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Edward D. Reiskin, Director of Transportation

September 6, 2018

The Honorable Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, California 94102

Subject: *Exercising an Option to Extend the Agreement for Advertising on SFMTA Vehicles and Other Property between the City and County of San Francisco and Intersection, formerly known as Titan Outdoor LLC (Agreement)*

Dear Members of the Board of Supervisors:

The SFMTA is requesting your approval to exercise the first option for an extension of the above Agreement for five years. The original five-year term of the Agreement expires on June 30, 2019.

Background

On March 4, 2014, the SFMTA Board of Directors approved the award of the Agreement. The Board of Supervisors approved the Agreement in May 2014. Based on these approvals, the SFMTA entered into an advertising agreement for five years, plus two five-year options to extend the agreement, with a minimum guarantee (MAG) of \$28,500,000 over the initial five-year term and \$32,250,000 over the first five-year extension term, and with a 65% revenue share over the full term of the agreement, including the option terms. These funds have been used to support Muni operations.

The SFMTA is facing significant pressure on our operating revenues from a variety of reasons including fee and fare reductions and waivers; these advertising revenues are thus critically important to our ability to sustain the current level of Muni service. Additionally, the advertising industry has changed significantly since 2014 and it is very unlikely that the SFMTA would receive as favorable terms if we bid a new contract today.

Window Wraps and Non-Window Coverings

The Agreement provides that full wraps of vehicles with windows covered (but not vehicle numbers or SFMTA insignia) may be applied to no more than 30 vehicles (*approximately 2% of all revenue vehicles*). The agreement allows for partially covered windows. While window wraps are not ideal, the contract limits the number and advertising revenues are one of the few remaining sources for operations that do not economically impact the transit rider or the general public.

The Contractor has stated that the window wraps program (which excludes cable cars and historic vehicles) has generated an average of \$800,000 annually during fiscal years 2015-2018 and that it expects to continue to generate that level of revenue going forward. In the four fiscal years since the beginning of the contract there have been 15 or more window wraps in only nine one-month periods, all due to the 2016 Super Bowl and the Dreamforce and Open World Tech conferences. During these four years, the average number of window wraps per month has been between 9



and 10 (less than 1% of all vehicles). The SFMTA has received a minimal number of complaints since the window wraps program was originally initiated in August 2011. There have not been any formal reports of security related incidences as a result of wraps.

The SFMTA's approved Fiscal Year 2019 and 2020 budgets include the minimum annual guarantees from the Agreement, which also include funding from vehicle window wraps. The contractor has indicated that if an amendment was pursued to remove window wraps it would seek a reduction in the MAG in the range of \$1-2 million annually (and would request other amendments to the agreement). Advertising revenues are used to fund Muni operations and a reduction in these revenues would either require alternative funding or have an impact on Muni operations.

Attachments

The links below or the additional documents are provided for further detail:

- Original Agreement for Advertising on SFMTA Vehicles and Other Property between the City and County of San Francisco and Intersection (formerly Titan Outdoor LLC)
- SFMTA Advertising Policy https://www.sfmta.com/sites/default/files/reports-and-documents/2017/11/sfmta_advertising_policy.pdf
- 2014 Board of Supervisor resolution <https://sfbos.org/ftp/uploadedfiles/bdsupvrs/resolutions14/r0166-14.pdf>
- SFMTA Board of Directors/Parking Authority Commission Staff report and resolution adopted on August 21, 2018
 - https://www.sfmta.com/sites/default/files/reports-and-documents/2018/08/8-21-18_item_10.8_amendment_-_advertising_contract.pdf
 - https://www.sfmta.com/sites/default/files/reports-and-documents/2018/08/8-21-18_item_10.8_amendment_-_advertising_contract_resolution.doc_.pdf
- SFEC 126 Forms
 - https://sfethics.org/wp-content/uploads/2015/04/yyyyymmdd_20110728_126_board_of_supervisors_titan_outdoor_llc_redacted.pdf
 - <https://sfethics.org/ethics/2014/06/city-officer-board-of-supervisors-filed-may-23-2014-contractor-titan-outdoor-llc.html>
- 2014 Budget Analyst report relating to this agreement
 - https://www.sfbos.org/ftp/uploadedfiles/bdsupvrs/committees/materials/BF050714_140225.pdf

If there are any questions please do not hesitate to contact Sonali Bose at (415) 701-4617 or Sonali.Bose@sfmta.com or Gail Stein at (415) 646-2308 or Gail.Stein@sfmta.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'Edward D. Reiskin'.

Edward D. Reiskin
Director of Transportation