

File No. 100672

Committee Item No. 5

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: BUDGET AND FINANCE

Date: July 14, 2010

BOARD OF SUPERVISORS MEETING

Date: \_\_\_\_\_

#### Cmte Board

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Completed by: Andrea S. Ausberry

Date Friday, July 9, 2010

Completed by: \_\_\_\_\_

Date \_\_\_\_\_

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.



1 [Amendment to Agreement - Titan Outdoor for Advertising on San Francisco Municipal  
2 Transportation Agency Property]

3 **Resolution approving Amendment One to the Agreement for Advertising on San**  
4 **Francisco Municipal Transportation Agency Property between the City and Titan**  
5 **Outdoor, LLC, to allow advertising window wraps on up to 5% of the San Francisco**  
6 **Municipal Transportation Agency's buses and up to 10% of the San Francisco**  
7 **Municipal Transportation Agency's light rail vehicles and to change the approval**  
8 **requirements for advertising in parking garages.**

9  
10 WHEREAS, On April 30, 2009, the San Francisco Municipal Transportation Agency  
11 (SFMTA) Board of Directors adopted Resolution No. 09-069, which approved an Agreement  
12 for Advertising on SFMTA Property between the City and Titan Outdoor LLC (Agreement),  
13 which Agreement was approved by the Board of Supervisors under Resolution No. 248-09,  
14 dated June 26, 2009; and

15 WHEREAS, The Agreement includes language requested by the SFMTA Board during  
16 the contract award process that provides that the windows of transit vehicles that are  
17 otherwise fully wrapped with advertisements cannot also be covered with advertisements; and

18 WHEREAS, As a result of current budget deficits, the SFMTA has explored the  
19 possibility of amending the Agreement to include such window wraps given their revenue  
20 potential; and

21 WHEREAS, SFMTA Safety and Security staff has confirmed that current improved  
22 wrap materials do not pose a safety/security risk either for riders or for law enforcement; and

23 WHEREAS, SFMTA staff and Titan Outdoor have negotiated an amendment to the  
24 Agreement (the "Amendment") that will allow window wraps on up to 5% of the SFMTA's  
25 buses and up to 10% of the SFMTA's light rail vehicles, which Amendment is on file with the

1 Clerk of the Board of Supervisors in File No. 100672, which is hereby declared to be a part of  
2 this motion as if set forth fully herein; and

3 WHEREAS, The Amendment also delegates the approval of advertising locations in  
4 parking garages from the SFMTA Board of Directors solely to the Executive Director/CEO,  
5 except for parking garages under the jurisdiction of the Recreation and Park Commission,  
6 which locations shall also require the approval of the Recreation and Park Department; and,

7 WHEREAS, On May 4, 2010, the SFMTA Board of Directors adopted Resolution No.  
8 10-068, which approved the Amendment, and recommended the Amendment to the Board of  
9 Supervisors for approval; now, therefore, be it

10 RESOLVED, That the Board of Supervisors approves Amendment One to the  
11 Agreement for Advertising on San Francisco Municipal Transportation Agency Property  
12 between the City and Titan Outdoor LLC, to allow advertising window wraps on up to 5% of  
13 the SFMTA's buses and up to 10% of the SFMTA's light rail vehicles and to change the  
14 approval requirements for advertising in parking garages.

**Item 5**  
**File 10-0672**

**Department(s):**  
San Francisco Municipal Transportation Agency (SFMTA)

## EXECUTIVE SUMMARY

### Legislative Objective

- The proposed resolution would approve the First Amendment to an existing Agreement for Advertising on San Francisco Municipal Transportation Agency (SFMTA) Property between the City and Titan Outdoor LLC to: (a) allow advertising vehicle wrapping that fully covers windows on up to five percent of SFMTA buses and up to ten percent of SFMTA light rail vehicles, and (b) change approval requirements for advertising in parking garages. The First Amendment would be effective from August 1, 2010 through June 30, 2014.

### Key Points

- On April 30, 2009 the Board of Supervisors approved the existing five-year advertising agreement with Titan Outdoor LLC (Titan Outdoor), from July 1, 2009 through June 30, 2014 with no options to extend the term (File No. 09-0633). The existing agreement authorizes Titan Outdoor to advertise on a range of SFMTA properties, including vehicles, parking garages, transit stations, and fare media (tickets, fast passes, etc.) The existing agreement allows vehicle wrapping (advertisement covering the vehicle exterior) on up to 20 percent of SFMTA buses and light rail vehicles but contains a provision that windows of fully wrapped transit vehicles cannot be covered. The proposed Amendment would allow vehicle wrapping that fully covers windows on up to five percent, or 42 of SFMTA's 842 buses, and up to ten percent, or 15 of SFMTA's 151 light rail vehicles.
- This Amendment would also delegate the approval of advertising locations in City-owned parking garages from the SFMTA Board of Directors to SFMTA's Executive Director, except for parking garages under the jurisdiction of the Recreation and Park Commission, which would require approval of the Recreation and Park Department.

### Fiscal Impacts

- Under the existing agreement, Titan Outdoor is required to pay the SFMTA a Minimum Annual Guarantee (MAG) or 65 percent of gross revenue, whichever is greater. The MAG amount for the first year of the agreement is \$4,000,000 and then is subject to a five percent annual increase. Based on the monthly payments made to date, Titan Outdoor is projected to pay the SFMTA at least \$4,148,205, which is \$148,205 or 3.7 percent, above the \$4,000,000 MAG amount, during the first year of the Agreement from July 1, 2009 through June 30, 2010.
- Titan Outdoor and the SFMTA estimate allowing vehicle wrapping that fully covers windows will generate approximately \$500,000 in additional revenue for the SFMTA annually, which are included in the FY 2010-11 and FY 2011-12 SFMTA operating budgets. However, the annual MAG amount would remain the same.

### Policy Consideration

- Under the proposed Amendment, up to 57 vehicles may have advertising wraps that fully cover windows, a provision that raises questions regarding aesthetics, safety, and security.

### Recommendation

- Continue the proposed resolution to the Call of the Chair and request that the SFMTA negotiate an increase in the annual MAG amount to include an additional \$500,000 per year effective August 1, 2010 to incorporate the anticipated increase in annual revenues from advertising on fully covered windows on SFMTA vehicles as is being proposed under the First Amendment. Titan Outdoors and the SFMTA disagree with the recommendation. Titan Outdoor states, "...we continue to be concerned about the overall economic climate and its effect on the advertising market. An increase to the annual MAG would therefore be inappropriate at this time as it represents a significant risk to Titan if the ad market declines again."

## MANDATE STATEMENT/ BACKGROUND

### Mandate Statement

In accordance with Charter Section 9.118(a), any contract amendments, in which the City would receive \$1,000,000 or more in revenues, is subject to Board of Supervisors approval.

### Advertising under the Existing Agreement

On April 30, 2009, the Board of Supervisors approved the existing five-year Agreement for Advertising on San Francisco Municipal Transportation Agency Vehicles and Other Property (Agreement) between the SFMTA and Titan Outdoor LLC (Titan Outdoor), from July 1, 2009 through June 31, 2014, with no options to extend the term (File No. 09-0633). The San Francisco Municipal Transportation Agency (SFMTA) awarded the agreement to Titan Outdoor based on a competitive Request for Proposal (RFP) process, in which two firms responded.

The existing agreement between the City and Titan Outdoor authorizes Titan Outdoor the right to advertise on a range of SFMTA properties, including vehicles, parking garages, transit stations, and fare media (tickets, fast passes, etc.). Under the existing agreement, bus and light rail vehicle wrapping (an advertisement covering a portion of a Muni vehicle) is permitted on up to 20 percent of the SFMTA's buses and light rail vehicles at any one time, excluding SFMTA's historic streetcars and cable cars. However, the existing agreement specifies that such wraps may not cover SFMTA vehicle numbers, SFMTA insignia or transit vehicle windows.

Under the existing agreement, the SFMTA Board of Directors, or the Parking Authority Commission<sup>1</sup> (or its designee), or the Recreation and Park Commission (or its designee) must approve the locations for advertising in all City-owned parking garages, depending on which City organization has jurisdiction over the parking garage.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the First Amendment to the existing Agreement for Advertising on SFMTA Property between the City and Titan Outdoor to:

- (a) Allow advertising vehicle wrapping that fully covers windows on up to five percent of the SFMTA's buses and up to ten percent of the SFMTA's light rail vehicles, and
- (b) Change the approval requirements for advertising in City-owned parking garages. The proposed First Amendment would be effective from August 1, 2010 through June 30, 2014.

### Vehicle Advertising Wraps

In the Attached memorandum provided by the SFMTA, Mr. Nathaniel Ford, SFMTA Executive Director/CEO, advises that currently no SFMTA vehicles that are fully wrapped have advertisements covering the vehicles' windows. However, 18 buses that are not fully wrapped

<sup>1</sup> According to Ms. Gail Stein, SFMTA Manager of Financial Services & Revenue Contracts, the SFMTA Board of Directors sits as the Parking Authority Commission, so the members of the SFMTA Board are the same as the members of the Parking Authority Commission. The Parking Authority Commission has delegated the management of the parking garages under its jurisdiction to the SFMTA.

have advertisements that cover the back windows and 20 buses that are not fully wrapped have advertisements that partially cover some of the side windows. On page 2 of the Attachment, Mr. Ford advises that due to SFMTA’s projected budget deficits, the SFMTA explored amending the existing advertising agreement to include fully covering SFMTA vehicle windows to provide additional potential revenues.

According to Ms. Gail Stein, SFMTA Manager of Financial Services & Revenue Contracts, SFMTA’s vehicle fleet includes 842 buses and 151 light rail vehicles, or a total of 993 vehicles. The proposed amendment would allow up to five percent, or 42 of the SFMTA’s 842 buses, and up to ten percent, or 15 of the SFMTA’s 151 light rail vehicles, to have full vehicle wrapping that also fully covers windows. The proposed amendment would not change the (a) 20 percent overall limit at any one time for vehicle wrap advertising, or (b) the exclusions for historic vehicles and cable cars.

**Approval of Advertising Locations**

As noted above, the SFMTA Board of Directors or the Parking Authority Commission (or its designee), or the Recreation and Park Commission (or its designee) currently must approve the locations for advertising in all City-owned parking garages. The proposed first Amendment would delegate the approval of advertising locations in parking garages from these various entities to the SFMTA Executive Director, except for parking garages under the jurisdiction of the Recreation and Park Commission, which would require the approval of the Recreation and Park Department. On page 3 of the Attachment, Mr. Ford states that, “Such approvals are solely administrative matters which do not require policy direction from the SFMTA Board of Directors and the Recreation and Park Commission and can be handled by SFMTA and Recreation and Park staff.”

**FISCAL ANALYSIS**

Under the existing agreement, Titan Outdoor pays the SFMTA either a Minimum Annual Guarantee (MAG) or 65 percent of gross revenues, whichever is greater. The MAG amount increases by five percent each year over the five-year term of the existing agreement. The MAG amounts, and the percentage of gross revenue, which remain constant at 65 percent during each year of the five-year agreement, are anticipated to generate at least \$22,102,525 over the five year term of the existing agreement, as shown in Table 1 below.

**Table 1: Titan Outdoor Minimum Annual Guarantee (MAG) and Percentage of Gross Revenues, if higher than the MAG Payable to SFMTA over the Five Year Agreement**

Fiscal Year	MAG	Percentage of Revenues
FY 2009-2010	\$4,000,000	65%
FY 2010-2011	4,200,000	65%
FY 2011-2012	4,410,000	65%
FY 2012-2013	4,630,500	65%
FY 2013-2014	4,862,025	65%
<b>Total</b>	<b>\$22,102,525</b>	

According to Ms. Stein, the MAG is set at \$4,000,000, but rather than pay 1/12 of the MAG each month, Titan Outdoor pays SFMTA monthly MAG amounts that are based on average monthly sales, such that a greater percentage of the MAG is paid during months when sales are historically high. The monthly payments that Titan Outdoor has made during the first 12 months of the existing agreement from July 1, 2009 through June 30, 2010 are shown in Table 2 below.

**Table 2: Monthly Minimum Annual Guarantee (MAG) Payments and Actual Required Payments Based on 65 Percent of Titan Outdoor Gross Monthly Advertising Revenues for Year 1 under the Existing Agreement**

Month	Monthly MAG Amount	Actual Payments: Monthly MAG or 65 Percent of Gross Monthly Revenues
July-09	\$300,000	\$335,629
August-09	340,660	340,660
September-09	370,434	402,162
October-09	380,169	420,396
November-09	380,169	380,169
December-09	314,242	314,242
January-10	217,532	217,532
February-10	234,477	266,496
March-10	352,274	352,274
April-10	333,013	333,013
May-10	366,315	374,915
June-10	410,715	410,717
<b>TOTAL</b>	<b>\$4,000,000</b>	<b>\$4,148,205</b>

According to SFMTA, Titan Outdoor will submit payment for June 2010 in mid-July, and the amount will likely exceed the monthly MAG. The June MAG amount was used to calculate the annual total payment.

Under the existing agreement with Titan Outdoor, and as shown in Table 2 above, Titan Outdoor is projected to pay the SFMTA at least \$4,148,205, which is \$148,205 or 3.7 percent, above the MAG of \$4,000,000, during the first year of the Agreement. Titan Outdoor may pay SFMTA more than the \$4,148,205 if 65 percent of June 2010 revenues, which have not yet been collected, exceed the June MAG.

**Estimated Payment to the SFMTA under the Proposed First Amendment**

In the attached memorandum, SFMTA Executive Director/CEO Nathaniel Ford advises that Titan Outdoor and the SFMTA agree that under the proposed amendment, full vehicle wrapping that fully covers windows will generate an estimated \$500,000 in additional revenue for the SFMTA annually, effective August 1, 2010. Ms. Stein confirmed that in the SFMTA’s FY 2010-11 operating budget the projected revenue associated with the Titan Outdoor contract is \$4,700,000 (\$4,200,000 MAG + \$500,000) and in the FY 2011-12 operating budget, the projected revenue associated with the Titan Outdoor contract is \$4,910,000 (\$4,410,000 MAG + \$500,000).



Mr. Ford also states in the attached memorandum, "SFMTA staff will ask the SFMTA Board of Directors to revisit this issue at such time as the economy improves and the SFMTA is no longer experiencing budget deficits. Due to the economic slowdown, Titan (Outdoor) is unlikely to sell the full number of vehicle wrapping that covers windows allowed by the Amendment."

Given the additional estimated increased annual revenues of \$500,000 projected to result from the additional advertising on fully wrapped SFMTA vehicle windows associated with the proposed First Amendment, the Budget and Legislative Analyst recommends that the proposed resolution be continued to the call of the Chair to allow time for the SFMTA to negotiate an increase in the annual MAG amount to include an additional \$500,000 per year effective August 1, 2010 through the duration of the full window wrap program. The recommended \$500,000 increase to the annual MAG amount should be subject to the same five percent annual increase as the existing MAG for the duration of the agreement. Such an increase in the MAG would be payable to the SFMTA and would allow Titan Outdoor to place fully wrapped advertising where the windows would be fully covered on up to five percent of the SFMTA's buses and up to ten percent of the SFMTA's light rail vehicles.

As shown in Table 3 below the recommended increased MAG payments would guarantee a total of \$2,155,063 in additional revenues from Titan Outdoor over the remaining four years of the agreement, such that the five year agreement would generate MAG revenues totaling \$24,257,588 (\$22,102,525 shown in Table 1 above under the existing agreement plus \$2,155,063 in additional revenues from the proposed First Amendment).

**Table 3: Titan Outdoor Existing and Proposed Minimum Annual Guarantee (MAG)**

Fiscal Year	Existing MAG	Additional Recommended MAG Associated with the Proposed Amendment One	Total Recommended MAG Amount
FY 2009-2010	4,000,000	N/A	4,000,000
FY 2010-2011	4,200,000	500,000	4,700,000
FY 2011-2012	4,410,000	525,000	4,935,000
FY 2012-2013	4,630,500	551,250	5,181,750
FY 2013-2014	4,862,025	578,813	5,440,838
<b>Total</b>	<b>\$22,102,525</b>	<b>\$2,155,063</b>	<b>\$24,257,588</b>

Ms. Stein advised that neither Titan Outdoors nor the SFMTA agree with the recommendation of the Budget and Legislative Analyst to increase the MAG. According to a July 7, 2010 email from Titan to SFMTA, "... Titan will work incredibly hard to maximize revenue on SFMTA properties – as we have since becoming your contractor in 2009. That said, we are unwilling to guarantee \$500,000 (or any amount) for full wraps. While we have seen a slight improvement in the advertising market over 2009, we continue to be concerned about the overall economic climate and its effect on the advertising market. An increase to the annual MAG would therefore be inappropriate at this time – as it represents a significant risk to Titan if the ad market declines again. We are confident that we will be able to sell full wraps if approved. The SFMTA will benefit from the sale of those full wraps when Titan exceeds the existing MAG and the contract is in revenue share (which we have achieved over the past few months)."

**POLICY CONSIDERATIONS****Full Vehicle Wrapping Will Cover Windows**

As discussed above, the existing Agreement specifies that the windows of transit vehicles that are otherwise fully wrapped with advertisements cannot also be fully covered with advertising. In the Attachment, Mr. Ford notes that this provision in the existing Agreement was specifically requested by the SFMTA Board of Directors during the original contract award discussions in 2009. However, given the budgetary difficulties currently faced by the SFMTA, and the anticipated additional \$500,000 of annual revenues to be generated, on May 4, 2010, the SFMTA Board approved the proposed Amendment to allow wrap advertising to fully cover the windows of SFMTA vehicles.

As noted above, SFMTA's vehicle fleet includes 842 buses and 151 light rail vehicles, or a total of 993 vehicles. The proposed Amendment allows up to five percent, or 42 of the SFMTA's 842 buses, and up to ten percent, or 15 of the SFMTA's 151 light rail vehicles, to have vehicle wrap advertising that fully covers windows, or up to a total of 57 (42 plus 15) SFMTA vehicles that may be fully wrapped with advertising, including the vehicles windows, at any one time.

In terms of aesthetics and the appearance of the proposed vehicle wrap advertising that includes fully covered windows, Mr. Ford on page 2 of the attached memorandum states, "The materials used to create the wrap advertisements combine perforated vinyl and uncovered spaces (holes) and have been engineered to provide significant light transmission. In response to past objections about the transparency of wrap materials from transit agencies throughout the United States, advertising companies have worked with manufacturers to improve this material. At this time, manufacturers such as 3M have created perforation patterns that cover no more than 50 percent of the window; the rest of the space in the pattern is uncovered (round holes). This combination of vinyl material and blank space results in a dark tinted look either into or out of the vehicle that allows in sufficient light to give a clear view. The Amendment specifies that the window wrap material cannot be more than 50 percent vinyl/material and that at least 50% of the pattern must be uncovered (holes). 3M manufactures the wrap materials in the United States and is Titan's primary supplier."

On page 2 of the Attached memorandum, Mr. Ford further states that the SFMTA Director of Safety, Security and Enforcement spoke to "other U.S. transit agencies and verified that those agencies allow window wraps." Based on inquiries from the Budget and Legislative Analyst, the SFMTA staff who contacted other agencies were no longer available to specify which other transit agencies were contacted. However, Ms. Stein advised that these other transit agencies have the same type of fully wrapped transit vehicles as proposed in this First Amendment.

Ms. Stein provided two examples of public transit vehicles fully-wrapped with Titan Outdoor advertisements that fully cover windows as shown in the pictures below in Chicago and Seattle . These photographs illustrate the type of window wrap featuring perforated vinyl and uncovered spaces (holes) that have been engineered to provide significant light transmission and that are proposed for use on San Francisco transit vehicles.



Photos courtesy of SFMTA

### **Safety and Security Associated with Proposed Window Wraps**

On page 2 of the memorandum, Mr. Ford explains that one main objection to vehicle wrapping that fully covers windows has been the perception that window wraps pose a safety and security risk for customers and law enforcement. Some customers claim they cannot see into and/or out of vehicles when windows are fully covered with advertisements while law enforcement personnel need to be able to see into vehicles to prevent criminal behavior.

Mr. Ford advises in the memorandum that in order to address safety and security questions, Titan Outdoor demonstrated the quality and look of current improved window covering materials for SFMTA staff, using actual window covering materials on a Muni bus. In addition to the Titan Outdoor demonstration, the SFMTA conducted an internal review of potential safety and security risks associated with vehicle wrapping that fully covers windows, and the SFMTA Safety and Security staff confirmed the window covering materials pose no safety or security risk for riders or law enforcement, and that passengers are able to see out of a fully covered window. According to Ms. Stein, Deputy Police Chief John Murphy, who is assigned to the SFMTA, sent a San Francisco Police Department Officer to assist in the internal review. The Police Officer agreed with the SFMTA Safety and Security staff conclusion that the window covering materials do not pose a safety or security risk for riders or law enforcement.

**RECOMMENDATION**

- Continue the proposed resolution to the Call of the Chair to allow time for the SFMTA to negotiate an increase in the annual MAG amount to include an additional \$500,000 per year effective August 1, 2010 to incorporate the anticipated increase in revenues from the advertising on windows as is being requested under the proposed First Amendment. The recommended \$500,000 increase to the annual MAG amount should be subject to the same five percent annual increase as the existing MAG for the duration of the agreement. This increase in the MAG would be payable to the SFMTA in consideration for the SFMTA allowing Titan Outdoor to fully wrap advertising on up to five percent of SFMTA buses and up to ten percent of SFMTA light rail vehicles, including covering the vehicles windows.

As noted above, Titan Outdoor and the SFMTA disagree with this recommendation. Titan Outdoor states, "While we (Titan Outdoors) have seen a slight improvement in the advertising market over 2009, we continue to be concerned about the overall economic climate and its effect on the advertising market. An increase to the annual MAG would therefore be inappropriate at this time as it represents a significant risk to Titan if the ad market declines again."

Gavin Newsom | Mayor

Tom Nolan | Chairman

Jerry Lee | Vice-Chairman

Cameron Beach | Director

Malcolm Heinicke | Director

Bruce Oka | Director

Nathaniel P. Ford Sr. | Executive Director/CEO

## M E M O R A N D U M

DATE: May 19, 2010

TO: San Francisco Board of Supervisors

FROM: Nathaniel P. Ford Sr.  
Executive Director/CEO

SUBJECT: Amendment to Agreement for Advertising on San Francisco Municipal Transportation Agency Vehicles and Other Property

### Summary

On May 4, 2010, the San Francisco Municipal Transportation Agency (SFMTA) Board of Directors approved an amendment (Amendment) to the Agreement for Advertising on San Francisco Municipal Transportation Agency Vehicles and Other Property (Agreement) between the City and Titan Outdoor LLC (Titan). The Amendment allows windows to be covered when an SFMTA vehicle is wrapped with advertising and makes administrative changes to the approval procedures for placing advertising in City parking garages.

The SFMTA's Director of Safety, Security and Enforcement verified that the proposed wrap material does not pose a safety/security risk either for customers or for law enforcement. Titan has confirmed that window wraps will generate approximately \$500,000 in revenue for the SFMTA annually or \$1 million in total for FY 2011 and FY 2012. SFMTA staff will ask the SFMTA Board of Directors to revisit this issue at such time as the economy improves and the SFMTA is no longer experiencing budget deficits. Due to the economic slowdown, Titan is unlikely to sell the full number of window wraps allowed by the Amendment.

### Background

The Agreement began on July 1, 2009 for a term of five years. The Agreement includes language requested by the SFMTA Board of Directors during the contract award process that provides that the windows of transit vehicles that are otherwise fully wrapped with advertisements cannot also be covered. Currently, no SFMTA vehicles are fully wrapped with fully covered windows; however, as of the date of this memorandum, 18 buses have advertisements that cover the back windows and 20

buses have advertisements that partially cover some of the side windows. Given current budget deficits, the SFMTA was asked to explore the possibility of amending the Agreement to include wraps on all windows of a vehicle given their revenue potential. Following the safety and security review described below, SFMTA staff negotiated the attached Amendment that will allow a limited number of window wraps. The Amendment will also change the approval requirements for advertising in parking garages.

### **Safety and Security Issues**

The main objection to window wraps has generally been the perception that they pose a safety and security risk for customers and law enforcement. Some customers claim that they cannot see into and/or out of vehicles when windows are wrapped while law enforcement personnel need to be able to see into vehicles to prevent criminal behavior. In order to address these questions, Titan demonstrated the quality and look of current improved window wrap materials for SFMTA staff, using actual wrap materials on a Muni bus.

Wrap materials combine perforated vinyl and uncovered spaces (holes) and have been engineered to provide significant light transmission. In response to past objections about the transparency of wrap materials from transit agencies throughout the United States, advertising companies have worked with manufacturers to improve this material. At this time, manufacturers such as 3M have created perforation patterns that cover no more than 50 percent of the window; the rest of the space in the pattern is uncovered (round holes). This combination of vinyl material and blank space results in a dark tinted look either into or out of the vehicle that allows in sufficient light to give a clear view. The Amendment specifies that the window wrap material cannot be more than 50 percent vinyl/material and that at least 50% of the pattern must be uncovered (holes). 3M manufactures the wrap materials in the United States and is Titan's primary supplier.

After the demonstration by Titan in March and an internal review, the SFMTA's Director of Safety, Security and Enforcement confirmed that the proposed wrap material do not pose a safety/security risk either for customers or for law enforcement. The perforations allow enough light inside the vehicle to provide an unobstructed view for riders and law enforcement personnel. In addition, the wraps do not affect the onboard safety cameras. The Director of Safety, Security and Enforcement also spoke with safety and security officers at other U.S. transit agencies and verified that those agencies allow window wraps and have not experienced safety or security issues as a result of using them. Further, in response to concerns about vandalism, the Agreement makes Titan responsible for replacing any advertising materials that are defaced by graffiti or other vandalism and for paying all related costs.

May 19, 2010  
Page 3

### Revenue

Titan has confirmed that window wraps will generate approximately \$500,000 in revenue for the SFMTA annually or \$1 million in total for FY 2011 and FY 2012. These projections are included in the FY 2011 and FY 2012 operating budget.

The Agreement currently provides that 20 percent of the SFMTA's transit vehicles can be fully wrapped as long as the windows are not covered. It also specifies that historic vehicles cannot have any exterior advertising and that cable cars cannot be wrapped. In order to obtain the increased revenue from window wraps described above, the Amendment allows up to 5 percent of the SFMTA's buses and up to 10 percent of the SFMTA's light rail vehicles to have wraps that cover windows. The 20 percent overall cap in the Agreement remains the same, but will now include vehicles that are wrapped both with and without window coverings. The exclusions for historic vehicles and cable cars will not change.

SFMTA staff will ask the SFMTA Board of Directors to revisit this issue at such time as the economy improves and the SFMTA is no longer experiencing budget deficits.

### Advertising in Parking Garages

The Amendment also delegates the approval of advertising locations in parking garages solely to the Executive Director/CEO, except for parking garages under the jurisdiction of the Recreation and Park Commission, which will also require the approval of the Recreation and Park Department. Such approvals are solely administrative matters which do not require policy direction from the SFMTA Board of Directors and the Recreation and Park Commission and can be handled by SFMTA and Recreation and Park staff.

Thank you for your consideration of the Amendment and for your continued support for the SFMTA.

cc: SFMTA Board of Directors  
Deputy City Attorney Julia Friedlander

**FORM SFEC-126:  
NOTIFICATION OF CONTRACT APPROVAL  
(S.F. Campaign and Governmental Conduct Code § 1.126)**

<b>City Elective Officer Information (Please print clearly.)</b>	
Name of City elective officer(s): Members, San Francisco Board of Supervisors	City elective office(s) held: Members, San Francisco Board of Supervisors

<b>Contractor Information (Please print clearly.)</b>	
Name of contractor: Titan Outdoor LLC	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.	
<ol style="list-style-type: none"> <li><u>Board of Directors.</u> William M. Apfelbaum, Donald R. Allman, John Almeida, Lucas Garman</li> <li><u>Officers.</u> Donald R. Allman (CEO), Scott E. Goldsmith (President, Transit) and Craig Abolt (EVP &amp; CFO).</li> <li><u>Ownership.</u> No person owns more than 20% of the Contractor.</li> <li><u>Sub-Contractors.</u> There are no sub-contractors listed in the bid or contract.</li> <li><u>Political Committee.</u> The contractor does not control or sponsor any political committee.</li> </ol>	
Contractor address: 850 Third Avenue, New York, NY 10022	
Date that contract was approved: May 4, 2010 contract amendment (by Parking Authority Commission)	Amount of contract: Minimum Annual Guarantee of \$22,102,525 or 65% of gross revenues, whichever is higher
Describe the nature of the contract that was approved: Contract amendment to five (5) year Agreement to provide exclusive transit advertising services on SFMTA properties.	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form  
 a board on which the City elective officer(s) serves San Francisco Board of Supervisors  
Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits  
Parking Authority Commission  
Print Name of Board

<b>Filer Information (Please print clearly.)</b>	
Name of filer:	Contact telephone number: (      )
Address:	E-mail:

\_\_\_\_\_  
Signature of City Elective Officer (if submitted by City elective officer)

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

\_\_\_\_\_  
Date Signed



AGREEMENT BETWEEN  
THE CITY AND COUNTY OF SAN FRANCISCO  
AND  
TITAN OUTDOOR LLC  
FOR ADVERTISING ON SAN FRANCISCO MUNICIPAL  
TRANSPORTATION AGENCY PROPERTY

Contract No. SFMTA 2008/09-08

\* To view full document  
Request file # 100672

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Gavin Newsom | Mayor

Tom Nolan | Chairman

Jerry Lee | Vice-Chairman

Cameron Beach | Director

Malcolm Heinicke | Director

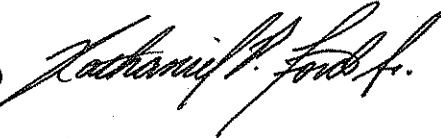
Bruce Oka | Director

Nathaniel P. Ford Sr. | Executive Director/CEO

**MEMORANDUM**

DATE: May 19, 2010

TO: San Francisco Board of Supervisors

FROM: Nathaniel P. Ford Sr.  
Executive Director/CEO 

SUBJECT: Amendment to Agreement for Advertising on San Francisco Municipal Transportation Agency Vehicles and Other Property

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**Summary**

On May 4, 2010, the San Francisco Municipal Transportation Agency (SFMTA) Board of Directors approved an amendment (Amendment) to the Agreement for Advertising on San Francisco Municipal Transportation Agency Vehicles and Other Property (Agreement) between the City and Titan Outdoor LLC (Titan). The Amendment allows windows to be covered when an SFMTA vehicle is wrapped with advertising and makes administrative changes to the approval procedures for placing advertising in City parking garages.

The SFMTA's Director of Safety, Security and Enforcement verified that the proposed wrap material does not pose a safety/security risk either for customers or for law enforcement. Titan has confirmed that window wraps will generate approximately \$500,000 in revenue for the SFMTA annually or \$1 million in total for FY 2011 and FY 2012. SFMTA staff will ask the SFMTA Board of Directors to revisit this issue at such time as the economy improves and the SFMTA is no longer experiencing budget deficits. Due to the economic slowdown, Titan is unlikely to sell the full number of window wraps allowed by the Amendment.

**Background**

The Agreement began on July 1, 2009 for a term of five years. The Agreement includes language requested by the SFMTA Board of Directors during the contract award process that provides that the windows of transit vehicles that are otherwise fully wrapped with advertisements cannot also be covered. Currently, no SFMTA vehicles are fully wrapped with fully covered windows; however, as of the date of this memorandum, 18 buses have advertisements that cover the back windows and 20

buses have advertisements that partially cover some of the side windows. Given current budget deficits, the SFMTA was asked to explore the possibility of amending the Agreement to include wraps on all windows of a vehicle given their revenue potential. Following the safety and security review described below, SFMTA staff negotiated the attached Amendment that will allow a limited number of window wraps. The Amendment will also change the approval requirements for advertising in parking garages.

### **Safety and Security Issues**

The main objection to window wraps has generally been the perception that they pose a safety and security risk for customers and law enforcement. Some customers claim that they cannot see into and/or out of vehicles when windows are wrapped while law enforcement personnel need to be able to see into vehicles to prevent criminal behavior. In order to address these questions, Titan demonstrated the quality and look of current improved window wrap materials for SFMTA staff, using actual wrap materials on a Muni bus.

Wrap materials combine perforated vinyl and uncovered spaces (holes) and have been engineered to provide significant light transmission. In response to past objections about the transparency of wrap materials from transit agencies throughout the United States, advertising companies have worked with manufacturers to improve this material. At this time, manufacturers such as 3M have created perforation patterns that cover no more than 50 percent of the window; the rest of the space in the pattern is uncovered (round holes). This combination of vinyl material and blank space results in a dark tinted look either into or out of the vehicle that allows in sufficient light to give a clear view. The Amendment specifies that the window wrap material cannot be more than 50 percent vinyl/material and that at least 50% of the pattern must be uncovered (holes). 3M manufactures the wrap materials in the United States and is Titan's primary supplier.

After the demonstration by Titan in March and an internal review, the SFMTA's Director of Safety, Security and Enforcement confirmed that the proposed wrap material do not pose a safety/security risk either for customers or for law enforcement. The perforations allow enough light inside the vehicle to provide an unobstructed view for riders and law enforcement personnel. In addition, the wraps do not affect the onboard safety cameras. The Director of Safety, Security and Enforcement also spoke with safety and security officers at other U.S. transit agencies and verified that those agencies allow window wraps and have not experienced safety or security issues as a result of using them. Further, in response to concerns about vandalism, the Agreement makes Titan responsible for replacing any advertising materials that are defaced by graffiti or other vandalism and for paying all related costs.

### **Revenue**

Titan has confirmed that window wraps will generate approximately \$500,000 in revenue for the SFMTA annually or \$1 million in total for FY 2011 and FY 2012. These projections are included in the FY 2011 and FY 2012 operating budget.

The Agreement currently provides that 20 percent of the SFMTA's transit vehicles can be fully wrapped as long as the windows are not covered. It also specifies that historic vehicles cannot have any exterior advertising and that cable cars cannot be wrapped. In order to obtain the increased revenue from window wraps described above, the Amendment allows up to 5 percent of the SFMTA's buses and up to 10 percent of the SFMTA's light rail vehicles to have wraps that cover windows. The 20 percent overall cap in the Agreement remains the same, but will now include vehicles that are wrapped both with and without window coverings. The exclusions for historic vehicles and cable cars will not change.

SFMTA staff will ask the SFMTA Board of Directors to revisit this issue at such time as the economy improves and the SFMTA is no longer experiencing budget deficits.

### **Advertising in Parking Garages**

The Amendment also delegates the approval of advertising locations in parking garages solely to the Executive Director/CEO, except for parking garages under the jurisdiction of the Recreation and Park Commission, which will also require the approval of the Recreation and Park Department. Such approvals are solely administrative matters which do not require policy direction from the SFMTA Board of Directors and the Recreation and Park Commission and can be handled by SFMTA and Recreation and Park staff.

Thank you for your consideration of the Amendment and for your continued support for the SFMTA.

cc: SFMTA Board of Directors  
Deputy City Attorney Julia Friedlander

