Agenda - Executive Policy Committee - January 22, 2003

Report - Standing Policy Committee on Public Works - January 13, 2003

Item No. 1 New Transit Advertising Shelter Contract
File GL-9 (Vol. 18), TE-4 (Vol. 6)

STANDING COMMITTEE RECOMMENDATION:

On January 13, 2003, the Standing Policy Committee on Public Works concurred in the administrative recommendation and recommended:

1. That Council approve the award of contract to Viacom Canada Inc. o/a Viacom Outdoor Canada for the Supply, Installation, and Maintenance of Transit Advertising Shelters Proposal Option #1 (15 Year term) (RFP No. 607-2002).

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report - Standing Policy Committee on Public Works - January 13, 2003

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On January 13, 2003, the Standing Policy Committee on Public Works concurred in administrative recommendation, and submitted its recommendation to Executive Policy Committee and Council.

Re:	New Transit Advertising Shelter Contract
For submission to:	Standing Policy Committee On Public Works
Submitted by:	Rick Borland, Director of Transit
Report date:	December 27th, 2002
In Camera:	No
Recommendation(s):	That Council approve the award of contract to Viacom Canada Inc. o/a Viacom Outdoor Canada for the supply, installation, and maintenance of Transit Advertising Shelters Proposal Option #1 (15 Year term) (RFP No. 607-2002).

Report Summary

Key Issues:

- On October 4th, 2002, the City issued RFP No. 607-2002 for the supply, installation, cleaning and maintenance of Advertising Shelters in exchange for exclusive advertising rights on these shelters for a 10 year period.
- The Viacom Canada Inc. o/a Viacom Outdoor Canada proposal met all minimum RFP requirements with two options for the City to consider. Option #1 which is for a 15 year period is deemed to be more advantageous to the City under the evaluation criteria outlined in RFP 607-2002.
- The recommended option provides 300 Transit Shelters as compared to 150 Transit Shelters under the alternative Viacom Canada Inc. o/a Viacom Outdoor Canada option, and provides a greater value on a Total Net Present Value basis.

Implications of the Recommendation(s):

General Implications

None

X For the organization overall and/or for other departments

X For the community and/or organizations external to the City of Winnipeg

X Involves a multi-year contract

Comment: Award of this contract will provide substantial financial benefits to the City and additional shelters for the convenience of Transit users over a 15 year period.

Policy implications

X No

Yes

Comment:

Financial Implications

Within approved current and/or capital budget

X Current and/or capital budget adjustment required

Comment: The Transit Department had budgeted annual revenue of $95,000 in 2003. The new proposal does not provide any revenue until 2008. However, there will be benefits of approximately $20,000 per year for the first 5 years accruing from salvaged shelters used for parts.

Report

Recommendation(s):

That Council approve the award of contract to Viacom Canada Inc. o/a Viacom Outdoor Canada for the Supply, Installation, and Maintenance of Transit Advertising Shelters Proposal Option #1 (15 Year term) (RFP No. 607-2002).

Reason for the report:

Council must approve the award of the contract because the total amount payable to the City exceeds $100,000.

History:

On April 14th, 1982 the City entered into a 15 year agreement with Mediacom Inc. (now Viacom Outdoor Canada Inc.) to supply, install and maintain 200 transit passenger Advertising Shelters. Mediacom also agreed to make guaranteed annual payments to the City during this period.

On November 5th, 1991 the City extended the agreement with Mediacom Inc. for an additional 5 years effective April 14th, 1997 until April 14th, 2002.

On April 4th, 2002 the City extended the agreement with Viacom Outdoor Canada Inc. until December 31st, 2002 to allow Viacom Outdoor Canada Inc. to complete shelter rust remedy and refurbishment of Transit Advertising Shelters.

On September 12th the City extended the agreement with Viacom Outdoor Canada Inc. until March 31st, 2003.

Discussion:

The current Advertising Shelter agreement with Viacom Outdoor Canada Inc. expires March 31st, 2003. It has been in place since 1982 and provides the City with guaranteed revenue, maintenance and cleaning of 200 Transit Advertising Shelters.

The Transit Department maintains approximately 600 Non-Advertising Shelters and contracts with Viacom Outdoor Canada Inc. to supply and maintain 200 Advertising Shelters for the convenience of transit patrons.

Most of the 200 Advertising Shelters were installed in 1982 through 1983 and require replacement due to deteriorating condition of shelter structural components. The expected lifespan of steel shelters is approximately 18 - 20 years.

The current contract expires on March 31st, 2003. An RFP for a 10 year period was issued inviting proposals for the supply, installation, cleaning and maintenance of a minimum of 150 Advertising Shelters in exchange for the advertising rights on the shelters. The new shelters to be installed will be manufactured with aluminum structural components and have a 40 year expected lifespan.

On October 4th, 2002, the City issued RFP No. 607-2002 for the supply, installation, cleaning and maintenance of Advertising Shelters in exchange for exclusive advertising rights on these shelters for a 10 year period.

Due to depressed national and local advertising market conditions, only two responses were received including Viacom Canada Inc. o/a Viacom Outdoor Canada and Pattison Outdoor Group. The Pattison Outdoor Group submission did not meet the minimum requirement to supply and install 150 new Advertising Shelters as specified in the RFP. This was a mandatory requirement evaluated on a Pass/Fail basis and accordingly, Pattison's proposal was not evaluated further.

The Viacom Canada Inc. o/a Viacom Outdoor Canada proposal expires on February 28th, 2003.

Established in 1904, Viacom Canada Inc. o/a Viacom Outdoor Canada is a diverse, full service, international out-of-home media company with approximately 4,000 employees and transit partnerships in 85 bus systems world wide. It is the opinion of the Department that Viacom Canada Inc. o/a Viacom Outdoor Canada has the necessary skills and resources to complete the work of the contract.

Proposal Options:

Viacom Canada Inc. o/a Viacom Outdoor Canada was the only offerer to meet all minimum RFP requirements and proposed two options for the City to consider.

<u>Option 1: Fifteen Years</u>

Viacom Canada Inc. o/a Viacom Outdoor Canada is proposing to supply, install and maintain 150 new Advertising Shelters plus supply and install 150 Non-Advertising Shelters plus scale guaranteed revenue sharing upward over the term of the contract as capital investment of the shelters declines. This option provides the greatest financial benefit to the City as the department will receive 150 additional Non-Advertising Shelters for the convenience of transit patrons. The Total NPV of Option 1 is $3,326,882.00 and the Average Annual NPV is $221,792.00. The following table summarizes the benefits. (For details please see Attachment A1).

Option 1 15 years Total Shelters	NPV of Guaranteed Revenue	NPV of 300 Shelters	NPV of Cleaning and Maintenance	NPV Other Costs/Benefits	Total NPV includes Guaranteed Revenue, Shelters, Cleaning Value And other Costs or Benefits
300	$245,685	$1,247,624	$1,749,333	$84,240	$3,326,882.00

Option 2: Ten Years

Viacom Canada Inc. o/a Viacom Outdoor Canada is proposing to supply, install and maintain 150 new shelters plus scale guaranteed revenue sharing upward over the term of the contract as their capital investment is lower. This option provides a Total NPV of $2,266,999.00 and an Average Annual NPV of $226,700.00. For details please see Attachment A2).

Option 2 10 years Total Shelters	NPV of Guaranteed Revenue	NPV of 150 Shelters	NPV of Cleaning and Maintenance	NPV Other Costs/Benefits	Total NPV includes Guaranteed Revenue, Shelters, Cleaning Value And other Costs or Benefits
150	$266,578	$668,557	$1,247,624	$84,240	$2,266,999.00

Evaluation of Proposals:

Award of this Contract was based on the following evaluation criteria:

conformance with mandatory requirements pass/fail;

qualifications of the Offerer pass/fail;

industry experience of key personnel and references 5%;

business plan 5%;

design of advertising shelters 15%;

other factors which may present advantages to the City 10%;

net present value of total contract 65%

In all respects for criteria (a) to (e), both options were considered equivalent. For criteria (f) “other factors”, Option 1 (15 Years) was considered to be superior for the following reasons:

- stability of contract
- known values to be received
- flexibility in adjusting shelter volumes
- future negotiating leverage

Option 2 (10 years) provides flexibility for the City to issue another RFP after 10 years but overall this option has fewer benefits compared to Option 1 (15 years).

The major portion of the scoring was based on the Net Present Values of financial benefits to be received. The RFP originally indicated that the NPV would be based on total contract value. However, because Option 1 is for 15 years and Option 2 is for 10 years, the Average Annual NPV was also calculated.

Evaluation Criteria	Option 1 15 Years	Option 2 10 Years
(a) Conformance with mandatory requirements.	Pass	Pass
(b) Qualifications of the Offerer.	Pass	Pass
(c) Industry experience of key personnel and references. Maximum 5%	5%	5%
(d) Business plan. Maximum 5%	5%	5%
(e) Design of advertising shelters. Maximum 15%	15%	15%
(f) Other factors which may present advantages to the City. Maximum 10%	10%	7%
(g) Net Present Value of total contract. Maximum 65%	65%	44%
▪ Average annual NPV	64%	65%
Total Score Based on Total Contract NPV	100%	76%
Total Score Based on Average Annual Contract NPV	99%	97%

Financial Impact Statement:

Project Name: New Transit Shelter Contract

Date: December 27, 2002 First Year of Program **2003**

	2003	2004	2005	2006	2007
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	
Less: Existing Budgeted Costs	-	-	-	-	
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs					
Less: Incremental Revenue/Recovery	20,000	20,000	20,000	20,000	20,000
Net Cost/(Benefit)	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
Less: Existing Budget Amounts	(95,000)	(97,000)	n/a	n/a	n/a
Net Budget Adjustment Required	$ 75,000	$ 77,000	n/a	n/a	n/a

Additional Comments: The Transit Department had budgeted revenue of $95,000 in 2003. The new proposal does not provide any revenue until 2008. However, there will be benefits of approximately $20,000 per year for the first 5 years accruing from salvaged shelters used for parts.

Manager of Finance & Administration 4009

This Report Submitted By: Rick Borland, Director of Transit
Department: Transit
Division: Marketing and Customer Services
Prepared by: Morley Calahan, Promotions and Contracts Supervisor 986-5741
Processed by: Nick Iafolla, Manager of Marketing 986-6756
File No.

Attachment A1 Detailed Shelter Table - Option #1 (300 Shelters: 15 Years)

1	2	3	4	5	6	7	8	9	10	11	12
Year	**Non-Guaranteed Revenue**	**Guaranteed Revenue**	**Annual Value of Shelters**	**Annual Value to Clean & Maintain Shelters**	**Other Costs or Benefits (see Note 1)**	**NPV Discount at 6%**	**NPV of Guaranteed Revenue (3x7)**	**NPV of Shelters (4x7)**	**NPV to Clean and maintain Shelters 5x7**	**NPV of Additional Costs or Benefits 6x7 (see Note 1)**	**Total NPV including Guaranteed Revenue, Shelters, Cleaning and Additional Costs or Benefits (8,9,10,11)**
1	-	-	150,000	150,000	20,000	0.943	-	141,450	141,450	18,860	301,760
2	-	-	154,500	154,500	20,000	0.89	-	137,505	137,505	17,800	292,810
3	-	-	159,135	159,135	20,000	0.84	-	133,673	133,673	16,800	284,147
4	-	-	163,909	163,909	20,000	0.792	-	129,816	129,816	15,840	275,472
5	-	-	168,826	168,826	20,000	0.747	-	126,113	126,113	14,940	267,166
6	40,500	25,000	173,891	173,891	-	0.705	17,625	122,593	122,593	-	262,811
7	41,750	27,500	179,107	179,107	-	0.665	18,288	119,106	119,106	-	256,500
8	43,000	30,000	184,481	184,481	-	0.627	18,810	115,670	115,670	-	250,149
9	44,250	32,500	190,015	190,015	-	0.592	19,240	112,489	112,489	-	244,218
10	45,500	35,000	195,715	195,715	-	0.558	19,530	109,209	109,209	-	237,948
11	94,000	60,000	-	201,587	-	0.527	31,620	-	106,236	-	137,856
12	96,500	62,500	-	207,635	-	0.497	31,063	-	103,195	-	134,257
13	99,500	65,000	-	213,864	-	0.469	30,485	-	100,302	-	130,787
14	102,500	67,500	-	220,279	-	0.442	29,835	-	97,363	-	127,198
15	105,500	70,000	-	226,888	-	0.417	29,190	-	94,612	-	123,802
	$ 713,000	$ 475,000	$ 1,719,579	$ 2,789,832	$ 100,000		$ 245,686	$ 1,247,624	$ 1,749,332	$ 84,240	**$ 3,326,882**

Note 1: The additional Costs or Benefits (Column 6 and 11) are as follows: In years 1 - 5 it is estimated there will be salvage value of approximately $20,000 per year. The salvaged parts include glass panels, post and other components that can be used to repair existing shelters. Column 12 does not include NPV of non-guaranteed revenues due to uncertain value and speculative sales performance.

Attachment A2 Detailed Shelter Table - Option #2 (150 Shelters: 10 Years)

1	2	3	4	5	6	7	8	9	10	11	12
Year	**Non-Guaranteed Revenue**	**Guaranteed Revenue**	**Annual Value of Shelters**	**Annual Value to Clean & Maintain Shelters**	**Other Costs or Benefits (see Note 1)**	**NPV Discount at 6%**	**NPV of Guaranteed Revenue (3x7)**	**NPV of Shelters (4x7)**	**NPV to Clean and maintain Shelters 5x7**	**NPV of Additional Costs or Benefits 6x7 (see Note 1)**	**Total NPV including Guaranteed Revenue, Shelters, Cleaning and Additional Costs or Benefits (8,9,10,11)**
1	-	-	150,000	150,000	20,000	0.943	-	141,450	141,450	18,860	301,760
2	-	-	154,500	154,500	20,000	0.89	-	137,505	137,505	17,800	292,810
3	-	-	159,135	159,135	20,000	0.84	-	133,673	133,673	16,800	284,147
4	-	-	163,909	163,909	20,000	0.792	-	129,816	129,816	15,840	275,472
5	-	-	168,826	168,826	20,000	0.747	-	126,113	126,113	14,940	267,166
6	121,500	80,000	-	173,891	-	0.705	56,400	-	122,593	-	178,993
7	125,250	82,500	-	179,107	-	0.665	54,863	-	119,106	-	173,969
8	129,000	85,000	-	184,481	-	0.627	53,295	-	115,670	-	168,965
9	132,750	87,500	-	190,015	-	0.592	51,800	-	112,489	-	164,289
10	136,500	90,000	-	195,715	-	0.558	50,220	-	109,209	-	159,429
	$ 645,000	$ 425,000	$ 796,370	$ 1,719,579	$ 100,000		$ 266,578	$ 668,557	$ 1,247,624	$ 84,240	**$ 2,266,999**

Note 1: The additional Costs or Benefits (Column 6 and 11) are as follows: In years 1 - 5 it is estimated there will be salvage value of approximately $20,000 per year. The salvaged parts include glass panels, post and other components that can be used to repair existing shelters. Column 12 does not include NPV of non-guaranteed revenues due to uncertain value and speculative sales performance.