

Los Angeles
World Airports

December 4, 2013

The Honorable City Council
of the City of Los Angeles
City Hall, Room 395
Los Angeles, CA 90012

Subject: **APPROVAL OF TERMINAL MEDIA OPERATOR CONCESSION
AGREEMENT WITH JCDECAUX/AIRPORT SPONSORSHIPS/TIME WARNER
AT LOS ANGELES INTERNATIONAL AIRPORT.**

In accordance with Section 606 of the City Charter, the Board of Airport Commissioners transmits for your approval of Terminal Media Operator Concession Agreement with JCDecaux/Airport Sponsorships/Time Warner for development of indoor advertising, sponsorship, and emerging media opportunities at Los Angeles International Airport.

LAX
LA/Ontario
Van Nuys
City of Los Angeles

RECOMMENDATION FOR CITY COUNCIL

Eric Garcetti
Mayor

Board of Airport
Commissioners

Sean O. Burton
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Jackie Goldberg
Beatrice C. Hsu
Matthew M. Johnson
Dr. Cynthia A. Telles

Gina Marie Lindsey
Executive Director

1. APPROVE the Terminal Media Operator Concession Agreement with JCDecaux/Airport Sponsorships/Time Warner.
2. CONCUR in the Board's action authorizing the Executive Director to execute the Terminal Media Operator Concession Agreement with JCDecaux/Airport Sponsorships/Time Warner.
3. FIND that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III Class 1(18)(c) of the Los Angeles City CEQA Guidelines.

The Board of Airport Commissioners, at their meeting held on December 2, 2013 by Resolution No. 25283, approved the Terminal Media Operator Concession Agreement with JCDecaux/Airport Sponsorships/Time Warner subject to the approval of your Honorable Body is attached.

There is no fiscal impact to the City's General Fund as a result of this action.

CONCLUSION

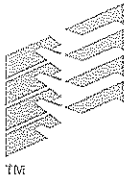
Please return the attached Terminal Media Operator Concession Agreement with JCDecaux/Airport Sponsorships/Time Warner to the Department of Airports' Board Office after City Council approval and Certification of that approval.

Very truly yours,

Sandra J. Miller – Commission Executive Assistant II
BOARD OF AIRPORT COMMISSIONERS

- cc: Trade, Commerce and Tourism Committee
 Councilmember LaBonge, E-file
 Councilmember Bonin, E-file
 Councilmember Buscaino, E-file
 CAO (Airport Analyst), E-file
 CLA (Airport Analyst), E-file
 City Clerk's Office, Enc. (one original)





RESOLUTION NO. 25283

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BE IT RESOLVED that the Board of Airport Commissioners approved Award of a Terminal Media Operator Concession Agreement to JCDecaux/Airport Sponsorships/Time Warner, for development of indoor advertising, sponsorship, and emerging media opportunities at Los Angeles International Airport, with a term through December 31, 2020 and a three (3)-year extension if exercised pursuant to the terms of the Agreement, as referenced on the board report attached herein and made part hereof; and

BE IT FURTHER RESOLVED that the Board of Airport Commissioners authorized the Executive Director or designee to execute said Terminal Media Operator Concession Agreement upon approval as to form by the City Attorney and upon approval by the City Council; and

BE IT FURTHER RESOLVED that the issuance of permits, leases, agreements, or other entitlements granting use of existing facilities at a municipal airport involving negligible or no expansion of operations beyond that previously existing or permitted is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Article III Class 1(18)(c) of the Los Angeles City CEQA Guidelines; and

BE IT FURTHER RESOLVED that actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of the Los Angeles City Charter Section 606.

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I hereby certify that this Resolution No. 25283 is true and correct, as adopted by the Board of Airport Commissioners at its Special Meeting held on Monday, December 2, 2013.

Sandra J. Miller – Secretary
BOARD OF AIRPORT COMMISSIONERS





Report to the BOARD OF AIRPORT COMMISSIONERS

Denise Sample
Approved by: Denise Sample, Managing Director

Debbie Bowers
Reviewed by: Debbie Bowers, Deputy Executive Director

Timothy J. [Signature]
City Attorney

Gina Marie Lindsey
Gina Marie Lindsey - Executive Director

Meeting Date:

December 2, 2013

CAO Review:

Completed
 Pending
 N/A

Reviewed for	Date	Approval Status	By
Capital Budget	11/15/13	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	DS
Operating Budget	11/14/13	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	11/13/13	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	ES
Procurement	11/18/13	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	MT

**SUBJECT: Award of a Terminal Media Operator Concession Agreement to JCDecaux/
Airport Sponsorships/Time Warner**

Approval of a Terminal Media Operator Concession Agreement with JCDecaux/Airport Sponsorships/ Time Warner, for development of indoor advertising, sponsorship, and emerging media opportunities, at Los Angeles International Airport, having a term through December 31, 2020 with a potential three-year extension if exercised pursuant to the terms of the Agreement. Over the term of the Agreement, guaranteed revenues will exceed \$180 million.

RECOMMENDATIONS:

Management RECOMMENDS that the Board of Airport Commissioners:

- ADOPT the Staff Report.
- DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1(18)(c) of the Los Angeles City CEQA Guidelines.
- FIND THAT this action is not subject to the provisions of Charter Section 1022 (Use of Independent Contractors).
- FIND that this contract is exempt from City Charter Section 371(e)(10).
- FIND that JCDecaux/Airport Sponsorships/Time Warner is responsive and responsible, that entering into this concession agreement is to the advantage of the City, and waive any informality in the proposals.

6. APPROVE the award of a Terminal Media Operator Concession Agreement having a term through December 31, 2020, and one three-year extension at Los Angeles World Airports' option.
7. AUTHORIZE the Executive Director or her designee to execute the Terminal Media Operator Concession Agreement upon approval as to form by the City Attorney.

DISCUSSION:

1. Purpose

As a result of this action the successful Terminal Media Operator (TMO) will be required to (1) make payments to Los Angeles World Airports (LAWA) on a guaranteed or percent of revenue basis, whichever is annually greater, (2) make investments in Los Angeles International Airport (LAX) facilities in an amount no less than \$21.5 million to develop and operate additional facilities/equipment to enable sale of advertising and sponsorships (3) develop emerging media opportunities and (4) develop, maintain, and operate the Integrated Environmental Media System (IEMS) in Tom Bradley International Terminal and other existing LAWA-owned media assets.

2. Prior Related Actions

- October 15, 2012 - Resolution No. 24945
Following the issuance of a Request for Qualifications (RFQ) on May 21, 2012 which yielded three Statements of Qualifications, the Board of Airport Commissioners (Board) approved a Qualified List of Proposers authorizing two RFQ respondents to participate in the Request for Proposal (RFP) process for the TMO Concession Agreement (Agreement).
- August 20, 2013 – Resolution No. 25223
The Board approved a request by staff to reject all proposals arising from the December 11, 2012 TMO RFP and directed staff to expedite the issuance of the 2013 RFP to the Qualified List of Proposers. As a result, on September 13, 2013, LAWA issued the 2013 RFP seeking firms that could demonstrate how they would use their professional, scientific, expert, technical or other special skills to develop, activate and operate a campus-based, commercially successful initiative that integrates specific opportunities/sites for sponsorships. LAWA received proposals from both Qualified Proposers on October 18, 2013.

Current Action

Approval of this action by the Board will award the Agreement to JCDecaux/Airport Sponsorships/Time Warner (JCDecaux). The term of the Agreement will be through December 31, 2020. The Agreement includes a potential three-year extension if exercised pursuant to the terms of the Agreement. The Agreement authorizes two stages of development, including (1) initial TMO Services deployment in the Tom Bradley International Terminal and (2) subject to a notice from LAWA, providing TMO Services in all other passenger terminals at LAX. Over the term of the Agreement, guaranteed revenues to LAWA arising from the Agreement will exceed \$180 million. In addition to the guaranteed revenues, forecast sales and proposed percentage fees will result in additional LAWA

revenue in excess of \$50 million over the term of the Agreement depending on the extent to which such sales are realized.

2013 RFP Selection Process

An evaluation committee completed the evaluation process in accordance with LAWA policies and procedures. The five member evaluation committee consisted of the following:

- Chief Financial Officer
- Chief Operating Officer
- Deputy Executive Director, Administration.
- Deputy Executive Director, Commercial Development Group
- Director, Capital Programming and Planning Group

Specific evaluation criteria and associated scoring points were published in the RFP and were employed to rank the proposals received and are listed below:

CRITERIA		POINTS
1	Management, Staffing, Operations and Maintenance Plan	15
2	Improvement Program & Financial Commitment	10
3	Adjusted Gross Revenue Forecast & Supporting Information – Sponsorship	10
4	Revenue Forecast & Supporting Information - Advertising	10
5	Financial Proposal – Sponsorship & Advertising	
	5A Percentage of Adjusted Gross Revenue – Sponsorship	15
	5B Sponsorship Minimum Annual Guarantee	15
	5C Advertising Minimum Annual Guarantee	20
6	Emerging Media Plan	5
TOTAL POINTS		100

Each evaluation panel member's scores were then totaled, which provided a ranking of the proposals for each evaluation panel member. These individual rankings were averaged yielding the following result:

Proposer	Average Ranking by Evaluation Committee Members
JCDecaux /Airport Sponsorships/Time Warner	1
Clear Channel Airports	2

In addition to being ranked first by all evaluation committee members, JCDecaux's scores for six of the eight evaluation criteria were consistently greater than those received by Clear Channel Airports, while one of the eight criteria resulted in equal

scores. Subsequent to scoring and ranking, LAWA's Procurement Services determined that Clear Channel Airports failed to pass the Administrative Requirements section of the RFP because Clear Channel Airports did not meet the ACDBE goal and did not make a Good Faith Effort to outreach to ACDBEs.

After informing JCDecaux they were the first ranked firm, LAWA finalized the terms of the Agreement and JCDecaux executed the Agreement.

Action Requested

Staff requests that the Board approve the Agreement with JCDecaux.

Fiscal Impact

This Agreement, if approved, is forecast to generate in the first full year of operation LAWA revenue in a range of \$26 million to \$30 million, which is at least 30% greater than the revenue received under the current LAX advertising contract during Fiscal Year 2013. No direct expenses are associated with this Agreement. As a result, no direct material impacts are expected for either LAWA's Operating or Capital Budgets.

Alternatives Considered

- ***Reject All Proposals and Re-Issue a Third RFP*** – Rejecting all proposals would reduce LAX revenues during Fiscal Year 2014 by over \$5 million from historical levels and by over \$10 million from what LAWA would be guaranteed to realize if the Agreement is awarded. In addition, LAWA would incur an increase of both LAWA's operating cost and operating risk associated with the IEMS.

STANDARD PROVISIONS:

1. The issuance of permits, leases, agreements, or other entitlements granting use of existing facilities at a municipal airport involving negligible or no expansion of operations beyond that previously existing or permitted is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1(18)(c) of the Los Angeles City CEQA Guidelines.
2. The Agreement is subject to approval as to form by the City Attorney.
3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of the Los Angeles City Charter Section 606.
4. JCD will comply with the Service Contractor Worker Retention and/or Living Wage Ordinance.
5. Procurement Services reviewed this action (File No. 6402) and established a goal of 10% Airport Concessions Disadvantaged Business Enterprise Program participation. JCD proposes 10% ACDBE participation. Procurement Services confirms that based on documents submitted JCD has made a good faith effort to outreach to ACDBE subcontractors.
6. JCD will comply with the provisions of the Affirmative Action Program.

7. JCD has been assigned Business Tax Registration Certificate No. 0002183121-0001-6.
8. JCD will comply with the provisions of the Child Support Obligations Ordinance.
9. JCD has approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports.
10. This action is not subject to the provisions of Charter Section 1022 (Use of Independent Contractors).
11. JCD has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. JCD must be determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance prior to execution of contract.
13. JCD will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. JCD has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.