

PUBLIC WORKS & UTILITIES COMMITTEE

13-0065R

RESOLUTION AWARDING A THREE-YEAR AGREEMENT TO OUT THERE ADVERTISING, INC., FOR THE DEVELOPMENT AND PROMOTION OF PUBLIC AWARENESS OF PRODUCT SAFETY AND UTILITY SERVICES FOR AN ANNUAL AMOUNT NOT TO EXCEED \$85,000 IN EACH OF YEARS 2013, 2014, AND 2015, AND A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$255,000.

CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to enter into an agreement with Out There Advertising, Inc., substantially the same as that on file in the office of the city clerk as Public Document No. _____, for furnishing strategic and tactical services to develop messages to effectively promote public awareness of the Duluth public works and utilities services and product safety, and provide media purchasing services for the natural gas utility in accordance with its proposal dated January 7, 2013, with total contract funding for 2013, 2014 and 2015 not to exceed \$255,000;

said annual funding for year 2013 not to exceed \$85,000, payable from Gas Fund 520, Dept./Agency 500 (Public Works and Utilities), Org. 1940-2430 (Customer Services-Information and Conservation), Object 5340 (Advertising & Promotion).

Approved:



Department Director
Purchasing Agent 

Approved for presentation to council:



Chief Administrative Officer

Approved as to form:



Attorney

Approved:



Auditor

PWU/PRCH ES:DS:le 01/30/2013

STATEMENT OF PURPOSE: This resolution authorizes a professional services agreement with Out There Advertising, Inc., for coordinating the strategic and tactical details of public awareness campaigns for the natural gas utility. Tasks include the development and promotion of public awareness campaigns about product safety, utility services, and media purchases.

The purchasing division posted the original request for proposals (RFP) on the city's website December 18, 2012, and received three responses by the closing date. A team composed of the gas and energy coordinator and manager of the customer service division selected Out There Advertising after reviewing and ranking proposals from the three agencies that submitted proposals.

This resolution will approve a three-year contract for years 2013, 2014, and 2015. Funding shall be budgeted in the normal annual city budgeting process and approved by the city council. Total funding for all three years would not exceed \$255,000. Adequate funding is available for this expenditure to be paid from the gas fund. It is estimated that Out There Advertising, Inc., would receive \$32,000 from the budgeted amount in fees and commissions. The balance of \$52,900 would be spent on media purchases and publicity materials. This expenditure is less than one percent of annual gas utility sales.

RFP Public Awareness Media Services
File No. 13-0027
Acknowledgment January 8, 2013

Proposer	City/State
Creative Marketing Communications, Inc.	Duluth, Minnesota
Out There Advertising, Inc.	Duluth, Minnesota
SwimCreative, LLC	Duluth, Minnesota

**AGREEMENT FOR PROFESSIONAL ADVERTISING SERVICES
BY AND BETWEEN
OUT THERE ADVERTISING, INC.
AND
CITY OF DULUTH**

THIS AGREEMENT, effective as of the date of attestation by the City Clerk, by and between the **CITY OF DULUTH**, a municipal corporation, hereinafter referred to as “City,” and **OUT THERE ADVERTISING, INC.**, a Minnesota corporation, located at 22 East 2nd Street, Duluth, Minnesota 55802, hereinafter referred to as “Agency,” for the purpose of rendering services to the City.

WHEREAS, City issued a Request for Proposal (the “RFP”) to provide public awareness services for the City’s Public Works and Utilities Department (the “Services”). A copy of the RFP is attached hereto as Exhibit A; and

WHEREAS, Agency submitted a Proposal in response to the RFP (the “Proposal”). A copy of the Proposal is attached hereto as Exhibit B; and

WHEREAS, Agency has represented that it is qualified and willing to perform the Services set forth in the RFP and Proposal; and

WHEREAS, based on the Proposal the City has selected Agency’s professional services.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter contained, the parties hereto agree as follows:

1. Services to be performed. Agency will provide marketing and public awareness services described below and further identified in the RFP and Proposal dated January 7, 2013. In the event of any conflict between Exhibit A, Exhibit B and this Agreement, the terms and conditions of this Agreement shall be deemed to be controlling. In the event of a conflict between Exhibit A and Exhibit B, Exhibit A shall be deemed to be controlling.
 - a. Analysis of public awareness media and the determination of which media are especially adapted to the marketing of assigned products and services.
 - b. The development of specific public awareness plans, including recommended creative approaches, as well as detailed media programs, to include specifically:
 - i. The preparation of public awareness messages in whatever form and media the plan specifies.
 - ii. The physical production of public awareness messages for use in specified advertising media.
 - iii. The preparation of schedules for insertion of public awareness messages, safety, and promotional materials in publications.
 - iv. The negotiation for favorable rates and the actual ordering of media space and time to carry the brand or product or service message.
 - v. The timely forwarding of public awareness messages in proper form to specified media.

- vi. Checking and verifying that the public awareness messages appeared as planned in the media space and time purchased in behalf of Duluth Public Works and Utilities.
 - vii. Confirmation of space and time charges submitted by the media and other authorized outside suppliers and payment of confirmed invoices.
 - viii. Acting as agent of the advertiser in the purchase of services, including media services and materials required for advertising of the assigned products. Notwithstanding the foregoing, the Agency acknowledges and agreement that it shall secure the City's approval prior to committing expenditures for media, advertising, production, etc. Expenditures over \$1,000.00 require written approval. Less than \$1,000.00 require verbal approval.
2. Fees. It is agreed between the parties that Agency's maximum annual fee for the term of this Agreement shall not exceed \$85,000 for a total contract amount not to exceed \$255,000 (Two-hundred fifty-five thousand and no/100 dollars) inclusive of all travel and other expenses associated with the Project, payable from the Gas Fund 520, Agency 500, Organization 1940-2430, Object 5340. Requisition No. 13-027. All bills for services rendered shall be submitted monthly to the Gas and Energy Coordinator of Public Works and Utilities Department.
3. Term and Termination.
- a. The term of this Agreement shall commence on the "Effective Date" and shall continue until December 31, 2015, unless terminated earlier as provided for herein.
 - b. This Agreement can be canceled by either party by giving 90 days written notice to the non-canceling party. In the event of termination, all property and finished or unfinished documents and other writings prepared by Agency under this Agreement shall become the property of the City and Agency shall promptly deliver the same to the City. The City agrees that if advertising work in progress is canceled, it will reimburse the Agency for its direct out-of-pocket expenses and appropriate service charges for the canceled work. In the event of termination due to breach by Agency, the City shall retain all other remedies available to it, and the City shall be relieved from payment of any fees in respect of the services of Agency which gave rise to such breach.
4. Consultant Representation and Warranties. Consultant represents and warrants that:
- a. Agency and all personnel to be provided by it hereunder have sufficient training and experience to perform the duties set forth herein including but not limited to the desired qualifications outlined in the RFP and are in good standing with all applicable licensing requirements.
 - b. Agency and all personnel provided by it hereunder shall perform their respective duties in a professional and diligent manner in the best interests of the City and in accordance with

the then current generally accepted standards of the profession for the provisions of services of this type.

- c. It will utilize only its own personnel in the performance of the services set forth herein; and further agrees that it will neither assign, transfer or subcontract any rights or obligations under this Agreement without prior written consent of the City.
- d. Agency has complied or will comply with all legal requirements applicable to it with respect to this Agreement. Agency will observe all applicable laws, regulations, ordinances and orders of the United States, State of Minnesota and agencies and political subdivisions thereof.
- e. The execution and delivery of this Agreement and the consummation of the transactions herein contemplated do not and will not conflict with, or constitute a breach of or a default under, any agreement to which the Agency is a party or by which it is bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature upon any of the property or assets of the Agency contrary to the terms of any instrument or agreement.
- f. There is no litigation pending or to the best of the Agency's knowledge threatened against the Agency affecting its ability to carry out the terms of this Agreement or to carry out the terms and conditions of any other matter materially affecting the ability of the Agency to perform its obligations hereunder.
- g. The Agency will not, without the prior written consent of the City, enter into any agreement or other commitment the performance of which would constitute a breach of any of the terms, conditions, provisions, representations, warranties and/or covenants contained in this Agreement.

5. Insurance and Indemnification.

- a. Agency shall provide the following minimum amounts of insurance from insurance companies authorized to do business in the state of Minnesota.
 - i. Workers' compensation insurance in accordance with the laws of the State of Minnesota.
 - ii. Public Liability and Automobile Liability Insurance with limits not less than \$1,500,000 Single Limit, and twice the limits provided when a claim arises out of the release or threatened release of a hazardous substance; shall be in a company approved by the city of Duluth; and shall provide for the following: Liability for Premises, Operations, Completed Operations, Independent Contractors, and Contractual Liability.
 - iii. City of Duluth shall be named as Additional Insured under the Public Liability, Excess/Umbrella Liability* and Automobile Liability, or as an alternate, Agency may provide Owners-Contractors Protective policy,

naming itself and the City of Duluth. Agency shall also provide evidence of Statutory Minnesota Workers Compensation Insurance. Agency to provide Certificate of Insurance evidencing such coverage with 30-days notice of cancellation, non-renewal or material change provisions included. The City of Duluth does not represent or guarantee that these types or limits of coverage are adequate to protect the Agency's interests and liabilities.

*An umbrella policy with a "following form" provision is acceptable if written verification is provided that the underlying policy names the City of Duluth as an additional insured.

- iv. If a certificate of insurance is provided, the form of the certificate shall contain an unconditional requirement that the insurer notify the City without fail not less than 30 days prior to any cancellation, non-renewal or modification of the policy or coverages evidenced by said certificate and shall further provide that failure to give such notice to City will render any such change or changes in said policy or coverages ineffective as against the City.
- v. The use of an "Accord" form as a certificate of insurance shall be accompanied by two forms – 1) ISO Additional Insured Endorsement (CG-2010 pre-2004) and 2) Notice of Cancellation Endorsement (IL 7002) or equivalent, as approved by the Duluth City Attorney's Office.
- b. The insurance required herein shall be maintained in full force and effect during the Term of this Agreement and shall protect Agency, its employees, agents and representatives from claims and damages including but not limited to personal injury and death and any act or failure to act by Agency, its employees, agents and representatives in the negligent performance of work covered by this Agreement.
- c. Certificates showing that Agency is carrying the above described insurance in the specified amounts shall be furnished to the City prior to the execution of this Agreement and a certificate showing continued maintenance of such insurance shall be on file with the City during the term of this Agreement.
- d. The City shall be named as an additional insured on each liability policy other than the professional liability and the workers' compensation policies of the Agency.
- e. The certificates shall provide that the policies shall not be changed or canceled during the life of this Agreement without at least 30 days advanced notice being given to the City.
- f. Except as provided herein, Agency agrees that it shall defend, indemnify and save harmless the City and its officers, agents, servants, and employees from any and all claims, demands, suits, judgements, costs, and expenses asserted by any person or

persons arising out of, or by reason of, any negligent act, omission, operation of work of Agency or its employees while engaged in the execution of performance of services under this Agreement. City shall indemnify and hold Agency harmless from any and all liability arising out of advertising suggested or provided by the City. The City shall be responsible for the accuracy and completeness of any representations or claims it makes concerning Public Works and Utilities services or products.

- g. Agency expressly waives any right to claim any immunity provided for in Minnesota Statutes Chapter 466 or pursuant to the official immunity doctrine.

6. Notices.

Notice to the City or Service provided for herein shall be sufficient if sent by the regular United States mail, postage prepaid, addressed to the parties at the following addresses or to such other respective persons or addresses as the parties.

City of Duluth	Out There Advertising
Public Works and Utilities	2 East 2nd Street
Department/Comfort Systems	Duluth, Minnesota 55802
520 Garfield Ave	Attn:
Duluth, MN 55802	
Attn: Gas and Energy Coordinator	

7. General Terms and Conditions.

- a. Any alterations, variations, modifications or waivers of terms of this Agreement including contract price shall be binding upon the City and Agency only upon being reduced to writing and signed by a duly authorized representative of each party.
- b. Agency personnel shall cooperate with City employees not directly involved with advertising to make advertising programs as effective as possible.
- c. The Agency shall not act as advertising agent for products or services that directly compete with those pursuant to this Agreement.
- d. Data, Disclosure, and Confidentiality.
 - i. The Agency shall take reasonable care in safeguarding the security of the City's property given to the Agency, including all reports, documents, statistical data, and other material and their confidentiality.
 - ii. The Agency shall disclose its ownership position in any subcontractors it uses in satisfying Duluth Public Works and Utilities needs.
 - iii. The Agency shall ascertain the ownership of photographs, art work, copyrights, or other property rights that it uses in behalf of Duluth Public Works and Utilities, and shall obtain appropriate releases, licenses, or other authorization as appropriate and necessary.

- iv. Agency agrees that all work created by Agency for the City is a “work made for hire” and that the City shall own all right, title, and interest in and to the work, including the entire copyright in the work. Agency further agrees that to the extent the work is not a “work made for hire” Agency will assign to City ownership of all right, title and interest in and to the work, including ownership of the entire copyright in the work. Agency agrees to execute, at no cost to City, all documents necessary for City to perfect its ownership of the entire copyright in the work. Agency represents and warrants that the work created or prepared by Agency will be original and will not infringe upon the rights of any third party, and Agency further represents that the work will not have been previously assigned, licensed or otherwise encumbered.
 - v. Records shall be maintained by Agency in accordance with requirements prescribed by the City and with respect to all matters covered by this Agreement. Such records shall be maintained for a period of six (6) years after receipt of final payment under this Agreement.
- e. Independent Contractor.
- i. It is agreed that nothing herein contained is intended or should be construed in any manner as creating or establishing the relationship of copartners between the parties hereto or as constituting Agency as an agent, representative or employee of the City for any purpose or in any manner whatsoever. Agency and its employees shall not be considered employees of the City, and any and all claims that may or might arise under the Worker’s Compensation Act of the State of Minnesota on behalf of Agency’s employees while so engaged, and any and all claims whatsoever on behalf of Agency’s employees arising out of employment shall in no way be the responsibility of City. Except for compensation provided in paragraph 2 of this Agreement, Agency’s employees shall not be entitled to any compensation or rights or benefits of any kind whatsoever from City, including without limitation, tenure rights, medical and hospital care, sick and vacation leave, Worker’s Compensation, Unemployment Insurance, disability or severance pay and P.E.R.A. (Public Employee Retirement Association). Further, City shall in no way be responsible to defend, indemnify or save harmless Agency from liability or judgments arising out of Agency’s intentional or negligent acts or omissions of Agency or its employees while performing the work specified by this Agreement.
 - ii. The parties do not intend by this Agreement to create a joint venture or joint enterprise, and expressly waive any right to claim such status in any dispute arising out of this Agreement.

f. Laws, Rules and Regulations.

Agency agrees to observe and comply with all laws, ordinances, rules and regulations of the United States of America, the State of Minnesota and the City with respect to their respective agencies which are applicable to its activities under this Agreement.

g. Applicable Law.

This Agreement, together with all of its paragraphs, terms and provisions is made in the state of Minnesota and shall be construed and interpreted in accordance with the laws of the State of Minnesota.

h. Severability

In the event any provision herein shall be deemed invalid or unenforceable, the remaining provision shall continue in full force and effect and shall be binding upon the parties to this Agreement.

i. Entire Agreement

It is understood and agreed that the entire agreement of the parties including all exhibits are contained herein and that this Agreement supersedes all oral agreements and negotiations between the parties relating to the subject matter hereof. Any Amendment to this agreement shall be in writing and shall be executed by the same parties who executed the original agreement or their successors in office.

j. Counterparts

This agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and date first above shown.

CITY OF DULUTH

OUT THERE ADVERTISING, INC.

By _____
Mayor

By _____
Representative

Attest:

Its _____
Title of Representative

City Clerk
Date: _____

Date: _____

Approved as to form:

City Attorney

Department Director

Purchasing Agent

EXHIBIT A
Request for Proposal



CITY OF DULUTH
PURCHASING DIVISION
Room 100 City Hall
411 West First Street
Duluth, Minnesota 55802-1199
218/730-5340 218/730-5922 FAX

December 17, 2012

REQUEST FOR PROPOSAL
13-0027
Public Awareness Media Services

Please provide the City of Duluth with a proposal for **Public Awareness Media Services** per the attached description, requirements and goals.

Please mark your proposal with the above number and title on the outside of the envelope and return to: City of Duluth, Purchasing, Room 100, 411 West 1st Street, Duluth, MN 55802 by **2 PM., Tuesday, January 8, 2013.**

All proposals will be acknowledged aloud in room 106A of City Hall. Proposals will be reviewed by committee according to established criteria.

The City of Duluth reserves the right to reject all proposals, to select more than one to give presentations if so desired by the City of Duluth, or to select the best one and enter into further negotiations with the vendor.

Contact: Dennis Sears (218) 730-5003
Purchasing Agent
dsears@duluthmn.gov

Thank you.

Minimum Criteria for Candidate Agencies

December 12, 2012

This criteria sets out the minimum characteristics that agencies or collaborative teams must have before their proposals can be considered as qualified for the account. If an organization has the minimum qualifications, it may be subject to further consideration, but if does not meet the minimum criteria, the proposal will be dropped from further consideration. Please address each qualification listed below and submit with your proposal.

- Agency/Team must be located within 25 miles of Duluth, MN.
- Agency/Team must be a full service agency. A full service agency provides services to include media strategy and buying, art and creative direction, design services, copy writing, web site promotions, illustration, budgeting and reporting with its staff.
- Agency/Team shall not handle any accounts for a competitor that directly competes for gas utility customers of Duluth Public Works and Utilities Department.
- Agency/Team must have strong capabilities in direct marketing, web site promotions, launching new services, design, media placement, and formulation of marketing strategies.
- Agency/Team must have worked together serving full service accounts for a minimum of 3 years.
- Agency/Team shall have a minimum of four staff or team members including owners and executives.

Public Works and Utilities
Public Awareness and Communications Account Profile
December 11, 2012

ComfortSystems
City of Duluth Public Works and Utilities Department
P.O. Box 169001
520 Garfield Ave
Duluth, MN 55802

Agency Search Coordinator: Eric Schlacks 730-4060

Public Communications Components

The Public Works and Utilities Department was formed in 1999 by combining two city departments: Public Works and Water and Gas. The department has selected a brand name, "ComfortSystems", to promote product safety, natural gas, and associated utility services. These communications needs consist of three key components:

- Publicizing safety and conservation messages,
- Promoting utility billing and credit services,
- Promoting utility services with special focus on natural gas services,
- Outreach to low income customers.

The Federal Energy Regulatory Commission and the Minnesota Office of Pipeline Safety mandate that certain public awareness communications be promoted to the public and certain stake holder groups such as emergency responders, and local government officials.

The Public Works and Utilities Department has provided natural gas service to Duluth for several decades through its predecessor the Water and Gas Department. It promotes 24 existing products and services to residents and businesses of Duluth. New products and services will be launched in the future.

Budgets

Agency budgets to develop and deliver public information to customers and residents are expected to remain steady at approximately \$85,000 per year. Most of the agency budget is spent on media for messages.

Product

Natural gas is a clean, efficient, convenient, worry free, and economical source of energy for heating homes and water, drying clothes, cooking food, fireplaces, etc. Prospective customers have some need for natural gas but it is not necessary because of readily available substitutes. Natural gas competes against firewood, fuel oil, propane, and electricity, and district steam as an energy source. It has a price advantage over electricity, fuel oil, propane, and steam.

We are the only organization offering natural gas service to residential customers in the City of Duluth. In the past we have had direct competition from COMO Natural Gas, Inc. and Texas El Paso Gas for commercial customers. Today we face direct competition from US Energy Services to purchase natural gas for commercial customers. We are the market leader selling natural gas in Duluth. Any increase in the size of the gas market in Duluth will benefit ComfortSystems and its customers.

Minnesota Power has a similar dominance in selling electric power to customers in our service territory. It is a much larger company than Public Works & Utilities. Electric appliances often have a lower first cost. Minnesota Power has programs in place to entice customers to go electric. There are many propane and fuel oil companies in the area which also offer incentives to customers to install propane and oil fueled appliances. Many residents have purchased appliances that operate on fuels other than natural gas.

Natural gas appliances are clean burning and convenient to use. Natural gas is the environmentally responsible choice. It produces the least amount of green house gases that scientists cite as causing global warming of any major energy source in use today.

Since there is no storage needed with natural gas customers can get rid of storage tanks. Natural gas gives customers peace of mind because they do not worry about running out of fuel before the next delivery. Natural gas has a good reputation in Duluth.

Services

The Department provides:

- credit and billing services which are promoted to make customers aware and enroll. These services are similar to what other businesses offer customers.
 - budget billing
 - direct pay
 - pay stations
 - pay boxes
 - service applications/changes
 - credit card transactions
- appliance services are distinguished by low prices, quality work, and a high credibility level with the customer
 - furnace cleaning
 - furnace repair & service
 - hot water heater repair & service
- Safety is critical to our customers, employees and the general public. These services are generally unique to natural gas suppliers
 - natural gas leak detection and repair service
 - water leak detection and repair service
 - carbon monoxide testing

- regulator & meter snow removal
- pipeline safety
- 24 hour emergency service
- construction zone driving
- Residential
 - New customers converting to natural gas
 - Home Energy Loan Program provides low interest loans. It is very popular with customers wanting to improve the energy efficiency of their homes.
 - Advanced Home Energy Program provides use of diagnostic tools during initial energy surveys to identify more comprehensive efficiency and conservation measures. It is provided in partnership with Minnesota Power.
 - Home Energy Check-up is a free home energy survey for energy conscious customers. This program is provided in partnership with Minnesota Power.
 - Low Income New Construction program provides grants to builders and developers to make new construction low income housing more efficient from the start.
 - Heat Share helps needy customers pay heating bills during the winter. The Salvation Army administers this program. ComfortSystems solicits donations and refers clients.
 - Application for Service & Rates makes customers aware of choices available to them and how to make changes.
 - Pocket Conversion program extends main into areas where no mains exist and promotes benefits of natural gas to potential customers.
- Commercial & industrial
 - Gas transport gives customers choice about who supplies their natural gas
 - Application for service and rates make customers aware of choices available to them and how to make changes.
 - Promotion of Commercial & Industrial conservation programs.

List of Agency Services Desired

Account Administration
 Media/Vendor Strategy and Supervision
 Purchasing Media and Materials
 Client Consultation
 Project Coordination
 Art Direction/Creative Direction
 Design Services and Layout
 Copywriting
 Web Site Promotion
 Illustration

Typical Media Program

Messages are placed in various media year around, but some services are limited to the construction season (May-October). Message placement for this account will primarily be in the Twin Ports region of Minnesota. The agency will be expected to participate in the development and launch of new products and services. Some advertising will be produced jointly with other companies which will require ad agencies to work together to complete the assignment.

City of Duluth
Public Works and Utilities Department
Request
For Background Information
Public Awareness Agency

Please answer all questions briefly and concisely on separate sheets. Provide attachments, addendum or examples as needed. Speculative creative or any specific recommendations for Public Works and Utilities/ComfortSystems will not be accepted at this time.

Agency _____

Address _____

Telephone _____

Fax _____

E-mail Address _____

Name and Title of Agency Contact _____

A Organization Ownership and Key Employees

- (a) When was your agency founded?
- (b) Who owns your agency?
- (c) Who controls the management of your agency?
- (d) Please identify the most important executives in your agency, and provide a short one-paragraph description of each of their careers. What do they do now in your agency?
- (e) Is there anything else you would like to tell us about the ownership of your agency or its key employees?

B Agency Organization and Service

- (a) Provide a functional organization chart for your agency. (It is not necessary to indicate names)
- (b) How many staff including owners and executives does your agency have?
- (c) Please describe how your agency provides service to a typical client. Is it possible to provide a functional account organization chart indicating contact points between agency and client?
- (d) Is your organization a full service agency? What services does your agency provide? What services does your agency rely on individuals or firms outside of it to perform?
- (e) Please describe the function of your account management. How does it interact with a typical client? What are its specific responsibilities within the agency?
- (f) Please describe your creative department. How would you characterize its strengths? To what extent and under what circumstances are representatives of the creative department in direct contact with your clients?
- (g) Please describe your media department. How would you characterize its strengths? To what extent and under what circumstances are representatives of your media department in direct contact with your clients?
- (h) Please describe your research department. How would you characterize its strengths? To what extent and under what circumstances are

representatives of your research department in direct contact with your clients?

- (i) What capabilities does your agency have in direct marketing, web site development and promotion, launching new services, media placement, and the formulation of marketing strategies?
- (j) When your agency is awarded a new account, does it typically staff it from within, or do you also augment internal staffing with professional people newly hired from outside the agency?
- (k) Which staff members would handle our accounts?
- (l) Would any tasks or activities for Public Works and Utilities be subcontracted to individuals or companies outside the agency? If so which ones, and who would do the work?
- (m) Is there anything else you would like to tell us about your agency's organization and how it serves its clients?

C Top Management Participation

- (a) How does the owner or chief executive officer maintain contact with your clients?
- (b) Does the owner or chief executive officer participate directly in the professional conduct of any client advertising programs? Would you mind telling us which ones these are?
- (c) Who (by title) is the senior agency executive responsible for the professional conduct of other agency accounts?
- (d) Is there anything else you would like to tell us about the participation of your top management in account service?

D Account Gain and Loss History

- (a) What accounts has your agency lost in the past two years?
- (b) If you have lost accounts within the past two years, would you care to comment on why they were lost?
- (c) What accounts has your agency gained in the past two years?

- (d) If you have gained accounts within the past two years, would you care to comment on why your agency was chosen to service these new accounts?
- (e) Please provide a list of your accounts as of July 1, 2012.
- (f) Would you give us your list of accounts as of July 1, 2009
- (g) Does your agency handle any accounts for a competitor that directly competes for energy customers of Duluth Public Works and Utilities Department? If so please provide a list of those clients. What is the nature of those accounts and what services do you provide?
- (h) Is there anything else you would like to tell us about your account gain and loss history?

E Agency Financial Standing and Policies

- (a) How would you characterize your balance sheet?
- (b) How do you usually charge your clients for your services? Please include an explanation of your compensation philosophy, a schedule of hourly rates, your mark-up structure and fee/commission structures.
- (c) Do you have an internal time-cost accounting system? If you do what has been your experience with the system?
- (d) If you would like to tell us, we would like to know approximately what proportion of agency internal time is charged against client accounts and what proportion is charged against general management, general overhead, and/or unallocated direct salary expense.
- (e) We would be interested in any comments that you wish to make about your credit rating, your media payment policies, whether you consistently earn cash discounts, etc.
- (f) About how many days on average do client media bills remain outstanding after the media invoice is issued? 30 days, 60 days, 90 days, over 90 days?
- (g) What was the approximate value of all media purchased for clients in 2011? Please provide a breakdown by the type of media purchased in 2011 (e.g. TV 20%, Print 30%, Radio 30%, Bill Boards 10%, Special Events 10%, etc.).

- (h) Is there anything else you would like to tell us about your agency's financial standing and policies?

F Agency Views about Effective Advertising

- (a) How would you describe effective advertising?
- (b) Does your agency have any specific philosophy or practices that you believe consistently produce effective advertising?
- (c) Does your agency follow any procedures to maintain the effectiveness of the advertising you produce on an account-by-account basis?
- (d) Is there anything else you would like to tell us about your agency's views about effective public information communications and how it might best be obtained?

G Agency Experience

- (a) In general, how would you characterize the experience of your agency? With what kinds of accounts do you believe yourself to have special strength?
- (b) What agency experience, if any, is directly related to the products or services which we are now searching for an agency?
- (c) What other agency experience, although not directly relevant, do you believe might provide useful background if you were to be awarded the public awareness agency account for ComfortSystems?
- (d) What advantage would your firm provide to Public Works and Utilities versus other firms?
- (e) Does your agency or individuals in it have any experience in developing public awareness strategy and tactics for firms in recently deregulated industries such as trucking, banking, airline, telephone, or energy? If so please describe the nature of that experience.
- (f) Is there anything else about your agency experience that you believe would be helpful for us to know?

H References

- (a) If you would not object to us talking with some of your current clients about the effectiveness of your creative product and the excellence of your

account service, please list three or four of your current clients whom we might contact.

- (b) If you would not object to us talking with some of the media organizations you buy media from to publicize client's messages about their experience scheduling messages and your payment history, please list whom we might contact.

Public Awareness Agency Request for Proposal

- 1) Please provide a detailed proposal to provide service for this account. Speculative or creative materials will not be accepted at this time.
- 2) Please provide a separate list of your agency's rates, fees, and commissions to provide the services listed in section 3 of this document for the next three years (2013 through 2015). Break out hourly rates by type of service provided and position of staff providing service.
- 3) Please complete the Cost Projections for a Hypothetical Year of Agency Service worksheet.

Cost Projections for a Hypothetical Year of Agency Service

The billable hours for a hypothetical year of services from an agency for the Public Works and Utilities Department's public awareness work have been projected. The hours listed represent the amount of billable hours and production time an agency might hypothetically spend providing various services in a year. These hours have been projected to **provide a cost comparison between agencies making proposals** for this account. The costs submitted by agencies for this hypothetical year of service **are not the contract amount**.

Please add any fees or rates you charge customers that are not included in the list below.

Account Administration – 103 Hours

All aspects of responsive client servicing, including: budget preparation, budget tracking and budget planning, documentation and facilitation, assembling monthly reports to ensure budget is on-target at end of each month; City and Inter-office reports; invoice and contract reviews; daily account supervision; budget forecasting; determining ways to make the most of PR opportunities and coordinating attendance at community/cultural events thereby helping to strengthen ComfortSystems public profile.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
Sub-Total			103 Hrs	\$	_____

Media/Vendor Strategy and Supervision – 22 Hours

Strategizing, determining media tactics and message placement, developing and maintaining a detailed marketing/media plan as per a predetermined annual budget; researching opportunities to maximize most effective use of media placement by pinpointing specific messages to demographic audience; contact with media representatives; planning media schedules, and coordinating project traffic; purchasing media of all types, following up on billing discrepancies and makegoods; maintaining internal media spreadsheets; preparation of materials for City officials to substantiate marketing strategies.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
Sub-Total			22 Hrs	\$	_____

Client Consultation and Contact– 40 Hours

All discussions, meetings, and phone conversations between agency staff and ComfortSystems personnel, including: formulation of strategy and tactics, campaign planning, media and design recommendations; following up on client’s questions and concerns; deliberation and conception of ideas with client, meeting with client project development teams, meet with marketing manager at least monthly, summarize and issue meeting minutes.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
Sub-Total			40 Hrs	\$	_____

Project Coordination – 35 Hours

Supervision and management of specific approved projects, including: brochures, inserts, direct mail, handouts, apparel, radio scripts, television, newspaper and magazine advertisements, outdoor advertising, special events, etc.; securing estimates and comparing costs; researching vendor capabilities and fair market price in regard to specific projects; preparing specs; all press checks; monitoring vendor invoices, supervision of production, printing and outside vendors in regard to a specific project to ensure price, quality control and timely delivery.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
			Sub-Total		
			35 Hrs	\$	_____

Art Direction/Creative Direction – 9 Hours

Management and supervision on a per-project basis, which includes: guidance of the conceptual direction of fresh, effective, consistent, on-message creative; supervising photography sessions, editing sessions, selecting sound effects for TV and radio, coordinating voice talent, music, etc.; as well as ensuring all production is both on-time and on-budget, and to client's specifications.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
			Sub-Total		
			9 Hrs	\$	_____

Design Services – 34 Hours

All design and layout of collateral materials; brainstorming and conceptual strategy; development of innovative, effective, strategically sound design solutions; creation of print ads, brochures, direct mail pieces, outdoor advertising, Powerpoint presentations; scanning of photographs and/or artwork; photo retouching, etc.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
	Sub-Total		34 Hrs	\$	_____

Copywriting – 20 Hours

All copy writing, proofing, editing, research and revisions for print, Web site and broadcast media.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
	Sub-Total		20 Hrs	\$	_____

Interactive – Web site development – 31 Hours

Creation and development of an expansive Internet visibility and Web presence; implementation of search engine placement; shaping the framework and layout of site, completing all production work-in-house to ensure it remains consistent with marketing strategy; ascertain that the ComfortSystem Web site performs smoothly over all formats, remains up-to-date and functions efficiently and effectively.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
	Sub-Total		31 Hrs	\$	_____

Illustration – 9 Hours

Illustration includes the creation of original artwork for use in collateral, Web site, etc., according to criteria pre-determined by agency design team and ComfortSystems, with the intent to coincide with and create an association between a symbol/object and ComfortSystems with the goal of building awareness and association.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
	Sub-Total		9 Hrs	\$	_____

Media Commissions and Vendor Mark-ups earned by Agency

Standard industry media commissions and vendor mark-ups are calculated at 15% of gross. Is this your agency policy? (Please use back of sheet if more space is needed.)

If \$52,800 is spent by agency on media and materials on behalf of Public Works and Utilities please calculate the amount of vendor commissions and vendor mark-ups agency would receive. (For example, if media and vendor mark-ups were 15% then the agency would receive \$7,920.)

- | | |
|---|----------|
| 1) Hypothetical cost of media and materials | \$52,800 |
| 2) Hypothetical costs for billable hours by agency | _____ |
| 3) Hypothetical costs for media commissions/vendor mark-ups | _____ |
| Total Hypothetical costs for agency services (1+2+3) | _____ |

December 12, 2012

Name
Agency
Address
City, State Zip

12-0027
Request for Proposals

The Public Works & Utilities Department is searching for an agency/collaborative team to provide public awareness information and media purchasing services for its account. The nature of that account is described in detail in the attached Public Awareness Account Profile. This request for proposals has been sent to a number of other agencies.

In addition to the Public Awareness Account Profile, there is a list of minimum criteria that organizations must meet in order for their proposals to be considered as a candidate for this account. If after reviewing the criteria, you want your agency to be considered to render services to Public Works and Utilities, please complete the complete the rest of the request and submit a proposal to provide the services desired for the account. Your proposal should include:

- A detailed proposal to provide services for the account.
- A rate schedule and procedure for project expensing.
- Complete the worksheet to project the costs for a hypothetical year of services.

Please put five copies and a CD of your proposals in a sealed package and identify the number, proposal title and due date on the outside.

Agency/collaborative team proposals will be evaluated. Qualified organizations may be contacted to arrange for an informal visit by utility staff to learn about their capabilities, past work and personnel. The City reserves the right to refuse all proposal, select more than one for interviews or just make an award to one vendor with the highest score.

If you have any questions, please contact our Gas and Energy Coordinator, Eric Schlacks, at 730-4060, or e-mail him at eschlacks@duluthmn.gov.

Sincerely,

Dennis Sears
Purchasing Agent

ES
Enclosures (4)

G:/Ad Agency Search/2013/Search Letter 12-11-12

EXHIBIT B

Agency's Proposal

City of Duluth
Department of Public Works and Utilities
ComfortSystems
Request for Proposal #13-0027
January 7, 2013

Agency: Out There Advertising, Inc.
Address: 22 East Second Street
Duluth, MN 55802
Telephone: 218-720-6002
Fax: 218-720-5828
E-mail: kkeuning@outthereadvertising.com
Contact: Kimberly C. Keuning, President, Account Director

A. Agency Ownership and Key Employees

(a) When was your agency founded?

March, 1997.

(b) Who owns your agency?

Out There Advertising, Inc. is an S-Corporation owned by the agency's president.

(c) Who controls the management of your agency?

The president and creative director collaborate on management decisions.

(d) Please identify the most important executives in your agency, and provide a short one-paragraph description of each of their careers. What do they do now in your agency?

Kimberly C. Keuning, President/Director of Account Services

Upon graduating from Vassar College in Poughkeepsie, NY, Kim began her advertising career at BBDO in Los Angeles, working on the Western Airlines account at the start of the airline industry's deregulation. Rising through the ranks to Account Supervisor, Kim was asked by the client to follow the account when it went over to McCann-Erickson. After nearly ten years at McCann-Erickson, Kim was recruited to J. Walter Thompson. That was followed by a career shift to the client side as Director of Advertising for HomeBase, a national home improvement chain. In 1994, Kim and her family moved back to her hometown so her children could have the same experience she had as a child.

After a stay at KDLH-TV as Marketing Director, Kim started Out There Advertising in 1997, where she continues to put her vast experience to work for a variety of local, regional and national accounts in a proactive, hands-on style. Kim supervises the agency's account services department and personally handles several accounts including ComfortSystems, Orthopaedic Associates of Duluth and The College of St. Scholastica.

John P. Keuning, Creative Director

John earned a BFA from the prestigious Art Center College of Design in Pasadena, CA. After graduation, he joined McCann-Erickson and was responsible for the art direction on accounts such as Lockheed, Coca-Cola and Hilton Hotels. Some years later, J. Walter Thompson offered John a position as Vice President/Associate Creative Director, where he oversaw high-profile work for diverse clients such as Bally's Health clubs, Mexicana Airlines, Baskin Robbins 31 Flavors and Allied Signal. After five years, John became Senior VP/National Creative Director at Thompson Specialized Advertising. Supervising a staff of 70+ creative and production personnel, John was responsible for all of the creative work produced by the agency for clients such as US Sprint, General Motors Corp., IBM and FedEx. John later began a thriving creative partnership called BW&K.

Central to the BW&K partners' philosophy of producing distinctive, effective creative was to develop a "voice" for every client, and maintain that personality-driven voice to build their brands. This philosophy plays a major role in the strategic direction and creative development for Out There Advertising clients where, today, John oversees the creative department and is intimately involved with marketing and management strategy development for such clients as the Steak Escape restaurant franchise.

Darlene Olby, Media Director

Darlene started her career in the media department at Campbell-Mithun-Esty in Minneapolis. There, she was part of a ten-person media team responsible for planning, buying and post analysis for a variety of regional and national accounts. Darlene next moved to CME's media buying service, coordinating a \$17 million media budget. Later, Darlene took the position of Communications Specialist at US Bancorp Piper Jaffray where she counseled more than 600 brokers on their marketing and advertising needs. She worked with branch managers to develop their brochures, prints ads, radio spots or whatever their unique situation called for.

After she and her husband relocated to Duluth, Darlene joined Out There Advertising as media director, exercising her wealth of marketing experience to strategize and implement media plans.

Katie Wicklund, Media Assistant

Katie graduated with a bachelor's degree in Advertising and Marketing from The College of St. Scholastica. At Out There Advertising, Kathie's advertising degree is critical to her role in ensuring our clients' media plans are executed perfectly. She is the detail person on insertion and broadcast orders. She makes sure advertising materials get to the right place on time. And, she verifies all ad and commercials ran as scheduled without error.

Brittany Berrens, Copywriter and Digital Media Strategist

Brittany graduated from the University of Wisconsin-Superior in 2011 with a degree in journalism and a minor in information technology. Throughout college she worked for local radio, television and print news outlets, as well as at the campus media relations office. After graduating she moved to Two Harbors to work at the Lake County News-Chronicle as a reporter and eventually editor.

Making the leap from news to advertising and marketing, Brittany puts her writing, technical and organizational skills to work at Out There Advertising crafting print ads, television and radio commercials, press releases and website copy while managing social media accounts for a variety of clients.

Dave Minix, Art Director

After graduating from the University of Wisconsin with a BS in Fine Art, Dave worked at a variety of companies before accepting a position in the Twin Cities at Fingerhut Inc., as an art director. For the next four years, he worked in catalog and promotional design for the company. Dave was also the lead art director in the Macintosh group, a pioneer in computer-aided graphic design. His desire to get back to nature led him to H. T. Klatzky and Associates in Duluth. For the next eight years, Dave designed and produced collateral material from brochures and annual reports to ads and catalogs.

Dave has been with Out There Advertising, first as freelance designer and then as full-time art director, almost since its inception. His continual asking of the question "What if...?" has resulted in award-winning work that is at the same time traditional and unpredictable.

(e) Is there anything else you would like to tell us about the ownership of your agency or its key employees?

We all love what we do. We take the extra steps needed to push ourselves individually and to work as a cohesive team to set the highest standard for the level of service the agency provides its clients. We strive stay on top of current trends in marketing, including the digital and social media wave, to make sure our clients' communications are reaching their target audience(s) most effectively and efficiently.

B. Agency Organization and Service

(a) Provide a functional organization chart.

See Attachment A.

(b) How many full time staff including owners and executives does your agency have?

The agency employs eight full-time staff members.

(c) Please describe how your agency provides service to a typical client. Is it possible to provide a functional account organization chart indicating contact points between agency and client?

We believe client involvement and input into the advertising development process is important in ensuring the end product is strategically sound and on-target. For that reason, we garner the input of our clients throughout the entire marketing and creative development process.

The primary point of contact is the President/Director of Account Services along with the Account Executive assigned to that business. However, our clients regularly meet with the creative or media people working on their accounts to ensure open communication.

(d) Is your organization a full-service agency? What services does your agency provide? What services does your agency rely on individuals or firms outside of it to perform?

Out There Advertising is a full-service agency. In-house services include Account Administration, Media/Vendor Strategy and Supervision, Media Purchasing, Client Consultation, Project Management, Art Direction and Creative Direction, Design and Layout, Copywriting, Public Relations, Digital/Social Media and Web Site Design/Development. The agency also provides Illustration and Photography in some instances. And, through our relationship with DataCom/OTA, a separate company with some ownership crossover, we offer video/commercial Production Services and Web Site Development. Depending on client needs, we also contract with outside sources for Illustration and Photography.

We contract with outside sources for printing and larger research projects.

(e) Please describe the function of your account management. How does it interact with a typical client? What are its specific responsibilities within the agency?

Each account functions a little differently, depending upon the requirements of that particular business' needs. However, the primary role of account management remains the same across all accounts – it is the responsibility of account management to first and foremost, listen to the client's needs, then to formulate effective marketing and advertising objectives, and communicate those objectives to the creative and media departments to execute the strategies.

Additionally, account management has responsibility for clients' budgets, for obtaining client approvals on all work produced by the agency, and for establishing and meeting all project deadlines.

We schedule regular meetings with our clients to review status reports, present work and get input into new projects. The frequency of these meetings depends upon the workflow

of the client, but is generally weekly or monthly. In addition, account management has frequent contact with the clients regarding the day-to-day workflow and approvals.

(f) Please describe your creative department. How would you characterize its strengths? To what extent and under what circumstances are representatives of the creative department in direct contact with your clients?

Our creative product is based on understanding the unique brand position of our clients and what that means to their target audiences. We put ourselves in the shoes of the consumer and ask ourselves, "What does it mean to me?" That helps us to identify the response we want, and the creative is the stimulus designed to garner that particular response.

Additionally, we are careful in how we manage the overall look and feel of creative campaigns. The more creative product is similar across a client's various product lines, the more easily recognizable it is, resulting in more effective and more efficient campaigns.

The creative team that works on a particular account, as well as the creative director, is available to any client at any time. And, we feel it is beneficial to have creative presented to clients by the individuals who did the work.

(g) Please describe your media department. How would you characterize its strengths? To what extent and under what circumstances are representatives of your media department in direct contact with your clients?

Our media department is responsible for strategic media planning and buying. A particular strength of our media department – media director Darlene Olby and media assistant Katie Wicklund – is its combination of national experience and exceptional local media relations. We approach the media planning and buying process as if we are investing, not just spending, our clients' budgets. And, we follow up to determine what our return on that investment has been.

As subscribers of Arbitron and Nielsen, we are able to provide our clients with accurate and current television and radio station ratings and rankings. Media planning, placement and reconciliation are key parts of an overall advertising plan, and media placement is generally the largest portion of any advertising budget. As such, we take our clients' media investments very seriously.

Our Advertising develops an annual media plan/budget for client review and approval. Our media department works to obtain the best possible rates, coordinates the timely delivery of the appropriate advertising materials, follows up to make sure that all advertising ran as ordered, and reconciles media billing against the orders. We secure make-goods, refunds or no-charge ads for any ads not reproduced correctly or run by the media as scheduled.

The media person assigned to a particular account is available as needed to meet with clients. We have one account that has quarterly planning meetings and one annual meeting that our media director attends. We have another where the contact is infrequent at only twice a year. The amount of contact is determined by the needs/wishes of each client.

(h) Please describe your research department. How would you characterize its strengths? To what extent and under what circumstances are representatives of your research department in direct contact with your clients?

We do not have an internal research department. However, we regularly field simple research via e-mail and online resources for our clients. These surveys can generally be fielded quickly, at low cost with a shorter time to completion and published results. For larger research projects, our general practice is to obtain project bids from independent research companies. We maintain a lengthy list of research suppliers with which we have worked throughout our careers.

(i) What capabilities does your agency have in direct marketing, web site development, launching new services, media placement, and the formulation of marketing strategies?

As a full-service agency, Out There Advertising has extensive experience in direct marketing (direct mail, mass e-mail and e-newsletters, point-of-purchase, etc.), web site development, launching new services (including the launch of a new concept in casual dining), media placement (see question g) and the formulation of marketing strategies. Our Account Executives have taken on specialist roles in public relations and digital/social media and regularly collaborate with all the agency's clients. Regarding the formulating of marketing strategies, the agency employs a Planning Cycle and Creative Work Plan fact-finding and defining process for each client, comprised of the most effective strategic planning elements gleaned from the principals' backgrounds with large, national agencies.

(j) When your agency is awarded a new account, does it typically staff it from within, or do you also augment internal staffing with professional people newly hired from outside the agency?

Because Out There Advertising, Inc. is a growing company, we do not have a "typical" scenario regarding staffing requirements for new accounts. It is our desire to staff from within, however the requirements of new clients do not always allow us to do so. We consider the needs of each of our clients and then determine a staffing strategy.

Because Out There Advertising has been working with ComfortSystems since 2010, the account, media and creative staff would remain in place.

(k) Which staff members would handle our accounts?

Kim Keuning will continue to have overall responsibility as director of account service and would oversee all activity and attend key meetings.

John Keuning, as creative director, would work with a creative team (Art Director/ Copywriter partners), to develop the overall voice and creative platform for ComfortSystems. The creative team assigned to your business would remain the same and they will execute the day-to-day creative work.

Darlene Olby will continue as the media planner/buyer.

(l) Would any tasks or activities for Public Works and Utilities be subcontracted to individuals or companies outside the agency? If so which ones, and who would do the work?

Depending upon the scope of various projects, the agency may contract with outside research firms, photographers, printers, illustrators, web programmers, or broadcast production houses. The agency maintains contacts and working relationships with a variety of reputable, quality vendors. For outside services such as printing, the agency regularly requests competing bids from vendors whom we have researched and trust to complete the work to our and our clients' satisfaction. In all cases, Out There Advertising closely supervises any services for which we may contract on behalf of our clients.

(m) Is there anything else you would like to tell us about your agency's organization and how it serves its clients?

The agency's president has been in key management positions on both the agency and client sides and is able to bring both perspectives to the table in terms of account service. Our creative director has been a partner in a successful three-person creative boutique as well as a national creative director overseeing 70 people. You would benefit directly from this experience because our philosophy ensures their direct input into marketing plans and creative product.

It is also important for you to know that we conduct internal status meetings on a weekly basis in which we review all the work in progress for our clients. We also have daily "Hot List" meetings to make sure all critical due dates are met.

C. Top Management Participation in Account Service

(a) How does the owner or chief executive officer maintain contact with your clients?

The owner is also the president and director of account service, and is the person currently responsible for the ComfortSystems account, so you would be assured of regular contact with top management as well as continuity.

(b) Does the owner or chief executive officer participate directly in the professional conduct of any client advertising programs? Would you mind telling us which ones these are?

All accounts receive the participation of the agency's president. In addition to Comfort Systems, Orthopaedic Associates of Duluth is a primary account that is overseen directly by the president as well as Northland Foundation, Lakewalk Surgery Center, The College of St. Scholastica and St. Luke's Foundation.

(c) Who (by title) is the senior agency executive responsible for the professional conduct of other agency accounts?

See above.

4. Is there anything else you would like to tell us about the participation of your top management in account service?

Our agency structure and commitment to account service dictates hands-on involvement by the creative director and the president.

D. Account Gain and Loss History

(a) What accounts has your agency lost in the past two years?

Lake View Hospital, Two Harbors, MN
Turning Point Therapy

(b) If you have lost accounts within the past two years, would you care to comment on why they were lost?

Lake View Hospital - This rural hospital is owned by St. Luke's, and a management decision was made to consolidate the advertising for both hospitals at the agency of record for St. Luke's.

Turning Point Therapy - Due to health organizations' rapid consolidation in recent history, the owner of Turning Point Therapy elected to retire and close their practice.

(c) What accounts has your agency gained in the past two years?

Advanced Awning and Design
Vision Pro Optical, ten retail locations in Minnesota and Wisconsin
Lake Superior Art Glass
Ascential Wealth Advisors
Arrowhead Chorale
Duluth Children's Museum
Housing Resource Connection
Miller Hill Dental

Accounts we have had for longer than two years:

Chester Creek Technologies
Clyde Iron Works Restaurant and Bar
The College of St. Scholastica
ComfortSystems
Duluth Downtown Waterfront District/Greater Downtown Council
Mount Royal Pines III
Escape Enterprises (Steak Escape, Johnny Buccelli's)
Hansen House Company
Lindquist & Company
John Marxhausen Jewelers
Johnson Insurance Consultants
Johnson Supply Company
Lakewalk Surgery Center
Lindquist & Company
Marine Tech
Mercy Hospital
Northland Foundation
Northland Assisted Living
Orthopaedic Associates of Duluth
Sammy's Pizza
Sittin' Pretty
Southeast Directional Drilling (formerly Frontier Pipeline)
Taco John's
Twin Ports Paper & Supply Company
Western Lake Superior Sanitary District
Woodland Hills

Pro Bono Accounts:

United Way of Greater Duluth
CHUM
Neighborhood Youth Services
St. Luke's Foundation's Circle of Light gala

(d) If you have gained accounts within the past two years, would you care to comment on why your agency was chosen to service these new accounts?

Most all of our new business has come to us as referrals from our other clients or from media representatives, or from our clients themselves. The reason most often cited is the quality and caliber of our creative product.

Vision Pro Optical was looking for a new agency that would provide on-target creative and strong media planning.

Ascential Wealth Advisors is a new company that came to us through a current client referral.

Arrowhead Chorale needed a website and other marketing materials, and came to us through a current client referral.

Duluth Children's Museum had been a pro-bono client of Out There Advertising, Inc. and when they were given a substantial grant for awareness advertising, we were awarded the business. We have continued the relationship past the grant period.

Housing Resource Connection is a new organization that we acquired through an RFP process, and because of references from a current client.

(e) Please provide a list of your accounts as of July 1, 2012.

See above.

(f) Would you give us a list of accounts as of July 1, 2009.

Arrowhead Builders Association
Chester Creek Technologies
The College of St. Scholastica
Contract Tile & Carpet
Cuzzo & Envall
John Marxhausen Jewelers
Mount Royal Pines III
Escape Enterprises (Steak Escape and Johnny Buccelli's)
Lake View Hospital
Johnson Insurance Consultants
Lindquist & Company
Lakewalk Surgery Center
Northland Foundation
Northland Assisted Living
Northland Plastic Surgery
Orthopaedic Associates of Duluth
Park State Bank
St. Luke's Foundation
Sammy's Pizza
Taco John's
Twin Ports Paper & Supply Company
Ventera Energy
Western Lake Superior Sanitary District
Woodland Hills

(g) Does your agency handle any accounts for a competitor that directly competes for energy customers of Duluth Public Works and Utilities? If so please provide a list of those clients. What is the nature of those accounts and what services do you provide?

The agency does not handle any competitor accounts.

(h) Is there anything else you would like to tell us about your account gain and loss history?

While some degree of account turnover is inherent to our industry, the agency has experienced consistent, controlled growth over the years. We are proud of the long-standing nature of many of our client relationships.

E. Agency Financial Standing and Policies

(a) How would you characterize your balance sheet?

We consistently have a modest net profit, and our billings reflect a healthy increase each year, allowing the agency to grow its staff and add resources to benefit our clients.

(b) How do you usually charge your clients for your services? Please include an explanation of your compensation philosophy, a schedule of hourly rates, your mark-up structure and fee/commission structures.

We prepare an advertising budget for each client specifying how their budget will be spent. Within that budget, the agency charges for management time and creative/production hours are provided. We do not charge our clients for media planning and placement hours -- we consider the earned media commissions as payment for those services.

We charge between \$75 and \$100 per hour for all professional time (photography and illustration are \$150), depending on the task. Out There Advertising will extend the same hourly fees to ComfortSystems as they have had since we began our relationship in 2010 with no increases.

(c) Do you have an internal time-cost accounting system? If you do, when was it put in place? If you do what has been your experience with the system?

We have used a cost accounting system since January, 2000. We employ a computerized time accounting program that not only tracks employees' time by client, project and task, but also offers the ability to compare actual hours to-date against a project estimate. Detailed reports of employee time can be provided to clients should it be necessary.

(d) If you would like to tell us, we would like to know approximately what proportion of agency internal time is charged against client accounts and what proportion is charged against general management, general overhead, and/or unallocated direct salary expense.

The split is approximately 80/20.

(e) We would be interested in any comments that you wish to make about your credit rating, your media payment policies, whether you consistently earn cash discounts, etc.

Out There Advertising believes strongly in paying all our bills. We have a policy of paying for any media or services purchased on behalf of our clients before anything else. We earn cash discounts rarely because cash discounts are rarely offered. We work with one printer who offers a discount for early payment, and we always take advantage of that offer.

(f) About how many days on average do client media bills remain outstanding after the media invoice is issued? 30 days, 60 days, 90 days, over 90 days?

30 days. Client invoice terms are net 15 days so that the agency can, in turn, pay clients' media bills in a timely manner.

(g) What was the approximate value of all media purchased for clients in 2011? Please provide a breakdown by the type of media purchased for in 2011 (e.g. TV 20%, Print 30%, Radio 30%, Bill Boards 10%, Special Events 10%, etc.).

Media billings in 2011 were just under \$1 million. Newspaper and magazine – 25%, television – 35%, outdoor – 20%, radio – 15%, “all other” – 5%.

(h) Is there anything else you would like to tell us about your agency's financial standing and policies?

Out There Advertising owns its own office building, has little debt, shows consistent growth and utilizes the services and advice of a CPA with a prominent accounting firm in Duluth to make sure that we continue to do so.

F. Agency Views about Effective Advertising

(a) How would you describe effective advertising?

Effective advertising first and foremost builds clients' brand personalities. It must also help clients' businesses meet their stated objectives.

(b) Does your agency have any specific philosophy or practices that you believe consistently produce effective advertising?

Out There Advertising approaches each client's marketing situation with a proven methodology designed to create advertising that speaks to the consumer in a voice to which they can relate. And, we believe that all communications must be presented in that voice. It will instill in the target's mind the belief that what you have to offer is right for them, so when it is time for them to make their purchase decision, your advertising will have placed you at the top of their "short list."

We utilize a Planning Cycle that requires answers in five informational areas. Generally speaking, we run through the cycle before proceeding with the marketing/advertising plans because, when complete, it offers us a blueprint to follow:

- Where Are We?
- Why Are We There?
- Where Could We Be?
- How Do We Get There?
- Are We Getting There?

The Planning Cycle is the foundation of all our marketing recommendations, because not only does it paint a picture of where an advertiser is within the realm of competition, but it provides a profile of the consumer and forces us to think as that consumer would think. Additionally, the Planning Cycle is exactly that -- a cycle that is never ending, requiring continuous analysis of the market, the competition, the consumer, the marketing, the advertising and the media plans.

It is always most beneficial that agency and client sit down together to initially complete the Planning Cycle, and to determine the measurements for answering the final, "Are We Getting There?" section.

Once the Planning Cycle has been completed, the information learned is utilized to help us create a "road map" for the creative product. The Creative Work Plan is the process that keeps us on track as we develop the umbrella message and specific creative pieces: It ensures that the advertising is consistent in all executions and that it speaks in a distinctive voice that motivates the target audience to the desired response.

(c) Does your agency follow any procedures to maintain the effectiveness of the advertising you produce on an account-by-account basis?

We begin over with the Planning Cycle. The frequency with which the Planning Cycle should be completed is dependent on the business -- for clients with short purchase cycles, reviews are much more frequent than for those whose buying cycles extend over years.

(d) Is there anything else you would like to tell us about your agency's views about effective public information communications and how it might best be obtained?

See Attachment B, which illustrates how we create a more effective product. The picture on the left shows how most companies convey a message. The picture on the right shows how Out There Advertising conveys a personality driven message that will yield greater results.

Additionally, we have developed a public relations planning document, based on principles of the Public Relations Society of America, to aid in guiding our public and media information efforts.

G. Agency Experience

(a) In general, how would you characterize the experience of your agency? With what kinds of accounts do you believe yourself to have special strength?

Out There Advertising has the unique ability to combine experience on large national and international accounts with the experience gained working on accounts with more modest budgets. We believe strongly that advertising must be both distinctive and effective – in fact, that those attributes work hand-in-hand to strengthen each other.

We are most successful with clients who are looking to build their brand with sound strategies and smart executions.

And, we focus on being a detail-oriented shop in order to execute even the most complicated projects smoothly, on time and within budget.

(b) What agency experience, if any, is directly related to the products or services which we are now searching for an agency?

We have been providing the marketing and advertising services for ComfortSystems for the last three years. Additionally, our creative director has worked on the Southern California Gas Co. and the Minnesota Power/Allete accounts.

(c) What other agency experience, though not directly relevant, do you believe might provide useful background if you were to be awarded the public awareness agency account for ComfortSystems?

We have several current and former clients who market different services and products simultaneously to different target groups.

We help clients operating in highly competitive industries – such as the restaurant business – to successfully distinguish themselves in a crowded marketplace and grow market share.

A video completed to assist the Duluth Police Department make a case for a new facility was well-received by the public, and played a role in influencing attitudes about the existing facility and the true need for a new one. The new facility was built with exceptional public acceptance.

(d) What advantage would your firm provide to Public Works & Utilities versus other firms?

ComfortSystems would benefit from:

- Continuity of experience and understanding of the needs of ComfortSystems in terms of marketing and advertising. As we have been providing the advertising services, we are up-to-speed on what needs to be done, the deadlines and the budget. Additionally, the selection of a new advertising agency can sometimes mean additional costs for new creative...we are able to provide an outstanding creative product with no additional "start-up" costs.
- A creative product with a distinctive look and feel that would be executed in an effective, strategically based manner within your budget parameters. Work for our clients has won a disproportionate share of creative awards, even when competing against bigger agencies whose work was afforded larger budgets.
- Vast experience with successfully utilizing both traditional and new media. We do it all – e-mail marketing, direct mail, Web sites, social media, public relations, point-of-purchase, specialties, promotions planning, broadcast, collateral, print, trade show displays, etc.
- Big-agency, national-account experience coupled with small-town responsiveness.
- A disciplined approach to annual planning and monitoring budgets.

(e) Does your agency or individuals in it have any experience in developing public awareness strategy and tactics for firms in recently deregulated industries such as trucking, banking, airline, telephone, or energy? If so please describe the nature of that experience.

The director of account services was closely involved with Western Airlines during the days of deregulation and is very familiar with the flexibility required as new ways of doing business become available to clients.

(f) Is there anything else about your agency experience that you believe would be helpful for us to know?

The agency principals have been very involved in several new product introductions and the director of account services led the name-change advertising efforts for a national retail chain.

Johnny Buccelli's is one example of an extensive new product rollout – in fact, a new concept rollout – in which the agency played a key role. Escape Enterprises, the restaurant's parent company, wanted to introduce a new fast-casual dining concept. The agency worked side-by-side with management on everything – from researching dining trends to developing a concept and name (Johnny Buccelli's), architectural design to menu development to staff uniforms, four-walls marketing to web site. The result: Johnny Buccelli's was named Columbus, Ohio's "Best New Restaurant".

H. References

(a) If you would not object to us talking with some of your current clients about the effectiveness of your creative product and the excellence of your account service, please list three or four of your current clients whom we might contact.

Jeanine Dahl
Communications Director
Northland Foundation
202 W. Superior St.
Duluth, MN 55802
218-723-4040

Cindy Finch
Agency Relations
Woodland Hills
4321 Allendale Ave.
Duluth, MN 55803
218-728-7500

Ken Smith
President
Escape Enterprises
222 Neilston St.
Columbus, OH 43215
614-224-0300

(b) If you would not object to us talking with some of the media organizations you buy media from to publicize clients' messages about their experience scheduling messages and your payment history, please list whom we might contact.

Steve LaFlamme
Sales
WDIO/WIRT
10 Observation Road
Duluth, MN 55811
727-6864

Merry Wallin
General Manager
Townsquare Media
14 E. Central Entrance
Duluth, MN 55811
727-4500

Matt Harrold
Sales Manager
Lamar Advertising Company – Duluth
P.O. Box 16030
Duluth, MN 55816
628-2301

Dave Hielman
Publisher
Duluth-Superior Magazine
3430 North Ridge Road
Duluth, MN 55812
390-3063

Public Awareness Agency Request for Proposal

- 1) Please provide a detailed proposal to provide service for this account. Speculative or creative materials will not be accepted at this time.
- 2) Please provide a separate list of your agency's rates, fees, and commissions to provide the services listed in section 3 of this document for the next three years (2013 through 2015). Break out hourly rates by type of service provided and position of staff providing service.
- 3) Please complete the Cost Projections for a Hypothetical Year of Agency Service worksheet.

Cost Projections for a Hypothetical Year of Agency Service

The billable hours for a hypothetical year of services from an agency for the Public Works and Utilities Department's public awareness work have been projected. The hours listed represent the amount of billable hours and production time an agency might hypothetically spend providing various services in a year. These hours have been projected to provide a **cost comparison between agencies making proposals** for this account. The costs submitted by agencies for this hypothetical year of service are **not the contract amount**.

Please add any fees or rates you charge customers that are not included in the list below.

Account Administration – 103 Hours

All aspects of responsive client servicing, including: budget preparation, budget tracking and budget planning, documentation and facilitation, assembling monthly reports to ensure budget is on-target at end of each month; City and Inter-office reports; invoice and contract reviews; daily account supervision; budget forecasting; determining ways to make the most of PR opportunities and coordinating attendance at community/cultural events thereby helping to strengthen ComfortSystems public profile.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
Administrative <i>(Billing, Budgets, etc.)</i>	<u>0</u>	X	<u>51</u>	=	<u>0</u>
Account Super- VISION	<u>100</u>	X	<u>12</u>	=	<u>\$1,200</u>
PR efforts	<u>100</u>	X	<u>40</u>	=	<u>4,000</u>
_____	_____	X	_____	=	_____
Sub-Total			103 Hrs	\$	<u>5,200</u>

Media/Vendor Strategy and Supervision – 22 Hours

Strategizing, determining media tactics and message placement, developing and maintaining a detailed marketing/media plan as per a predetermined annual budget; researching opportunities to maximize most effective use of media placement by pinpointing specific messages to demographic audience; contact with media representatives; planning media schedules, and coordinating project traffic; purchasing media of all types, following up on billing discrepancies and makegoods; maintaining internal media spreadsheets; preparation of materials for City officials to substantiate marketing strategies.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
	<u>0</u>	X	<u>22</u>	=	<u>0</u>
<p><u>We do not charge for this service,</u> <u>as we retain media commissions to</u> <u>compensate the agency.</u> = _____</p>					
		X		=	
			Sub-Total	22 Hrs	\$ _____

Client Consultation and Contact– 40 Hours

All discussions, meetings, and phone conversations between agency staff and ComfortSystems personnel, including: formulation of strategy and tactics, campaign planning, media and design recommendations; following up on client's questions and concerns; deliberation and conception of ideas with client, meeting with client project development teams, meet with marketing manager at least monthly, summarize and issue meeting minutes.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
<u>All</u>	<u>100</u>	X	<u>40</u>	=	<u>4,000</u>
		X		=	
		X		=	
		X		=	
			Sub-Total	40 Hrs	\$ <u>4,000</u>

Project Coordination – 35 Hours

Supervision and management of specific approved projects, including: brochures, inserts, direct mail, handouts, apparel, radio scripts, television, newspaper and magazine advertisements, outdoor advertising, special events, etc.; securing estimates and comparing costs; researching vendor capabilities and fair market price in regard to specific projects; preparing specs; all press checks; monitoring vendor invoices, supervision of production, printing and outside vendors in regard to a specific project to ensure price, quality control and timely delivery.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
<u>Project Coordination</u>	<u>75</u>	X	<u>35</u>	=	<u>\$2,625</u>
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
	Sub-Total		35 Hrs		\$ <u>2,625</u>

Art Direction/Creative Direction – 9 Hours

Management and supervision on a per-project basis, which includes: guidance of the conceptual direction of fresh, effective, consistent, on-message creative; supervising photography sessions, editing sessions, selecting sound effects for TV and radio, coordinating voice talent, music, etc.; as well as ensuring all production is both on-time and on-budget, and to client's specifications.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
<u>Art/Creative</u>	<u>100</u>	X	<u>9</u>	=	<u>\$900</u>
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
	Sub-Total		9 Hrs		\$ <u>900</u>

Design Services – 34 Hours

All design and layout of collateral materials; brainstorming and conceptual strategy; development of innovative, effective, strategically sound design solutions; creation of print ads, brochures, direct mail pieces, outdoor advertising, Powerpoint presentations; scanning of photographs and/or artwork; photo retouching, etc.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
<u>Design</u>	<u>\$100</u>	X	<u>34</u>	=	<u>\$3,400</u>
<u> </u>	<u> </u>	X	<u> </u>	=	<u> </u>
<u> </u>	<u> </u>	X	<u> </u>	=	<u> </u>
<u> </u>	<u> </u>	X	<u> </u>	=	<u> </u>
	Sub-Total		34 Hrs	\$	<u>3,400</u>

Copywriting – 20 Hours

All copy writing, proofing, editing, research and revisions for print, Web site and broadcast media.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
<u>copywriting</u>	<u>100</u>	X	<u>15</u>	=	<u>1500</u>
<u>proofing</u>	<u>75</u>	X	<u>2</u>	=	<u>150</u>
<u>research</u>	<u>0</u>	X	<u>3</u>	=	<u>0</u>
<u> </u>	<u> </u>	X	<u> </u>	=	<u> </u>
	Sub-Total		20 Hrs	\$	<u>1650</u>

Interactive – Web site development – 31 Hours

Creation and development of an expansive Internet visibility and Web presence; implementation of search engine placement; shaping the framework and layout of site, completing all production work-in-house to ensure it remains consistent with marketing strategy; ascertain that the ComfortSystem Web site performs smoothly over all formats, remains up-to-date and functions efficiently and effectively.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
<u>Web development</u>	<u>60</u>	X	<u>31</u>	=	<u>\$ 1,860</u>
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
Sub-Total			31 Hrs	=	<u>\$ 1,860</u>

Illustration – 9 Hours

Illustration includes the creation of original artwork for use in collateral, Web site, etc., according to criteria pre-determined by agency design team and ComfortSystems, with the intent to coincide with and create an association between a symbol/object and ComfortSystems with the goal of building awareness and association.

Type	Rate (\$/Hour)	X	Number of Hours	=	Cost
<u>Illustration</u>	<u>150</u>	X	<u>9</u>	=	<u>\$ 1,350</u>
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
_____	_____	X	_____	=	_____
Sub-Total			9 Hrs	=	<u>\$ 1,350</u>

Media Commissions and Vendor Mark-ups earned by Agency

Standard industry media commissions and vendor mark-ups are calculated at 15% of gross. Is this your agency policy? (Please use back of sheet if more space is needed.)

If \$52,800 is spent by agency on media and materials on behalf of Public Works and Utilities please calculate the amount of vendor commissions and vendor mark-ups agency would receive. (For example, if media and vendor mark-ups were 15% then the agency would receive \$7,920.)

*We retain The 15% commission,
OR \$7,920, in lieu of hourly charges.*

1) Hypothetical cost of media and materials	\$52,800
2) Hypothetical costs for billable hours by agency	<u>20,985</u>
3) Hypothetical costs for media commissions/vendor mark-ups	<u>\$7,920</u>
Total Hypothetical costs for agency services (1+2+3)	<u>81,705</u>

Out There Advertising, Inc.
Advertising Services Rate Schedule

Client Consultation/Contact	\$100/hr
Project Coordination	\$ 75/hr
Creative/Design Services	\$100/hr
Copywriting	\$100/hr
Proofing/Editing	\$ 75/hr
Web Development	\$ 60/hr
Illustration	\$150/hr
Media Planning/Buying	15% commission on buys placed

Project Expensing

ComfortSystems will have both an annual media plan and an annual creative/production budget that will break out spending by category including media, advertising materials creative, brochures and billing inserts creative and printing, public affairs sponsorships and display materials.

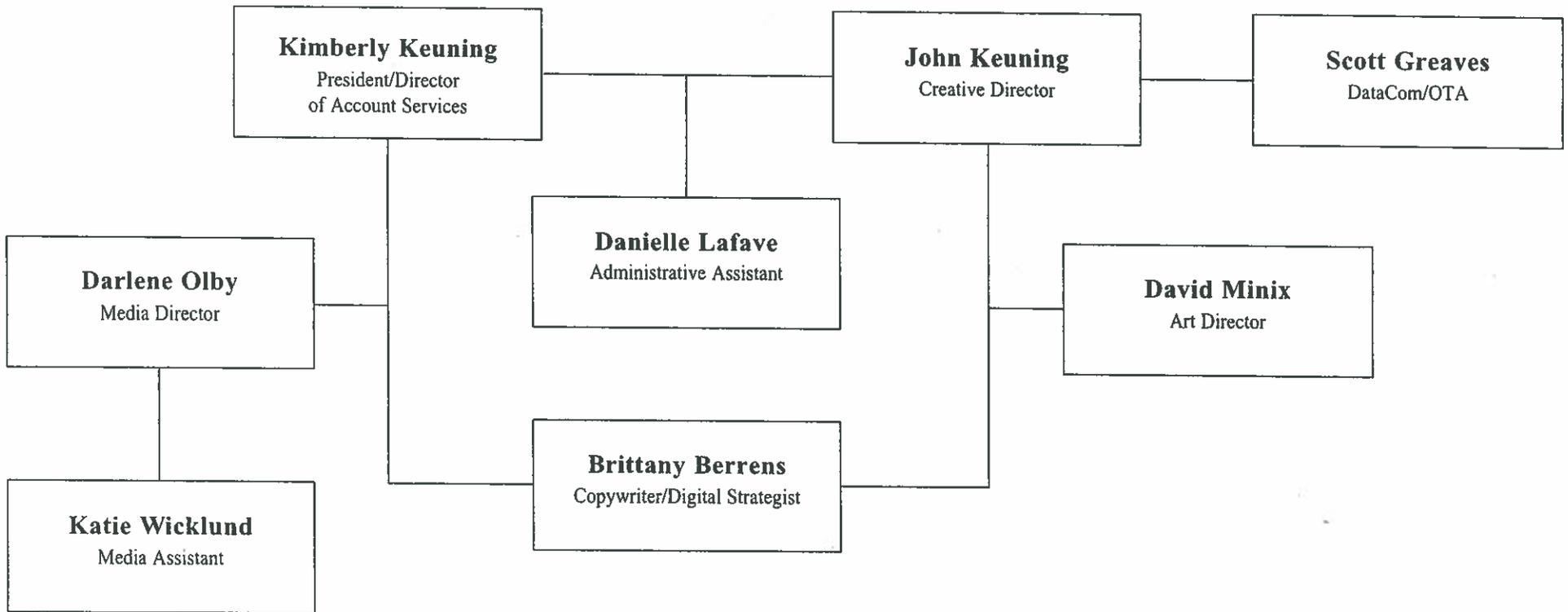
Along with the media plan, ComfortSystems will receive a monthly billing breakout that indicates in which month each media insertion will be billed. That allows you, as well as Out There Advertising, to easily track the media billing for accuracy.

Media invoices will be sent to ComfortSystems on approximately the 10th of the month following the media placement. Example: All media that would run in January 2013 would be billed on approximately February 10, with a 15 day due date. This allows us to receive and review the invoices from the media to insure their accuracy, and then to bill you and still have time to pay the media by the due date. We scan and send all media invoices to you for your records.

Creative and printing invoices are also billed on the 10th of the month, and will include all agency hours allocated against ComfortSystems in the prior month. Example: If we design a billing insert in the month of January, and it is shipped out at the end of January for insertion in February ComfortSystems bills, we will bill those hours against that specific job on approximately February 10. If the invoice from the printer is not received in time to be included on that invoice, we will bill it as soon as it is received.

Finally, you will receive a Budget/Billing Summary Comparison each month once invoices are generated and sent.

Attachment A
Out There Advertising – Organizational Flow Chart



OUT THERE

ADVERTISING

outthereadvertising.com

22 East Second Street
Duluth, MN 55802
218.720.6002

A Demonstration

The following illustrates our approach to creating a more effective product.

Advertising vs. Out There Advertising

