agent, in consultation with Airport Staff, issued Request for Proposal (RFP) Bid No. V07-90, seeking proposals from parties interested in the Airport Advertising and Display Service Concession. The RFP included a proposal due date of March 13, 2007, and specified a five year agreement with a five year option to provide advertising services and set forth minimum requirements. The minimum requirements included (a) a financial bid of a percentage of gross revenues generated (with certain allowable expenses) and (b) a set Minimum Annual Guarantee (MAG). A demonstrated ability to incorporate creative and attractive advertising displays was also a criterion of the RFP.

On February 28, 2007, Staff held a pre-proposal meeting with four companies represented. Following the meeting, the Purchasing Agent issued Addendum No.1 to the RFP, which provided clarification and corrective information on both the RFP documents and the sample management contract.

On March 15, 2007, proposals were received and opened at the Office of the City Purchasing Agent. Proposals were submitted by two firms; In-ter-space Services Inc, d/b/a Interspace Airport Advertising ("Interspace") and International Airport Advertising LLC. Each proposal was deemed to be a proper submission by the City Purchasing Agent.

After receiving the proposals, a selection committee consisting of the Aviation Director, both Deputy Aviation Directors, the Airport Properties Administrator, and the Airport's Marketing Consultant conducted an initial review of the proposals to determine which of the proposing companies to invite for an interview if necessary. Each member of the selection team individually evaluated and rated each of the proposals received based on the Selection Criteria, and conducted background checks on each company.

Both proposals met all the proposal requirements, including evidence that showed advertising experience, financial qualifications, references, and the ability to receive applicable insurance. Both proposals committed to making additional investments in new display units and to install a new hotel/motel call board. Both proposals contained renderings and design standards for proposed

replacement units and some new themes, which carry forward architectural finishes of the concourse areas and other terminal areas where advertising displays are located.

After reviewing and scoring each written proposal, the Committee was able to determine a clear first choice, and thus further interviews were unnecessary. The Committee determined that Interspace submitted the best overall proposal based on the requirements of the RFP. The Committee's recommendation was sent to the Purchasing Manager on April 13, 2007.

The parties have been able to reach final agreement based on the terms outlined in the sample agreement as provided in the RFP. During the term of the Agreement, the Concessionaire agrees to pay either a percentage of the Gross Revenues, or a Minimum Annual Guarantee (MAG), whichever is greater. The RFP allowed for differing percentages for distinct categories of display advertising, specifically for "static" back-lit advertising and for "electronic" displays, which may incorporate various technologies.

The minimum guarantee and percentages are as follows:

	MAG	Static	Electronic
Year 1	\$117,500 **	50%	36%
Year 2	\$144,000	50%	36%
Year 3	\$147,000	50%	36%
Year 4	\$150,000	50%	36%
Year 5	\$153,000	50%	36%
*Year 6	\$156,000	50%	36%
*Year 7	\$159,000	50%	36%
*Year 8	\$162,000	50%	36%
*Year 9	\$165,000	50%	36%
*Year 10	\$168,000	50%	36%

* = Subject to exercise of option as outlined in Term of Agreement

** = MAG is waived for the first two months of contract period for start up.

Because the term of the agreement is for a five year period with an option for an additional five years, it will require approval by the City Council.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S):

Date: May 1, 2007

Resolution Number: A07-84

Action: Recommend Approval of Advertising Concession Agreement with In-ter-space Services Inc. d/b/a Interspace Airport Advertising for Advertising and Display Services at the Des Moines International Airport. (Board Communication No. 07-54).

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE