

File No. 100672

Committee Item No. 5

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Sub-Committee

Date: July 20, 2011

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget & Legislative Analyst Report |
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| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
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OTHER

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Completed by: Victor Young

Date: July 15, 2011

Completed by: Victor Young

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

(Continued from July 14, 2010)

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 (Titan Outdoor) from September 1, 2011 through June 30, 2014 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 City-owned parking garages.

Key Points

- On April 30, 2009 the Board of Supervisors approved the existing five-year advertising agreement with 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 First Amendment would allow vehicle wrapping that fully covers windows on up to 57 Municipal Railway (MUNI) vehicles including on up to five percent, or 42 of MUNI's 842 buses, and up to ten percent, or 15 of MUNI's 151 light rail vehicles.
- This First Amendment would also transfer 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 Recreation and Park Department staff.

Fiscal Impacts

- Under the existing agreement, Titan Outdoor is required to pay the SFMTA a Minimum Annual Guarantee (MAG) or 65 percent of gross advertising revenues, 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 \$5,059,648, which is \$859,648 or 20.5 percent, above the \$4,200,000 MAG amount, during the second year of the Agreement from July 1, 2010 through June 30, 2011.
- Titan Outdoor and the SFMTA estimate allowing vehicle wrapping advertising that fully covers windows will generate an estimated \$500,000 in additional annual revenues for the SFMTA. Such additional revenues have been included in the FY 2011-12 and FY 2012-13 SFMTA operating budgets. However, instead of increasing the MAG by an estimated \$500,000 in additional annual advertising revenues payable by Titan Outdoor to the SFMTA, the annual MAG amount payable to Titan would remain the same.

Policy Consideration

- Under the proposed Amendment, since up to 57 MUNI vehicles may have advertising wraps that fully cover windows, questions of aesthetics, safety, and security also arise.
- The proposed resolution was considered by the Budget and Finance Subcommittee on July 14, 2010, at which time the Budget and Finance Subcommittee continued the proposed resolution to the Call of the Chair to allow time for the SFMTA to negotiate an increase in the MAG amount by an additional \$500,000 per year as consideration for allowing Titan Outdoor to advertise on fully wrapped MUNI windows, and to increase the MAG annually by a cost of living factor, through the duration of the full window wrap

program.

- SFMTA advises that since July 2010, SFMTA has repeatedly requested Titan increase the MAG payable to the SFMTA, but that Titan refuses to do so, citing uncertainty in the economy and the continued soft market for advertising.
- Therefore although under this proposed First Amendment Titan would be authorized to advertise on fully wrapped MUNI vehicle windows. SFMTA would receive no additional guaranteed revenues from Titan from such advertising.
- SFMTA is resubmitting the same amendment to the Board of Supervisors because the SFMTA is projecting an operating deficit of \$22 million for FY 2011-12 and SFMTA states that any additional revenues that the SFMTA would receive, however uncertain such revenues might be, are critical to maintaining transportation services.

Recommendation

- The Budget and Legislative Analyst cannot recommend approval of the proposed resolution.

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 Commission¹ (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.

¹ 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.

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 windows on up to five percent of the San Francisco Municipal Railway (MUNI) buses and up to ten percent of MUNI'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 September 1, 2011 through June 30, 2014.

Vehicle Advertising Wraps

Attachment I is a memorandum provided by the SFMTA, in which Mr. Nathaniel Ford, former SFMTA Executive Director/CEO, advises that no SFMTA vehicles that are fully wrapped have advertisements covering the vehicles' windows. However, 18 buses that are not fully wrapped 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 Attachment I, Mr. Ford advises that due to SFMTA's projected budget deficits, the SFMTA explored amending the existing advertising agreement to include fully covering MUNI 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 MUNI's 842 buses, and up to ten percent, or 15 of the MUNI'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 Attachment I, 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), ranging from \$4,000,000 to \$4,862,025, as shown in Table 1 below, or 65 percent of gross advertising 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 are estimated by the SFMTA 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%
Total	\$22,102,525	

Source: SFMTA

According to Ms. Stein, 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 second year of the existing agreement from July 1, 2010 through June 30, 2011 are shown in Table 2 below.

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

Month	Monthly MAG Amount	Monthly Payments by Titan to the SFMTA*
July 2010	\$349,664	\$422,239
August 2010	384,632	384,632
September 2010	431,252	535,226
October 2010	384,946	455,599
November 2010	384,946	537,494
December 2010	329,954	565,656
January 2011	228,409	263,253
February 2011	246,200	246,655
March 2011	369,887	369,887
April 2011	357,693	453,978
May 2011	357,693	450,305
June 2011	374,724	374,724
TOTAL	\$4,200,000	\$5,059,648

*According to SFMTA, Titan Outdoor will submit payment for June 2011 in mid-July, such that the actual payment will likely exceed the monthly MAG. The June, 2011 MAG amount is used in Table 2 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 \$5,059,648, which is \$859,648 or 20.5 percent, above the MAG of \$4,200,000, during the second year of the Agreement. As noted in the footnote to Table 2 above, Titan Outdoor may pay SFMTA more than the \$5,059,649 if 65 percent of June 2011 revenues, which have not yet been paid, exceed the June MAG.

Estimated Payments to the SFMTA under the Proposed First Amendment

In Attachment I, Mr. Ford advises that Titan Outdoor and the SFMTA agree that under the proposed amendment, vehicle wrapping that fully covers windows on MUNI vehicles will generate an estimated \$500,000 in additional revenue for the SFMTA annually. Ms. Stein confirmed that in the SFMTA's FY 2011-12 operating budget, the projected revenue associated with the Titan Outdoor agreement is \$4,910,000 (\$4,410,000 (see Table 1 above) MAG in FY 2011-12 + \$500,000) and in SFMTA's FY 2012-13 operating budget, the projected revenue associated with the Titan Outdoor agreement is \$5,130,500 (\$4,630,500 (see Table 1 above) MAG in FY 2012-13 + \$500,000).

The Budget and Legislative Analyst believes that the additional \$500,000 should be added to the MAG payable by Titan Outdoor to the SFMTA. As shown in Table 3 below, if the MAG payments were increased by \$500,000 annually for the remaining three years of the existing agreement with Titan Outdoor the total increased MAG payments from Titan Outdoor to the SFMTA would be \$1,576,250. Further, the \$500,000 increase to the annual MAG should be subject to the same five percent annual increases as is the case for the existing MAG for the duration of the agreement, such that the agreement would generate MAG revenues totaling \$23,678,775 (\$22,102,525 shown in Table 1 above under the existing agreement plus \$1,576,250 (shown in Table 3 below) in additional revenues. As shown in Table 3 below, \$15,478,775 is the total MAG amount that would be payable to the SFMTA for the duration of the subject agreement, if an additional \$500,000 were added to the MAG.

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

Fiscal Year	Existing MAG	Additional Recommended MAG Associated with Amendment One	Total Recommended MAG Amount
FY 2011-2012	\$4,410,000	\$500,000	\$4,910,000
FY 2012-2013	4,630,500	525,000	5,155,500
FY 2013-2014	4,862,025	551,250	5,413,275
Total	\$13,902,525	\$1,576,250	\$15,478,775

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 Attachment I, 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.

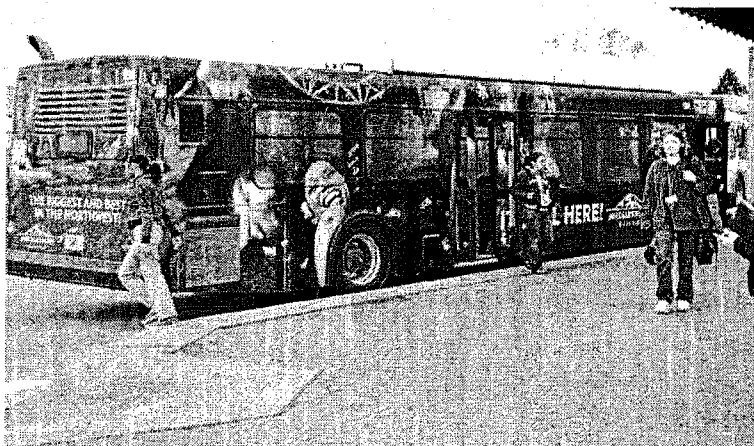
As noted above, SFMTA's vehicle fleet includes 842 buses and 151 light rail vehicles, or a total of 993 vehicles. The proposed Amendment allows up to five percent, or 42 of the SFMTA's 842 buses, and up to ten percent, or 15 of the SFMTA's 151 light rail vehicles, to have vehicle wrap advertising that 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, on page 2 of Attachment I Mr. Ford 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 Attachment I, 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 below 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 Attachment I, 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 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.

Negotiations between Titan Outdoor and the SFMTA

The proposed resolution was considered by the Budget and Finance Subcommittee on July 14, 2010. Given the additional estimated increased annual revenues of \$500,000 which both the SFMTA and Titan Outdoor estimate will be realized by the SFMTA as a result of the additional advertising on fully wrapped SFMTA vehicle windows, the Budget and Legislative Analyst recommended 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 the additional \$500,000 per year through the duration of the existing agreement with Titan Outdoor. The Budget and Legislative Analyst also recommended that the \$500,000 increase to the annual MAG amount be subject to the same five percent annual increase as is the case for the existing MAG for the duration of the agreement. Such an increase in the MAG would be payable by Titan Outdoor to the SFMTA in consideration for authorizing Titan Outdoor to place fully wrapped advertising such that the windows would be fully covered on up to 57 MUNI vehicles

including on up to five percent or 15 of MUNI buses and up to ten percent or 42 of the MUNI's light rail vehicles.

On July 14, 2010, the Board of Supervisors Budget and Finance Subcommittee continued the Item to the Call of the Chair to allow time for the SFMTA to negotiate an increase in the MAG amount by an additional \$500,000 per year as consideration for allowing Titan Outdoor to advertise on fully wrapped MUNI windows.

In a May 5, 2011 Memorandum provided by the SFMTA and included as Attachment II to this report, Mr. Ford advised that, since July 2010, SFMTA has repeatedly requested that Titan increase the MAG payable to the SFMTA. According to this Memorandum and confirmed by Ms. Stein, Titan refuses to agree to pay an increase in the MAG payment to the SFMTA, citing uncertainty in the economy and the continued soft market for advertising.

The SFMTA advises that the reason for submitting the same proposed amendment to the Board of Supervisors, as previously continued by the Budget and Finance Subcommittee on July 14, 2010, for consideration at this time is because the SFMTA is projecting an operating deficit of approximately \$22 million for FY 2011-12, and the estimated additional \$500,000 in annual revenues that the SFMTA expects to receive as a result of authorizing Titan Outdoor to advertise on fully wrapped vehicles is critical to maintaining transportation services.

The Budget and Legislative Analyst continues to believe that Titan should pay an increased MAG that reflects the estimated increased annual revenues of \$500,000, or at least pay the SFMTA for some increased amount of guaranteed compensation, to be increased annually by a cost of living factor, based on the additional advertising revenue to be realized by Titan Outdoor as a result of authorizing Titan Outdoor to advertise on fully wrapped SFMTA vehicle windows.

In addition, since the proposed First Amendment would authorize advertising on fully wrapped windows on up to 57 MUNI vehicles, such authorization also raises questions regarding aesthetics, safety, and security.

In summary, although under this proposed First Amendment, Titan Outdoor would be authorized to advertise on fully wrapped MUNI vehicle windows, SFMTA would receive no guarantee of any additional revenues from Titan Outdoor. Therefore, the Budget and Legislative Analyst cannot recommend approval of the proposed resolution.

RECOMMENDATION

The Budget and Legislative Analyst cannot recommend approval of the proposed resolution.

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

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

May 19, 2010
Page 2

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

SFMTA

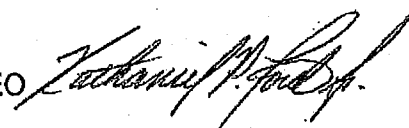
Municipal Transportation Agency

Edwin M. Lee | Mayor
 Tom Nolan | Chairman
 Jerry Lee | Vice-Chairman
 Leona Bridges | Director
 Cheryl Brinkman | 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 5, 2011

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

Please find attached a memorandum that was forwarded to the Board of Supervisors on May 19, 2010 requesting the Board of Supervisors' approval of an amendment to the agreement for advertising on San Francisco Municipal Transportation Agency vehicles and other property between the City and Titan Outdoor LLC (Titan). The amendment would: (1) allow a limited number of windows to be covered when an SFMTA vehicle is wrapped with advertising, revenue from which would be shared – 65 percent to SFMTA and 35 percent to Titan; and (2) make administrative changes to the approval procedures for placing advertising in City parking garages.

The Budget and Finance Subcommittee heard this item (file no. 10-0672) on July 14, 2010. At that time, the Subcommittee members tabled the item when Titan was unwilling to guarantee revenue which might result from the amendment. SFMTA staff has asked Titan repeatedly if it would guarantee this additional revenue to the SFMTA. Titan continues not to be willing to make such a guarantee because of uncertainty in the economy and the continued soft market for advertising.

The SFMTA is submitting the amendment to the Board of Supervisors for consideration once again given that the SFMTA is projecting an operating deficit of \$22 million for fiscal year 2011-2012. Any additional revenue that the SFMTA would receive as a result of the advertising allowed under the amendment is critical to maintaining transportation services.

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

Attachment

cc: SFMTA Board of Directors
 Deputy City Attorney Julia Friedlander

San Francisco Municipal Transportation Agency
 One South Van Ness Avenue, Seventh Fl. San Francisco, CA 94103 | Tel: 415.701.4500 | Fax: 415.701.4430 | www.sfmfa.com

**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

TABLE OF CONTENTS

	<u>Page</u>
1. DEFINITIONS	1
1.1. Advertisement	1
1.2. Advertising Campaign	1
1.3. Advertising Contract	1
1.4. Advertising Space	1
1.5. Agreement	1
1.6. Annual Financial Report	1
1.7. Annual Revenue Share	1
1.8. Barter; Trade	1
1.9. Calendar Year	1
1.10. City	2
1.11. Consumer Price Index, Bay Area CPI	2
1.12. Contractor	2
1.13. Contract Year	2
1.14. Days	2
1.15. Digital Infrastructure Costs	2
1.16. Director	2
1.17. Effective Date	2
1.18. Fare and Parking Media	2
1.19. Fiscal Year	2
1.20. Graffiti	2
1.21. Gross Revenue	2
1.22. Historic Streetcars	2
1.23. Infrastructure	2
1.24. MAG; Minimum Annual Guarantee	2
1.25. Monthly Payment	2
1.26. Municipal Railway; Muni	2
1.27. Net Revenue	2
1.28. Outage	3
1.29. Party; Parties	3

1.30.	Proposal.....	3
1.31.	Records.....	3
1.32.	Request for Proposals, RFP.....	3
1.33.	San Francisco Municipal Transportation Agency; SFMTA.....	3
1.34.	SFMTA Property.....	3
1.35.	Small Business Enterprise; SBE.....	3
1.36.	Total Required Payments.....	3
1.37.	Transit Stations.....	3
1.38.	Vehicles.....	3
1.39.	Wrap.....	3
2.	TERM OF THE AGREEMENT.....	3
3.	GRANT OF ADVERTISING RIGHTS AND PRIVILEGES; LIMITATIONS.....	3
3.1.	Rights Granted.....	3
3.2.	License Granted.....	3
3.3.	Rights Retained.....	4
3.4.	Authorized Advertising.....	4
3.4.1	Vehicle Advertising.....	4
	(a) Vehicle Count and Description.....	4
	(b) Wraps.....	4
	(c) Guaranteed Space on Vehicles.....	5
3.4.2	Transit Information Displays.....	5
	(a) PDSS Description.....	5
	(b) PDSS Advertising Space and Time.....	5
	(c) PDSS Ownership.....	5
3.4.3	Transit Stations.....	5
3.4.4	Fare Media.....	5
3.4.5	Corporate Sponsorships; Naming Rights.....	5
3.4.6	Trades and Barters.....	5
3.5.	Unsold Space.....	6
3.5.1	City's Use of Unsold Space.....	6
3.5.2	Contractor's Use of Unsold Space.....	6
3.5.3	Public Service Announcements.....	6
3.6.	Bonuses; Discounts; Allowances.....	6
3.7.	Advertising Space Subject to Change.....	6
3.8.	Transportation Priority.....	6

3.9.	Partial Termination.....	7
3.10.	Use of Structures.....	7
3.11.	No Damage to City Property.....	7
3.12.	Nuisances.....	7
4.	PARKING GARAGES.....	7
4.1.	Approvals Required.....	7
4.2.	Advertising Plan.....	7
5.	INVENTORY MANAGEMENT SYSTEM (IMS).....	7
5.1.	General.....	7
5.2.	IMS Review and Approval.....	7
5.3.	Inventory Records.....	7
5.4.	Technical Requirements.....	8
5.4.1	Application Requirements.....	8
5.4.2	IMS Maintenance and Upgrades.....	8
5.4.3	Security.....	8
5.4.4	Outages.....	8
5.5.	Disaster Planning.....	8
6.	OWNERSHIP, INSTALLATION AND MAINTENANCE.....	8
6.1.	Installation and Ownership Rights.....	8
6.2.	Maintenance.....	8
6.3.	Inspection and Clean-up.....	9
6.4.	Repair.....	9
6.5.	Removal of Advertisements.....	9
6.6.	Maintenance Plan.....	9
6.7.	Maintenance Products.....	9
6.8.	Remedies for Failure to Maintain or Repair.....	9
6.9.	Meetings.....	9
6.10.	Permits.....	9
7.	CONTENT OF ADVERTISEMENTS.....	9
7.1.	Advertising Policy.....	9
7.2.	Disclaimers.....	9
7.3.	Complaints.....	9
7.4.	Design Considerations and Use of Materials.....	10
7.4.1	General Considerations.....	10
7.4.2	Experimental Displays; New Media.....	10

7.4.3	Digital Displays.....	10
(a)	Limitations	10
(b)	Rollout Plan.....	10
(c)	Revenue.....	10
7.4.4	Cable Car Displays.....	10
7.4.5	Historic Streetcars	10
8.	PAYMENTS	10
8.1.	Payments by Contractor to SFMTA.....	10
8.1.1	Minimum Annual Guarantee (MAG).....	11
8.1.2	Monthly Payment.....	12
8.2.	Late Payments	12
8.3.	Verification of Revenue	12
9.	REPORTS, INSPECTION AND REVIEWS.....	12
9.1.	Annual Financial Statement	12
9.2.	Summary Report	12
9.3.	Annual Inspection of Records	12
9.4.	Sales Activity Report	13
9.5.	Account Activity Summary by Display Location and Type.....	13
9.5.1	Advertising by Category	13
9.5.2	Bay Area-Wide Transit Contracts.....	13
9.6.	Copies of Contracts	13
9.7.	Maintenance and Service Logs	13
9.8.	Media Trade Reports.....	13
9.9.	Schedule of Rates and Charges	13
9.10.	Garage Revenue	14
10.	SECURITY DEPOSITS.....	14
10.1.	Requirement to Provide Financial Guarantees.....	14
10.2.	Letter of Credit.....	14
10.2.1	Requirements.....	14
10.2.2	Financial Institution	14
10.2.3	Demand on Letter of Credit	14
10.2.4	Expiration or Termination of Letter of Credit.....	15
10.2.5	Return of Letter of Credit.....	15
10.2.6	Excessive Demand	15
10.3.	Security Fund	15

11.	INSURANCE.....	15
12.	INDEMNIFICATION.....	17
13.	INCIDENTAL AND CONSEQUENTIAL DAMAGES.....	17
14.	LIABILITY OF CITY.....	17
15.	LIQUIDATED DAMAGES.....	18
	15.1. Performance Standards.....	18
	15.1.1 Maintenance Breaches.....	18
	15.1.2 Annual Financial Statement.....	18
	15.1.3 Failure to Cure Audit Deficiencies.....	18
	15.2. Failure to Comply with Advertising Policy.....	18
	15.3. Failure to Pay Liquidated Damages.....	18
16.	DEFAULT; REMEDIES.....	18
	16.1. Events of Default.....	18
	16.2. City's Rights on Default.....	19
	16.3. No Waiver of Remedies.....	19
17.	TERMINATION FOR CONVENIENCE.....	19
18.	RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION.....	19
19.	SMALL BUSINESS PARTICIPATION; EMPLOYMENT REQUIREMENTS.....	20
	19.1. SBE PARTICIPATION.....	20
	19.1.1 Commitment.....	20
	19.1.2 Nature of SBE Participation.....	20
	19.1.3 Function.....	20
	19.1.4 Mentoring Program.....	20
	19.1.5 Quarterly Meetings.....	20
	(a) SBE Prime Contractor.....	20
	(b) SBE Subcontractor.....	20
	(c) SBE Joint Venture Partner.....	21
	(d) Other SBEs.....	21
	(e) Materials or Supplies.....	21
	19.1.6 Substitution of Subcontractor and Suppliers.....	21
	19.1.7 Addition of Subcontractors and Suppliers.....	21
	19.1.8 Reporting Requirements.....	21
	19.1.9 Enforcement.....	22
20.	FIRST SOURCE HIRING PROGRAM.....	22
	20.1. Incorporation of Administrative Code Provisions by Reference.....	22

20.2.	First Source Hiring Agreement	22
20.3.	Hiring Decisions.....	23
20.4.	Exceptions.....	23
20.5.	Liquidated Damages.....	23
20.6.	Subcontracts.....	24
21.	REQUIRING MINIMUM COMPENSATION FOR COVERED EMPLOYEES.....	24
22.	REQUIRING HEALTH BENEFITS FOR COVERED EMPLOYEES	25
23.	MISCELLANEOUS PROVISIONS	26
23.1.	Submitting False Claims; Monetary Penalties	26
23.2.	Taxes	27
23.3.	Qualified Personnel.....	27
23.4.	Responsibility for Equipment.....	27
23.5.	Independent Contractor	27
23.6.	Payment of Taxes and Other Expenses	28
23.7.	Conflict of Interest	28
23.8.	Proprietary or Confidential Information of City	28
23.9.	Notices to the Parties.....	28
23.10.	Works for Hire	29
23.11.	Audit and Inspection of Records.....	29
	23.11.1 Records.....	29
	23.11.2 City's Right to Inspect and Copy.....	29
	23.11.3 Audit.....	29
	23.11.4 Findings of Nonperformance	30
23.12.	Subcontracting.....	30
23.13.	Assignment.....	30
23.14.	Non-Waiver of Rights	30
23.15.	Nondiscrimination; Penalties	30
	23.15.1 Contractor Shall Not Discriminate.....	30
	23.15.2 Incorporation of Administrative Code Provisions by Reference	30
23.16.	Drug-Free Workplace Policy	30
23.17.	Compliance with Americans With Disabilities Act	31
23.18.	Sunshine Ordinance	31
23.19.	Limitations on Contributions	31
23.20.	Prohibition on Political Activity with City Funds.....	31
23.21.	Preservative-Treated Wood Containing Arsenic.....	31

23.22.	Modification of Agreement.....	32
23.23.	Administrative Remedy for Agreement Interpretation	32
23.24.	Agreement Made in California; Venue	32
23.25.	Construction	32
23.26.	Entire Agreement	32
23.27.	Compliance with Laws.....	32
23.28.	Services Provided by Attorneys.....	32
23.29.	Severability	32
23.30.	Protection of Private Information.....	32
23.31.	Graffiti Removal	32
23.32.	Food Service Waste Reduction Requirements	32
23.33.	No Third Party Beneficiaries.....	33
23.34.	Disputes.....	33
23.35.	MacBride Principles--Northern Ireland.....	33
24.	INCLUDED APPENDICES	33

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

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)**

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

Contractor Information <i>(Please print clearly.)</i>	
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"> 1. <u>Board of Directors</u>. William M. Apfelbaum, Donald R. Allman, John Almeida, Lucas Garman 2. <u>Officers</u>. Donald R. Allman (CEO), Scott E. Goldsmith (President, Transit) and Craig Abolt (EVP & CFO). 3. <u>Ownership</u>. No person owns more than 20% of the Contractor. 4. <u>Sub-Contractors</u>. There are no sub-contractors listed in the bid or contract. 5. <u>Political Committee</u>. The contractor does not control or sponsor ant political committee. 	
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

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244 1 Dr. Carlton B. Goodlett Pl., SF CA 94102	E-mail: Board.of.Supervisors@sfgov.org

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