STAP Price Proposal Notes

Gobis & Co.

General

- Assumed average rate of $400 per face for static panel
- Assumed average rate of $250 per flip at a max of 6 (10 second messages display over a 60-second cycle) advertisers per face for digital panel
- Conservative revenue estimates for 3000 shelters with a minimum of a single two-face panel; 2230 are static and 770 are digital
- Resulting 10-year ad revenue estimate would be $491,280,000 for shelters
- No consideration for increases related to special events (Olympics, World Cup), spectaculars or other opportunities

InSite

- Revenue estimates seem optimistic, but not unrealistic for the following reasons:
  - Proposer demonstrates capability to aggressively sell at multiple levels, which indicates high occupancy rates, high occupancy rates result in increasing advertising rates and more revenues
  - Adding increases related to Olympics and other major events would greatly increase overall revenues although they were not brought forth
  - Interactive kiosks account for around $110 million of 10-year estimates, yet InSite takes exception to rolling out this program element
- Scenario 1 - 100% CAPEx/Revenue Share
  - Y1 to Y4 0% to City
  - Y5 to Y10 6.9% to City
  - Cumulatively, the City receives 6% of revenues while InSite receives 45%; 25% to CAPEx and 24% to OpEx
  - This is a traditional model; recommend negotiation for 20/80 share during Y4-5 and 50/50 share during Y6 to 10
- Scenario 2 - 50% CAPEx/Revenue Share
  - 50% to City
  - Cumulatively, the City receives 38% of revenues while InSite receives 13%; 25% to CAPEx and 24% to OpEx
  - In this model, InSite appears not to cover CAPEx share and OpEx during Y1-5
- Scenario 3 - 0% CAPEx
  - Y1 to Y4 95% to City
  - Y5 to Y10 80% to City
  - Cumulatively, the City receives 61% of revenues while InSite receives -9%; 25% to CAPEx and 24% to OpEx
  - CAPEx recovery is 3% lower than in scenarios where InSite participates in Capital
  - During their interview, InSite clarified that Y6 to 10 were 80% to City
  - Need clarification on assumptions for this model to understand how InSite would be able to cover OpEx and sustain business

Summary: InSite would be a stable, motivated partner with whom the City could negotiate a beneficial financial arrangement; however, InSite only offers a basic street furniture program.

Intersection

- Revenue estimates seem conservative for Intersection's capabilities
  - Intersection takes a standard sales approach that could reasonably achieve the estimated revenues

  - The proposed number of shelters is less than 3000 and of those the shelters with advertising are 40% less than the basic assumption stated above and could partly explain the understated revenues
- No 100% or 50% CAPEx offer
- Propose MAG
- Scenario 3 - 0% CAPEx
  - 50% to City up to $35 million per year
  - 60% to City over $35 million per year
  - O&M Costs paid before City share
  - City responsible to pay Contractor in event of shortfall of O&M (no profit)
  - Cumulatively, the City receives 19% of revenues while Intersection would see a loss of 24% of estimated revenues; 42% to CAPEx and 63% to OpEx
  - Intersection requests the City pay 50% of OpEx; based on Intersection's revenue estimates, this would result in the City realizing a loss of 12% and Intersection receiving 8% of revenues
  - OpEx estimates are excessive; Intersection indicated that this was due to estimated replacement costs for vandalism incidents
- P3 Financing Option – no details
  - Special Purpose Vehicle assumptions have not been applied and may improve results

Summary: Intersection offers less total inventory with fewer ad panels, which challenges the program's revenue needs. Additionally, the operating expenses take up an excessive amount of program revenue. Intersection is an experienced partner who displays an understanding of the STAP goals.

Outfront Decaux

- Revenue estimates seem conservative, but align with previous CSFP experience
  - Outfront Decaux takes a sales approach that benefits other assets outside of the STAP, however it could achieve estimated revenues
  - The proposed number of shelters with advertising is about 70% less than the basic assumption above
  - Outfront Decaux offers an increase in City revenue share when revenues exceed tier levels that increase year over year; however, based on their estimated revenues, these thresholds cannot reasonably be attained. Therefore, cumulative results below are based on the minimum share to the City.
- 100% CAPEx
  - 0% to City under range $50 million to $69 million per year *(ex. Y1 $50 mil. threshold; Y2 $52 mil. threshold)*
  - 50% to City over range $50 million to $69 million per year
  - Cumulatively, the City receives the required $6 million payment in Y1 and 0% of revenues while Outfront Decaux receives 26%: 25% to CAPEx and 47% to OpEx
- 50% CAPEx
  - 15% to City under range $50 million to $69 million per year *(ex. Y1 $50 mil. threshold; Y2 $52 mil. threshold)*
  - 50% to City over range $50 million to $69 million per year
  - Cumulatively, the City receives the 4% of revenues while Outfront Decaux receives 24%; 25% to CAPEx and 47% to OpEx
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- 0% CAPEx
  - 30% to City under range $50 million to $69 million per year *(ex. Y1 $50 mil. threshold; Y2 $52 mil. threshold)*
  - 50% to City over range $50 million to $69 million per year

- Cumulatively, the City receives the 6% of revenues while Outfront Decaux receives 21%; 25% to CAPEx and 47% to OpEx

Summary: Outfront Decaux's revenue share payments to the City are based upon thresholds that will be difficult to achieve. The Business Model has a high number of static shelters and fewer ad panels which suppresses revenues. No firm commitment to diversify the advertiser base.

Tranzito

- Revenue estimates for shelters are appropriate for Tranzito's proposed inventory; however, some of those concepts may not be feasible or desired, which could lower estimated revenue
  - Advertising is assumed on all new shelters
  - Larger format digital ad panels account for 1.2% of ad panel inventory and generates revenue at a rate at least twice as high as standard digital ad panels; Vector, Tranzito's media partner, did state that the base revenue did not rely on these large format (Icon) panels
  - Revenue estimated for eLockers requires additional information
- Tranzito's price proposals include a $30million Minimum Annual Guarantee for Ten-Years with a true up
- 100% CAPEx
  - 2.8% to City if 10 yr. term revenue $0 to $657 million
  - 15.3% to City if 10 yr. term revenue $0 to $870 million
- 50% CAPEx
  - 23% to City if 10 yr. term revenue $0 to $657 million
  - 36% to City if 10 yr. term revenue $0 to $870 million
- 0% CAPEx
  - 58% to City if 10 yr. term revenue $0 to $657 million
  - 61% to City if 10 yr. term revenue $0 to $870 million
- Creative
  - 34% to City if 10 yr. term revenue $0 to $657 million
  - 39% to City if 10 yr. term revenue $0 to $870 million

Summary: Tranzito's Business Model needs to be rationalized with the other City programs/projects it encompasses. Administrative as well as capital costs are excessive. Use of SPV must be validated as being prudent to the City's goals for STAP and the program's need to be sustainable.