



CITY COUNCIL AGENDA REPORT

MEETING DATE: APRIL 1, 2014

ITEM NUMBER:

SUBJECT: BUS SHELTER ADVERTISING FRANCHISE AGREEMENT

DATE: MARCH 18, 2014

FROM: PUBLIC SERVICES DEPARTMENT – TRANSPORTATION SERVICES DIVISION

PRESENTATION BY: ERNESTO MUNOZ, PUBLIC SERVICES DIRECTOR

**FOR FURTHER INFORMATION CONTACT: RAJA SETHURAMAN, TRANSPORTATION SERVICES
MANAGER - (714) 754-5343**

RECOMMENDATION:

1. Approve a new Franchise Agreement (Attachment 1) for a Bus Shelter Advertising Program, effective April 2, 2014 through March 31, 2019, with Clear Channel Outdoor, Inc., 19320 Harbortgate Way, Torrance, CA 90501.
2. Authorize the Mayor and the City Clerk to execute the Franchise Agreement.

BACKGROUND:

On May 4, 1992, the City Council adopted an ordinance allowing the placement of bus shelters with advertising displays within the public right-of-way to serve patrons of the public transit system. The ordinance includes provisions to conform to general requirements regarding visibility for traffic safety, pedestrian accessibility, compatibility with adjacent land uses, and assessment of a fee for each shelter incorporating advertising displays. Accordingly, the City has contracted out this service for the past twenty-two (22) years.

Initial approval of the bus shelter advertising program in 1992 included installation of a minimum of 50 bus shelters. In subsequent years, Clear Channel Outdoor has requested and the City Council has approved the installation of additional bus shelters with advertising displays at locations that would be appropriate and beneficial to bus patrons, providing the City with a current total of seventy (70) advertising bus shelters. The City currently owns twenty (20) non-advertising shelters, and bus benches and trash cans at one hundred twenty one (121) locations. The full list of bus stop amenities is provided in Attachment 2.

On October 21, 2008, the City Council approved a five-year extension of the Bus Shelter Franchise agreement with Clear Channel Outdoor originally approved in 2003. This extension expired on October 31, 2013 and Clear Channel Outdoor has agreed to operate on a month-to-month contractual basis until a new franchise agreement is approved.

In August 2013, the City issued a Request for Proposals (RFP) to three (3) companies that specialize in bus shelter advertising franchise programs with local jurisdictions. One proposal was received from Clear Channel Outdoor.

ANALYSIS:

The RFP required the potential franchisee to offer a guaranteed minimum compensation per month per advertising shelter or 25% of gross advertising revenues less agency commission, whichever is higher. In addition, the RFP requested alternative compensation packages for various levels of maintenance.

Under the previous franchise agreement, the maintenance performed at bus shelters/benches included twice-weekly trash pickup and cleaning, and quarterly power-washing. However, this level of maintenance has proven to be inadequate to address current conditions at certain bus stops with high utilization. Additional maintenance has been regularly performed by City staff to ensure an acceptable level of service at various bus stop locations.

The RFP specified a significantly more stringent maintenance service schedule for all bus stops with frequent power-washing beyond that which is specified in the current franchise agreement. Twenty-two bus stops with consistently high utilization were identified as “hot-spots” and additional power-washing beyond that of regular bus stops was also specified for these locations. The frequency of power washing at other locations was also increased in the RFP.

On the RFP closing date of October 4, 2013, one (1) proposal was received from Clear Channel Outdoor. The proposal was required to provide information regarding the company’s understanding of this project, experience with related projects, methodology, compensation, and financial responsibility. A proposal guarantee in the amount of \$10,000 was required to confirm that each company is willing to execute an agreement and perform the responsibilities of the franchise, if selected.

Clear Channel Outdoor has offered guaranteed compensation of \$90 per advertising shelter per month or 30% of gross advertising revenue less agency commission, whichever is higher. This translates to a guaranteed compensation of \$75,600 annually to the City for 70 advertising shelters. In addition, Clear Channel Outdoor will provide trash pickup and general cleaning twice a week at all bus stop locations, including 70 advertising shelters, 20 non-advertising shelters, and 121 non-shelter bus stops. Power washing will be performed two (2) times a month at 18 shelters and 4 benches identified as “hotspot” locations. At all other locations, power washing will be performed once every two months. The value of this service is estimated to be approximately \$130,000 annually. Additionally, Clear Channel Outdoor has agreed to increase the rate of reimbursement for electrical service for bus shelters.

Proposals were reviewed by a committee consisting of members of the Transportation Services Division and the Maintenance Services Division. The proposal was reviewed based on the terms offered, company performance and expertise, as well as response to the City’s RFP. After careful review of the proposal submitted by Clear Channel Outdoor, staff has determined that this firm is uniquely qualified to perform the City’s outlined scope of services, meets the requirements of the City’s RFP, and recommends it be awarded the new franchise.

Compensation - Audit Of Records:

An audit of the records of Clear Channel Outdoor has been completed by the Finance Department pursuant to the provisions of the franchise agreement. The audit confirms that Clear Channel Outdoor has met all requirements throughout the term of the past franchise agreement.

Term Of The New Franchise:

As with the original franchise, the term of the new franchise is for five (5) years and, if approved by Council, will be effective April 2, 2014, following termination of the "month to month" operation. The new franchise agreement, similarly to the original franchise agreement, permits one five-year extension by the City Council by mutual consent. Further, the franchise agreement specifies that approval of any extension allows for adjustment of the Minimum Guaranteed Compensation based upon the prevailing Consumer Price Index (CPI).

ALTERNATIVES CONSIDERED:

1. One alternative is to not extend the franchise agreement and issue a request for proposals to receive new bids for the bus shelter franchise.
 - Considering the limited response received from other companies to the RFP and Clear Channel Outdoor's position in the local market, the City is not likely to gain any additional choices for service or increased revenue at this time; therefore, staff does not recommend this alternative.
2. The City Council may also consider not extending the current franchise agreement.
 - Staff does not recommend this alternative as it would result in the removal of all advertising bus shelters and the discontinuance of maintenance of all City-owned, non-advertising bus shelters. All revenue received through the franchise agreement would cease and the cost of maintenance of 20 City-owned bus shelters would become the direct responsibility of the City.

FISCAL REVIEW:

An audit of the records of Clear Channel Outdoor has been performed by the Finance Department pursuant to provisions of the franchise agreement. Clear Channel Outdoor has been found to be in compliance with all requirements of the franchise agreement. Based upon the Minimum Guaranteed Compensation of \$90 per month, per shelter, the minimum revenue to the City for the current five-year term is projected to be \$378,000. In addition, the estimated cost of maintenance services provided by the franchise agreement is approximately \$130,000 per year or \$650,000 over five years. Increasing the minimum guaranteed compensation based upon increases in the CPI, as proposed in the five year extension, will maintain the revenue received by the City current with market conditions.

LEGAL REVIEW:

The City Attorney has prepared and approved as to form the Franchise Agreement.

CONCLUSION:

The franchise agreement with Clear Channel Outdoor authorizing the placement of bus shelters with advertising displays, maintenance of all bus shelters within the public right-of-way, and trash collection services, expired on October 31, 2013, and is currently on a monthly renewal until March 31, 2014. The installation of bus shelters has proven to be beneficial by providing improved accommodations to bus patrons; eliminating the cost of maintenance of existing City-owned, non-advertising bus shelters; providing trash collection services, and supplying the City with a consistent revenue stream.

Based upon the service Clear Channel Outdoor has provided the City over the five-year term of the franchise, and in conjunction with the increased maintenance of bus stop facilities, staff recommends approval of the Franchise Agreement for a Bus Shelter Advertising Program with Clear Channel Outdoor, Inc. for a five-year term to expire on March 31, 2019. Further, staff requests that the City Council authorize the Mayor and the City Clerk to execute the Franchise Agreement.

RAJA SETHURAMAN
Transportation Services Manager

ERNESTO MUNOZ
Public Services Director

STEPHEN DUNIVENT
Interim Finance Director

ATTACHMENTS: 1 – [Franchise Agreement](#)
2 – [Bus Amenity Locations](#)

DISTRIBUTION: Chief Executive Officer
Assistant Chief Executive Officer
City Attorney
Public Services Director
City Clerk Division
Staff
File