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MEMORANDUM

Date: March 14, 2021

To: Honorable Chairman John Daley, Cook County Board of Commissioners
Honorable Cook County Board of Commissioners

CC: Lanetta Hayes Turner, Chief of Staff
John Roberson, Deputy Chief of Staff
Sukmeke Watkins, Director of Legislative Affairs

From: Ammar M. Rizki, Chief Financial Officer

Subject: Digital Signage Initiative Update – Item #21-3875 in Finance Committee

The purpose of this memorandum is to provide an update on the ongoing efforts to develop a Digital Signage Initiative on behalf of Cook County. While some of this information may have been covered previously, we thought it important to provide additional background materials on new developments as well as answers to several frequently asked questions. We have worked hard to be transparent and answer any questions related to this initiative and hope this memorandum provides additional helpful context to this proposal.

As a brief refresher, the contract between the County and Branded Cities/OutFront Media proposes the building of digital signage for billboards displaying advertising over a 25-year term. Generally, advertising leases on the municipal level are 20+ years. The longer term allows for a longer amortization period of capital expenditures for lower costs – in turn allowing for a more generous 50/50 split of proceeds year to year. The Digital Signage Initiative will build up to 30 sign faces across Cook County along interstate and main arterial roadways. Compensation for the County will come in the form of a lease (Minimum Annual Guarantee) and an overall revenue share.

The Digital Signage Initiative is expected to pay a Minimum Annual Guarantee to the County in the form of a monthly lease and will also share in all revenue up to 43.6% with the County annually. As part of the proposal, the County will also be able to display public service messaging for up to three minutes an hour. The County will receive approximately \$75 million over the life of the contract (approximately \$3 million annually) and average \$200,000 per operational sign.

We have been working to address the concerns on this initiative since it was discussed by the Board of Commissioners in July 2021. Since then, the State’s Attorney Office (SAO) was asked to review the process used and provide an opinion on whether the Office of the Chief Financial Officer (OCFO) properly followed the Asset Marketing Ordinance. The SAO gave its opinion that the ordinance authorizes the OCFO to enter into an agreement with Branded Cities/OutFront Media and that the overall process was legal. The SAO confirmed the process used was valid (please see attached SAO opinion for more details).

We have also worked hard to address some questions related to minority and women-owned business utilization. Branded Cities/OutFront Media will now be using three firms for site prep and construction (two MBE, one WBE, two of three being union operated). Please know the proposed WBE is currently certified with the State of Illinois and is in the process of getting certified with the County. With the anticipated certification of the recommended WBE, the total projected participation will be no less than 46.6% of all site prep and construction. Depending on the number of sites approved by the Board, and sign configuration, percentages can increase above 50%. This mean MBE participation will be 28.9%, WBE participation will be 17.7% with IBEW Local 134 participation in 64% of all construction work.

Given the County's number of organizational and legal constraints, and the hybrid model of interstate and arterial signage, this is the optimal deal for the County to generate ongoing passive revenue outside of its current tax base. Most other non-network billboard agreements are smaller in scale and cannot attract network effects. If the County were only to form an agreement with fewer signs, without exclusivity, and shorter contract lengths, the sign operator would only be willing to pay 12-25% rather than the 50% we have negotiated and create increased administrative burdens relating to payment and oversight. Multiple smaller operators forming an overlapping patchwork of short-term contracts would lead to confused contract enforcement, reduced oversight, increased compliance and administrative burden, and potentially increase visibility risk for the County by unscrupulous operators.

Again, I think it is also important to note that there will be no cost to the County whatsoever. Branded Cities/OutFront Media will be responsible for the site selection, site development, sign construction, sign maintenance, zoning/permitting compliance, making all arrangement for ad sales, and sign replacement/refurbishment when needed. Additionally, under this agreement, Cook County is not outright selling any assets to a third party. Cook County is not forgoing any future revenue from an existing asset for an upfront payment. In short, this is not like the Chicago Parking Meter Deal which was an upfront payment in exchange for complete control of an existing City asset for 75 years.

This has been an exhaustively vetted proposal and we appreciate your many thoughtful questions. They have made the current iteration of this initiative even better. I know we all have the shared goal of ensuring this proposal benefits Cook County and its residents. With your help over the last six months, I believe it does just that. Please do not hesitate to contact my office if I can answer any questions or provide additional information. Thank you in advance for your consideration.

Sincerely,

Ammar M. Rizki

Ammar M. Rizki

Chief Financial Officer

Cook County Bureau of Finance