



**EXECUTIVE MANAGEMENT & AUDIT COMMITTEE
NOVEMBER 18, 2004**

SUBJECT: OPERATIONS PASSENGER INFORMATION SYSTEM (OPIS)

ACTION: AWARD REVENUE CONTRACT

RECOMMENDATION

Authorize the Chief Executive Officer to execute a 10-year revenue contract with Transit Television Network (TTN) to install, operate, maintain and sell advertising on a passenger information system (consisting of small video screens on the bus fleet) in exchange for a minimum annual payment of \$100,000 or ten percent of gross advertising revenues, whichever is greater.

RATIONALE

The Operations Passenger Information System (OPIS) provides information and entertainment for bus passengers, while at the same time offering a potential new revenue source for the agency. The OPIS contractor will be responsible for installation, operation and maintenance of two small video monitors inside each bus in the fleet at no cost or risk to us. Continuous, customized television programming will provide riders with real-time news headlines, simple games and vintage television shows, accompanied by rider announcements, a "Next Stop" indicator and advertisements.

In recent years, transit agencies in Orlando, FL and Milwaukee, WI have allowed TTN to install OPIS on their bus fleets, and Chicago Transit and MARTA in Atlanta, GA are currently evaluating similar systems. However, no major US transit property has this type of system in full revenue operation.

TTN's experience in Orlando and Milwaukee suggests the vast majority of passengers greatly enjoy the information and entertainment provided by OPIS; initially only 1% to 2% of riders found the TTN system objectionable, and following the introductory period, TTN reports that it receives "just one or two complaints per month" from these operations.

Staff's own 90-day test of the system on bus and rail vehicles generated a total of 15 complaints, all of which came from rail passengers. These passengers felt the presence of video monitors and the accompanying sound from the program presented an

unwelcome intrusion into the rail system. Due to these complaints and other operational concerns, staff opted not to recommend the rail portion of TTN's proposal at this time.

Conversely, no known complaints were received from bus passengers during the test period. Anecdotal evidence suggested that bus passengers found the TTN system to be a welcome amenity that enhances the quality of the transit experience.

FINANCIAL IMPACT

This is a revenue contract and is guaranteed to generate a minimum of \$100,000 in new revenues annually at no cost to the agency. TTN will pay a minimum of \$100,000 per year or 10% of each year's gross advertising revenues (whichever is greater) during the first five years of the contract, and a minimum of \$100,000 per year or 15% to 40% of gross advertising revenues (whichever is greater) on a sliding scale in years 6 to 10. Based on TTN's revenue projection models and the revenue sharing formula negotiated, our projected revenues from OPIS could total approximately \$10.3 million through the first five years, and may reach approximately \$67 million over the proposed ten-year life of this contract. However, only the minimum mentioned above is guaranteed.

ALTERNATIVES CONSIDERED

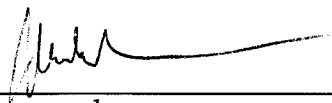
One alternative is to not install an OPIS system. This is not recommended because doing so would forgo a desirable passenger amenity and a significant new source of revenue.

Another alternative is to install OPIS on both the bus and rail systems. This is not recommended because of the passenger complaints received during the rail test, as well as the fact that TTN projected only slightly more revenue for an OPIS system installed on both the bus and rail fleet. If the OPIS program is successful on the bus fleet, staff will consider recommending expansion of the system onto the rail fleet in the future.


ATTACHMENT

A. Procurement Summary

Prepared by: Warren Morse, Deputy Executive Officer, Communications
John Drayton, Manager, Vehicle Technology



Matt Raymond
Chief Communications Officer



Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

OPERATIONS PASSENGER INFORMATION SYSTEM (OPIS)

1.	Contract Number: OP33201372		
2.	Recommended Vendor: Transit Television Network (TTN)		
3.	Cost/Price Analysis Information:		
	A. Proposed Projected Revenue: \$35,870,000	Recommended Projected Revenue: \$66,939,250	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Revenue (License Agreement)		
5.	Procurement Dates:		
	A. Issued: 05/30/03		
	B. Advertised: 06/02/03		
	C. Pre-proposal Conference: 06/11/03		
	D. Proposals Due: 08/28/03		
	E. Pre-Qualification Completed: 10/07/03		
	F. Conflict of Interest Form Submitted to Ethics: 10/11/04		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: None	Date Small Business Evaluation Completed: N/A	
	B. Small Business Commitment: N/A (Details are in Attachment A-2)		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 77	Bids/Proposals Picked up: 16	Bids/Proposals Received: 4
8.	Evaluation Information:		
	A. Bidders/Proposers Names:	Bid/Proposal Amount:	<u>Best and Final Offer Amount:</u>
	MPO Videotronics	\$ 2,600,000	\$N/A
	TRN	\$13,500,000	\$N/A
	TTN	\$35,870,000	\$66,939,250
	Wirespan	\$29,170,000	\$N/A
	B. Evaluation Methodology: Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: 11/23/04		
	B. Protest Receipt Date: T.B.D.		
	C. Disposition of Protest Date: T.B.D.		
10.	Contract Administrator: Robert Vasquez	Telephone Number: 922-1044	
11.	Project Manager: John Drayton	Telephone Number: 922-5882	

**BOARD REPORT ATTACHMENT A-1
PROCUREMENT HISTORY**

OPERATIONS PASSENGER INFORMATION SYSTEM (OPIS)

A. Background on Contractor

Transit Television Network (TTN), formerly The ITEC Network, is located in Orlando, Florida and was originally formed in 1999 as a division of ITEC Entertainment Corporation. TTN was spun off from ITEC Entertainment in 2001 and incorporated as an independent company. TTN's core business focuses on providing passenger-oriented information to the mass transit industry via on-board electronic media. TTN has not had a prior contract with us; however, it currently has several revenue-generating contracts with other public transit agencies, including LYNX in Orlando and MCTS in Milwaukee.

B. Procurement Background

This is a negotiated procurement under RFP No. OP33201372 which will generate revenue at no cost and virtually no risk to the agency via a license to advertise electronically on the agency's buses. The project was solicited using a performance scope of work. The solicitation included an extensive demonstration phase for both bus and rail. The result of that demonstration delegated OPIS as an option for rail operations at a later date. The project revenues reflect OPIS only on bus operations.

C. Evaluation of Proposals

Proposals were received from the following firms in response to the RFP: MPO Videotronics, TRN, TTN and Wirespan. Evaluation Criteria consisted of 4 major factors: technical proposal, past performance/qualifications, system demonstration test, and net revenue to the agency. The Source Selection Committee's (SSC) initial evaluation determined that Wirespan was not a technically qualified, responsive and responsible proposer because its proposal did not adequately address all the RFP requirements. Additionally, Wirespan did not adequately demonstrate that it had the technical or financial resources to successfully contract for a project of this magnitude.

The other 3 proposers were invited to interview with the SSC and allowed the opportunity to present static displays of their proposed systems. MPO Videotronics declined the opportunity to meet and withdrew its proposal from the competition due to other priorities and business commitments. After the presentations and upon further evaluation of TRN's proposal, the SSC removed TRN from the competitive range because it did not adequately demonstrate that it had a proven solution nor the financial resources to execute a contract of this magnitude. Additionally, TRN did not have an operational system in place at a comparable public transit agency at the time of the SSC's evaluation.

D. Cost/Price Analysis Explanation of Variances

The recommended price has been determined to be fair and reasonable based on fact finding, price analysis and an independent estimate from the Estimating Department. Staff's estimate is substantially higher than the recommended amount due to substantially differing assumptions used by Estimating and TTN, especially in the following areas:

1. Based on experience with other advertising contracts, staff's estimate used a straight 40% revenue share for all 10 years, while the negotiated amount reflects a 10% revenue share for the first 5 years and a stair-step formula which increases the agency's revenue share in each of the remaining 5 years.
2. Staff's estimate assumed total contractor expenses of \$55M over 10 years while the negotiated amount was based on estimated expenses of over \$204M.
3. The contractor used a different accounting method to calculate revenues and expenses, particularly in the area of booking capital costs as related to its parent corporation.

This is no historical information available for this contract since this is the first known revenue contract to use electronic media advertising on our buses. However, based on revenue sharing information received from other public transit agencies during the fact-finding process, the recommended amount appears to be fair and reasonable to both parties based on the revenue sharing formula negotiated.

**BOARD REPORT ATTACHMENT A-2
LIST OF SUBCONTRACTORS**

OPERATIONS PASSENGER INFORMATION SYSTEM (OPIS)

PRIME CONTRACTOR – TTN

Small Business Commitment

Other Subcontractors

None (no goal assigned)

None

Total Commitment 0%

