

File No. 110524

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: September 8, 2011

Board of Supervisors Meeting

Date: August 2, 2011

Cmte Board

- | | | |
|-------------------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Analyst Report |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
| <input type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement (Approved as to Form) |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

- | | | |
|-------------------------------------|--------------------------|----------------------------|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | * Performance Audit Report |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Completed by: Andrea S. Ausberry

Date August 30, 2011

Completed by: _____

Date _____

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

Performance Audit
of
The City's Advertising Policies and Practices

Prepared for the
Board of Supervisors
of the City and County of San Francisco

by the
San Francisco Budget and Legislative Analyst

April 20, 2011

**CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS**

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102

(415) 552-9292 FAX (415) 252-0461

April 20, 2011

Honorable David Campos,
and Members of the Board of Supervisors
City and County of San Francisco
Room 244, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Dear Supervisor Campos and Members of the Board of Supervisors:

The Budget and Legislative Analyst is pleased to submit this *Performance Audit of the City's Advertising Policies and Practices*. In response to a motion adopted by the Board of Supervisors on November 9, 2010 (Motion 10-0161), the Budget and Legislative Analyst conducted this performance audit, pursuant to the Board of Supervisors powers of inquiry as defined in Charter Section 16.114 and in accordance with U.S. Government Accountability Office (GAO) standards, as detailed in the Introduction to the report.

The purpose of this performance audit was to evaluate City departments' compliance with the City's advertising policies and oversight of advertising and naming rights agreements. This performance audit evaluated (a) the City's policies for advertising on City-owned property, (b) City departments' monitoring of advertising revenues, and (c) City departments' monitoring of advertising and naming rights agreements.

The San Francisco Municipal Transportation Agency (SFMTA), San Francisco International Airport, Department of Public Works, Real Estate Division, and Convention Facilities Department have agreements with private companies to advertise on City-owned property. Additionally, the Recreation and Park Department has agreements with the San Francisco 49ers to share in Candlestick Park Stadium advertising revenues. In FY 2009-10 these agreements administered by the six City departments generated \$20.9 million in advertising revenues to the City.

Our performance audit contains four findings, summarized in the Executive Summary and detailed in the audit report. Implementation of the performance audit's 15 recommendations would result in estimated increased annual advertising revenues of \$1.35 million.

Board of Supervisors
Budget and Legislative Analyst

- Under the agreement between the Department of Public Works and JC Decaux, JC Decaux is required to install and maintain automatic public toilets in exchange for the right to place commercial kiosks on City-owned property. Under this agreement, JC Decaux pays the Department of Public Works 7 percent of advertising revenues, which is significantly less than the percentage share of advertising revenues in other City departments' advertising agreements, which range from 40 to 70 percent. If DPW were to negotiate amendments to the existing agreement, including offering incentives to JC Decaux, such as an increased number of commercial kiosks, DPW could increase advertising revenues. For example, if JC Decaux were to agree to revenue sharing of at least 25 percent in exchange for an increased number of commercial kiosks, DPW would receive an estimated \$1.1 million in additional advertising revenues per year. A negotiated amendment to the existing agreement would require concurrence from JC Decaux.
- The SFMTA advertising agreement with Titan Outdoor (Titan) for advertising on Municipal Railway (Muni) buses and light rail vehicles allows Titan to also advertise in five City-owned parking garages managed by the SFMTA. However, Titan has not sold any advertising in parking garages since the beginning of the agreement with SFMTA in December 2009. While SFMTA says that the lack of parking garage advertising is due to the slow economy, the Airport has successfully sold advertising in the Airport's parking garages. The Budget and Legislative Analyst estimates that the SFMTA could receive revenues of at least \$250,000 annually from Titan through the sale of advertising in the parking garages.

Written responses from the City Administrator's Office, Department of Public Works, Recreation and Park Department, Real Estate Division, Airport, and Convention Facilities Department are attached to this performance audit report, beginning on page 56. The City Administrator's Office, Department of Public Works, Recreation and Park Department, Real Estate Division, Airport, and Convention Facilities Department agree or partially agree with the recommendations directed to each of the respective departments.

In the written response from SFMTA, which begins on page 57, the SFMTA disagreed with all seven recommendations directed to SFMTA.

The SFMTA disagrees with:

- Recommendation 2.1 to "work with Titan to initiate and maximize the sale of (a) advertisements in parking garages, and (b) digital display and new media advertisements in accordance with the terms of the agreement between SFMTA and Titan"; and

Honorable David Campos
and Members of the Board of Supervisors
Performance Audit of San Francisco's
Advertising Policies and Practices
April 20, 2011
Page 3 of 6

- Recommendation 2.2 to “evaluate advertising sales projections and follow-up with contractors regarding advertising sales in an effort to increase advertising revenues”.

In the written response, the SFMTA Director of Finance and Information Technology states that Titan and Clear Channel are “already working to maximize sales...In challenging economic times, it will always be difficult to sell the maximum amount of advertising”.¹

However, as noted in Section 2 of this report, the agreement between Titan and SFMTA allows Titan to sell advertising in SFMTA's parking garages, but Titan has not sold any advertising in parking garages since the beginning of the agreement in December 2009. While SFMTA says that the lack of parking garage advertising is due to the slow economy, the Airport has successfully sold advertising in the Airport's parking garages.

Further, SFMTA receives monthly advertising sales reports on transit vehicles under the agreement with Titan, but SFMTA does not have information on available advertising locations compared to actual advertising locations, and therefore, cannot verify if Titan is maximizing advertising sales. Also, while SFMTA receives monthly reports from Clear Channel on sales projections for transit shelter advertising space, the number of 1,530 available advertising spaces sold each month varies widely, as noted in Table 2.5 on page 27 of the report. SFMTA should work with Clear Channel and Titan to ensure that the contractors are making all possible efforts to fill vacant advertisement space.

The SFMTA disagrees with:

- Recommendation 4.1 to “conduct routine audits of advertising agreements for compliance with inventory, maintenance, and other requirements and maintain documentation of audits and other monitoring activities”, stating that the SFMTA intends to conduct such audits in accordance with the terms of the agreements.

The Budget and Legislative Analyst notes that SFMTA has never audited the agreement between SFMTA and Titan for transit vehicle advertising nor the agreement between SFMTA and Clear Channel for transit shelter advertising. As noted on page 52 of the report, SFMTA did not conduct an audit of the previous transit shelter agreement between SFMTA and CBS Outdoor between 2000 and 2007,

¹ Under the agreement between SFMTA and Titan, Titan is authorized to advertise on Muni buses and light rail vehicles and in parking garages under SFMTA management. Under the agreement between SFMTA and Clear Channel, Clear Channel installs and maintains transit shelters and commercial kiosks in exchange for the right to advertise on the transit shelters and commercial kiosks.

Honorable David Campos
and Members of the Board of Supervisors
Performance Audit of San Francisco's
Advertising Policies and Practices
April 20, 2011
Page 4 of 6

which was the termination date of the agreement. SFMTA states that under the current transit shelter agreement between SFMTA and Clear Channel, which began in 2007, SFMTA will conduct the first audit in 2012. Further, as noted on page 53 of the report, the vehicle transit advertising agreement between SFMTA and Titan, which began in December 2009, specifies that every year a certified public accounting firm may conduct a verification of advertising sales and revenues reported by Titan. SFMTA advised that this annual revenue verification is not cost-effective.

The SFMTA disagrees with:

- Recommendation 4.3 to "initiate quarterly site visits to inspect the condition of advertisements and associated infrastructure", stating that various SFMTA staff check these items as part of their regular duties.

Also, as noted in Section 4 of this report, under the agreement between SFMTA and Clear Channel, SFMTA has not required Clear Channel to maintain the minimum number of transit shelters. Also, SFMTA staff do not perform formal or routine site checks to ensure shelters and kiosks are in good condition, as noted on page 45 of this report. Further, SFMTA should more closely check the maintenance of interior advertisements on buses and light rail vehicles and work with Titan to be sure that the advertisements are properly installed, as noted on page 47 of this report.

The SFMTA disagrees with:

- Recommendation 4.2 to "require submission of consistent annual revenue data (with respect to all advertising revenues realized by the SFMTA), which should include an itemization of clients, sales per client, annual advertising revenue, percent advertising fee to the City, base and total payment to the City". According to the written response, SFMTA is already implementing these recommendations.

However, as noted on page 53 of this report, although the SFMTA provided documentation of timely payment of advertising revenues under the SFMTA's agreements with Titan and Clear Channel, the SFMTA does not require that BART provide an itemization of advertising sales and revenues, resulting in BART payment of advertising revenues to SFMTA that are inconsistent with the revenue sharing agreement.

The SFMTA disagrees with:

- Recommendation 4.4, recommending that the Executive Director of the SFMTA direct SFMTA's contract management and SFMTA's Graffiti Prevention and Security Program to coordinate efforts to remove graffiti and stickers from the exposed wall in unsold interior advertising spaces on buses. According to the written

Honorable David Campos
and Members of the Board of Supervisors
Performance Audit of San Francisco's
Advertising Policies and Practices
April 20, 2011
Page 5 of 6

response, "SFMTA staff already works on reducing and removing graffiti in and on all vehicles. The SFMTA employs car cleaners whose job is to clean the inside of vehicles, including graffiti".

As noted on page 46 of the report, during site visits to Muni buses the Budget and Legislative Analyst found that many interior paper advertisements, were ripped, and many walls beneath unsold advertisement space marked by graffiti and stickers.

The SFMTA disagrees with:

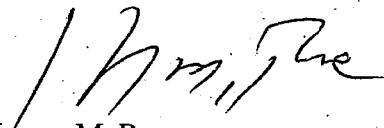
- Recommendation 4.5 to "work with BART to ensure adequate maintenance of advertising agreements in the combined Muni and BART stations". According to the written response from SFMTA, "this is BART's contract and it is BART's property—the SFMTA has no authority and thus the SFMTA has no role in oversight".

However, as noted on page 47 of the report, the Budget Analyst found graffiti, stickers, and dirt on displays in the sections of the combined BART and Muni stations that serve the Muni Metro system. Further, SFMTA is not precluded from identifying inadequate maintenance and then working with BART to ensure adequate maintenance of advertising in the combined Muni and BART stations.

Honorable David Campos
and Members of the Board of Supervisors
Performance Audit of San Francisco's
Advertising Policies and Practices
April 20, 2011
Page 6 of 6

We would like to thank the finance directors, contract managers, department managers and staff of the SFMTA, Airport, Department of Public Works, Recreation and Park Department, Real Estate Division, and Convention Facilities Department for their assistance with this performance audit.

Respectfully submitted,



Harvey M. Rose
Budget and Legislative Analyst

cc: President Chiu	Cheryl Adams
Supervisor Avalos	Greg Wagner
Supervisor Chu	Controller
Supervisor Cohen	Executive Director, SFMTA
Supervisor Elsbernd	Executive Director, Airport
Supervisor Farrell	Director, Public Works
Supervisor Kim	General Manager, Recreation and Park Department
Supervisor Mar	Director, Real Estate Division
Supervisor Mirkarimi	Director, Convention Facilities
Supervisor Weiner	
Clerk of the Board	

Board of Supervisors
Budget and Legislative Analyst

**Performance Audit of
San Francisco's Advertising Policies and Practices**

Table of Contents

	<u>Page</u>
Executive Summary	i
Introduction.....	1
1. The City's Advertising Policies	12
2. The Municipal Transportation Agency's Advertising Revenues.....	20
3. Non-Transit Advertising Revenues.....	30
4. Advertising Agreement Monitoring.	41
Response to the Recommendations from the City Administrator's Office, Department of Public Works, Recreation and Park Department, Real Estate Division, Airport, and Convention Facilities Department.....	56
Response to the Recommendations from the San Francisco Municipal Transportation Agency.....	57

Executive Summary

San Francisco Advertising Policies and Practices

Several voter-approved initiatives have defined the City's advertising policies, restricting certain types of advertising.

- Proposition G, approved by San Francisco voters in March 2002, prohibits new general advertising signs, or billboards, on public and privately-owned buildings, but does not prohibit the number of general advertisements on City-owned motor vehicles or in the public right-of-way, such as sidewalks and streets.
- Proposition E, approved by San Francisco voters in November 2009, prohibits an increase in the number of general advertising signs on City-owned street furniture, including transit shelters, kiosks, benches and newspaper racks.

The Board of Supervisors have also adopted ordinances restricting alcohol and tobacco advertising on public property.

City Departments' Advertising Revenues

The San Francisco Municipal Transportation Agency (SFMTA), San Francisco International Airport, Department of Public Works, Real Estate Division, and Convention Facilities Department have agreements with private companies to advertise on City-owned property. Additionally, the Recreation and Park Department has agreements with the San Francisco 49ers to share in Candlestick Park Stadium advertising revenues. In FY 2009-10 these six City departments generated \$20.9 million in advertising revenues, as shown in Table 1.

Table 1
San Francisco Advertising Revenues
FY 2009-10

	Advertising Revenues	Percent of Total
Municipal Transportation Authority	\$13,263,256	63.5%
<u>Other City Departments</u>		
Airport	6,351,000	30.4%
Public Works	516,678	2.5%
Recreation and Park	423,056	2.0%
Real Estate	240,000	1.2%
Convention Facilities	84,598	0.4%
Subtotal, Other City Departments	7,615,332	36.5%
Total	\$20,878,588	100%

- SFMTA collects revenues from the following three advertising agreements: (a) the transit shelter agreement between SFMTA and Clear Channel Outdoor (Clear Channel), (b) the advertising agreement for vehicles and parking garages between SFMTA and Titan Outdoor (Titan), and (c) the Memorandum of Understanding between SFMTA and BART (Bay Area Rapid Transit) for revenues generated by advertising in the combined BART and Muni stations.
- The Airport has an agreement with Clear Channel to advertise in the Airport's parking garages, pedestrian tunnels and other Airport locations.
- The Recreation and Park Department has agreements with the San Francisco 49ers to share in Candlestick Park Stadium advertising revenues.
- The Department of Public Works has an agreement with JC Decaux, requiring JC Decaux to install and maintain automatic public toilets on City-owned property in exchange for the right to place public service kiosks on public property. The Department of Public Works also has an agreement with Clear Channel, requiring Clear Channel to install and maintain multi-publication news racks on City-owned property in exchange for the exclusive right to sell advertising on news racks located within a defined advertising zone.
- The Real Estate Division assumed an existing advertising agreement with CBS Outdoor to advertise on 1650 Mission Street, a City-owned building housing the Department of Building Inspection and the Planning Department, when the Real Estate Division purchased the building on May 17, 2007. This is the only billboard advertising on a City-owned building.
- The Convention Facilities Department receives revenues from the Moscone Center management company, SMG, for advertising in the Moscone Center. The Convention Facilities Department also has the right to naming rights revenue under the Bill Graham Civic Auditorium lease agreement with BGCA Management, LLC (BGCA), although BGCA is not currently generating naming rights revenue.

In the absence of a Citywide advertising policy, City departments lack consistent advertising standards in their agreements with private advertising companies

No one City department or organization is responsible for promulgating Citywide advertising guidelines for all types of advertising. As a result, City departments with advertising agreements are not necessarily aware of the City's policies. For example, the Airport proposed an amendment to its existing agreement with Clear Channel to advertise in bus shelters located at the Airport, but withdrew the proposed amendment when the Budget and Legislative Analyst questioned its compliance with voter-approved City policies.

The City needs uniform advertising guidelines to ensure that City departments are complying with City policy and requiring advertisers to meet consistent standards

- Only the SFMTA and Airport include detailed advertising standards in their agreements with private advertising companies. For example, the SFMTA specifically prohibits advertising relating to political activity, use of firearms, pornography, lawlessness or violent activity, and other prohibitions. Because DPW, the Recreation and Park Department, Convention Facilities Department, and Real Estate Division lack formal advertising standards in their respective agreements with private advertising companies, these departments cannot ensure that the private companies either understand or comply with the City's and the department's advertising policies.
- Only the Airport requires specific approval of advertisements prior to installation. The SFMTA requires prior approval of pilot programs or experimental advertisements, but not all advertisements. In contrast, DPW and the Recreation and Park Department place the responsibility of approving advertisements with the private companies and their advertising divisions. Additionally, DPW and the Recreation and Park Department advertising agreements state that the companies must remove "objectionable" advertisements though the term is not defined in either Department's advertising agreements.

The City also lacks formal guidelines for corporate partnerships, even though Departments have considered these alternative sources of funding. For example, when a pet food company donated a vehicle to the Animal Care and Control Department, the Department voluntarily painted the name of the pet food company on the donated vehicle.

Although SFMTA increased annual advertising revenues through negotiation of new advertising agreements, SFMTA does not consistently monitor advertising agreements to maximize revenues

The San Francisco Municipal Transportation Agency (SFMTA) receives advertising revenues from advertising (a) on transit shelters and kiosks, (b) on buses and light rail vehicles, (c) in City-owned parking garages under the jurisdiction of SFMTA, and (d) in combined Muni Metro and BART stations. In the past four fiscal years, total SFMTA advertising revenues increased by \$7.4 million per year, or approximately 126 percent, as shown in Table 2 below. Increases in revenues resulted largely from SFMTA's success in negotiating improved financial terms for agreements between SFMTA and Clear Channel in 2007 and between SFMTA and Titan in 2009.

Table 2
Increase in SFMTA Advertising Revenues
FY 2006-07 to FY 2009-10

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Increase/ (Decrease) FY 2009-10 Compared to FY 2006-07	Percent
Transit Shelter Advertising						
Viacom/ CBS	\$293,662	\$148,115				
Clear Channel		3,863,097	7,261,500	7,923,000		
Subtotal	293,662	4,011,212	7,261,500	7,923,000	7,629,338	2,598%
Transit Vehicle Advertising						
Viacom/ CBS	4,757,366	5,714,281	4,329,700			
Titan Outdoor				4,219,066		
Subtotal	4,757,366	5,714,281	4,329,700	4,219,066	(538,300)	(11%)
Muni Metro/BART Station Advertising						
BART	807,322	1,300,348	1,236,209	1,121,190	313,868	39%
Total	\$5,858,350	\$11,025,841	\$12,827,409	\$13,263,256	\$7,404,906	126%

Source: SFMTA

The SFMTA needs to work with Titan to initiate and maximize the sale of advertisements in City-owned parking garages

Although the advertising agreement between SFMTA and Titan provides for advertising in the five City-owned parking garages under SFMTA's management, Titan has not sold any advertising in the parking garages since the beginning of the agreement with SFMTA in December 2009. According to SFMTA, Titan has reported little interest among advertisers in purchasing advertisement space located in parking garages given the poor economic climate. However, the San Francisco Airport's advertising agreement with Clear Channel has resulted in the sale of advertisements in the elevator cores of parking garages and passageways leading to the parking garages, which suggests the feasibility of selling advertisements in the garages. The Budget and Legislative Analyst estimates that SFMTA could receive additional revenues of up to at least \$250,000 annually from the sale of advertising in the parking garages.

SFMTA does not sufficiently monitor advertising revenues

For example, BART gives SFMTA data on monthly advertising revenues in the combined Muni Metro and BART stations, but does not reconcile actual advertising revenue payments received from BART with the monthly advertising revenue data. The Budget and Legislative Analyst estimates that BART either overpaid or underpaid SFMTA in each of the past 10 fiscal years, resulting in net estimated overpayment to SFMTA of \$389,297.

Also, SFMTA receives monthly advertising sales reports from its transit vehicle agreement with Titan, but does not have information on available advertising locations

compared to actual advertising locations, and therefore, cannot verify if Titan is maximizing advertising sales.

Several City departments have advertising agreements, with total revenues of \$7.6 million in FY 2009-10 but not all City departments maximize potential advertising revenues

In FY 2009-10, City advertising revenues were \$20.9 million, of which \$13.3 million or approximately 63.5 percent were SFMTA revenues, and \$7.6 million or approximately 36.5 percent were revenues from Airport, Department of Public Works, Recreation and Park Department, Real Estate Division, and Convention Facilities Department advertising agreements (see Table 1 above).

Under the advertising agreement between DPW and JC Decaux, JC Decaux pays DPW only 7 percent of advertising revenues, which is significantly less than the 40 percent to 70 percent of advertising revenues which the City receives from its advertising agreements administered by other departments

Most City advertising agreements require the contractor to pay to the City the higher of a Minimum Annual Guarantee (MAG) or a percentage of gross revenues of at least 40 percent. For example, under the Airport's agreement with Clear Channel, the Airport receives a MAG or 70 percent of gross advertising revenues, whichever is greater.

The exception is the agreement between DPW and JC Decaux. Under the agreement, which began in 1994 and terminates in 2016, JC Decaux installs and maintains public toilets in exchange for advertising on commercial kiosks. The agreement requires JC Decaux to pay the City approximately 7 percent of gross advertising revenues plus a base payment. In 2009, JC Decaux earned advertising revenues of \$6,687,285, and paid DPW a base payment of \$48,568, plus approximately 7 percent of the earned advertising revenues of \$6,687,285, for total 2009 payment of \$516,678.

If DPW were to negotiate amendments to the existing agreement, including offering incentives to JC Decaux, such as an increased number of commercial kiosks, DPW could increase revenues to the City. For example, if JC Decaux were to agree to revenue sharing of 25 percent in exchange for JC Decaux receiving an increased number of commercial kiosks, DPW would receive an additional estimated \$1.1 million in advertising revenues per year..

The Recreation and Park Department should report regularly to the Recreation and Park Commission on the San Francisco 49ers scoreboard, signage and jumbotron revenues

The Recreation and Park Department receives scoreboard, signage, and jumbotron revenues from the San Francisco 49ers net of (a) the San Francisco 49ers operating costs, (b) commissions paid to the San Francisco 49ers of at least 15 percent, and (c) other fees. The Recreation and Park Department's revenues from the San Francisco 49ers' Candlestick Park advertising and naming rights agreements decreased by \$252,390, or

37.4 percent, from \$675,446 in 2007 to \$423,056 in 2009. Although the San Francisco 49ers' gross advertising revenues have declined, the San Francisco 49ers' operating costs for the scoreboard, signs, and jumbotron have remained high, resulting in decreased revenues to the Recreation and Park Department. Also, the Recreation and Park Department has pursued but has not been successful in discussions with the San Francisco 49ers on granting naming rights to the Candlestick Park Stadium, although voters approved naming rights in 2009.

City departments have not consistently monitored private advertising companies for compliance with their agreements

SFMTA has not ensured that Clear Channel installs and maintains the required number of transit shelters and commercial kiosks

Under the agreement between SFMTA and Clear Channel, Clear Channel is required to maintain at least 1,100 transit shelters and 39 commercial kiosks. Since implementation of the agreement in 2007 Clear Channel has maintained 1,063 transit shelters, or 37 less than required, and 34 commercial kiosks, or five less than required. Installation and maintenance of the shelters and kiosks are part of the total consideration to SFMTA under the agreement with Clear Channel. By not requiring installation and maintenance of the minimum number of shelters and kiosks required by the agreement, the SFMTA is losing the value of these shelters and kiosks. While there are no penalties associated with failing to maintain the maximum number of shelters and kiosks under the current agreement, the additional transit shelters and kiosks represent potential for additional revenues from increased advertising sales for both Clear Channel and the SFMTA.

SFMTA and DPW have not ensured that the private advertising companies adequately maintain their advertising spaces

The City's advertising agreements require that contractors maintain advertisements and related infrastructure in good repair and remove graffiti or repair damage caused by vandalism in a timely fashion. Under the SFMTA transit shelter, vehicle, and station advertising agreements, and DPW public toilet and kiosk advertising agreement, the private advertising firms have not adequately complied with the agreement requirements to remove graffiti and repair vandalism damage in a timely manner. Neither SFMTA nor DPW sufficiently monitor or document the respective contractors compliance with the maintenance agreements' requirements. The Budget and Legislative Analyst found instances of graffiti or stickers in transit stations, transit shelters and commercial kiosks, and torn or missing advertising paper cards in buses. Additionally, the Budget and Legislative Analyst found at least two public toilets on Market Street that had been out of service for at least two weeks.

INTRODUCTION FORM

By a member of the Board of Supervisors or the Mayor

Time Stamp of
Meeting Date

I hereby submit the following item for introduction:

- 1. For reference to Committee:
An ordinance, resolution, motion, or charter amendment
- 2. Request for next printed agenda without reference to Committee
- 3. Request for Committee hearing on a subject matter
- 4. Request for letter beginning "Supervisor _____ inquires..."
- 5. City Attorney request
- 6. Call file from Committee
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File Nos.
- 9. Request for Closed Session
- 10. Board to Sit as A Committee of the Whole
- 11. Question(s) submitted for Mayoral Appearance before the BOS on _____.

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Ethics Commission
- Building Inspection Commission
- Youth Commission
- Planning Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a different form.]

Sponsor(s): Campos

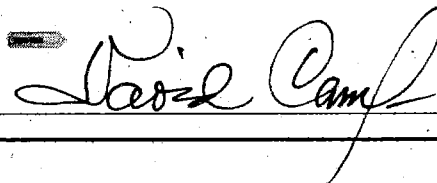
Hearing on the Performance Audit of the City's Advertising Policies and Practices conducted by the Budget and Legislative Analyst

SUBJECT: _____

The text is listed below or attached:

I kindly request that this item be referred to the Government Audit and Oversight Committee.

Signature of Sponsoring Supervisor: _____



For Clerk's Use Only:

110524