

Attachment 4: Transit Shelter Contract Structures Cost-Benefit Analysis

Step 1: Develop Scenarios and a Framework

Staff conducted a cost-benefit analysis for different transit shelter contract models. First, using the peer review models, staff established a menu of scenarios for the District's approach to delivering the program. The scenarios are:

Table 1: Summary of Transit Shelter Contract Scenarios and Roles

| SCENARIOS | ROLES | | |
|--|-----------------------------------|--------------------------------------|-----------------------------------|
| | Cleaning | Repairs, Installations & Relocations | Advertising |
| Scenario A: Continue in the current structure, where the cleaning, repairs, installation, relocations, and advertising of bus shelters are outsourced to a single contractor (in this case, CCO) | Clear Channel Outdoor Advertising | Clear Channel Outdoor Advertising | Clear Channel Outdoor Advertising |
| Scenario B: Separate the cleaning from the advertising/repairs/installations/relocation costs by splitting the contracts into two, potentially allowing for more frequent cleaning and repairs. (Shelter ownership – AC Transit potential pass through ownership) | Contractor 1 | Contractor 2 | |
| Scenario C: Outsource three separate contracts for cleaning, advertising, and repairs/installations/relocations. (Shelter ownership – AC Transit) | Contractor 1 | Contractor 2 | Contractor 3 |
| Scenario D: Outsource the advertising, repairs/installations/relocations as two separate contracts. Use potential advertising revenue share to partially offset the costs for in-house staff to do cleaning. (Shelter ownership – AC Transit) | AC Transit | Contractor 1 | Contractor 2 |
| Scenario E: Outsource the advertising contract only, use advertising revenue to fund utility costs, permits, cleaning, repairs, installations, and relocations performed by in-house staff | AC Transit | | Contractor 1 |

Step 2: Identify Cost-Benefit Factors

After establishing scenarios, staff identified factors for costs and benefits and applied them to each scenario in **Table 2: Cost-Benefit Analysis of Bus Shelter Contract Scenarios:**

COST FACTORS

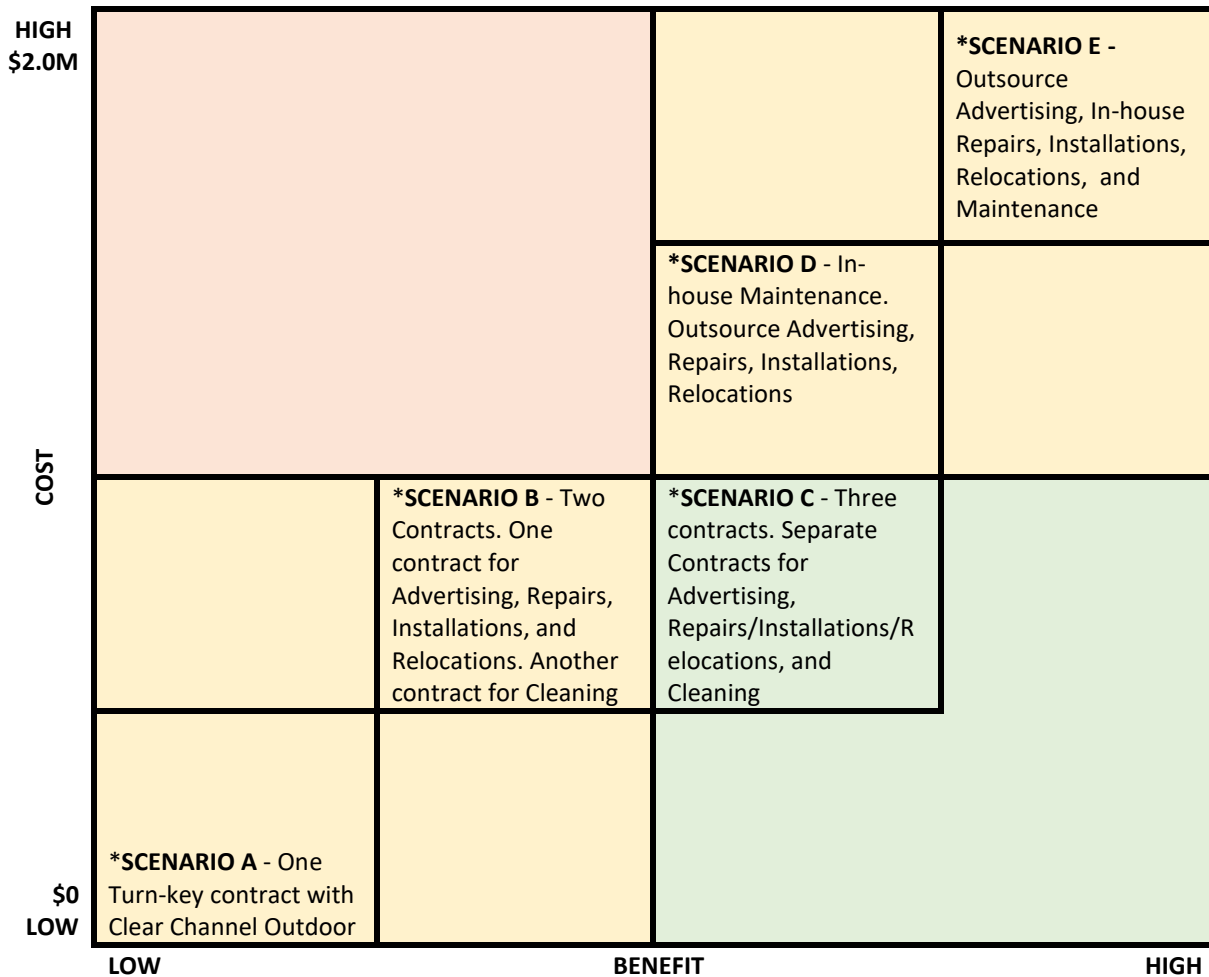
| Direct | Indirect |
|--|--|
| <ul style="list-style-type: none"> • Capital Costs: Includes shelter assets, repair parts, supplies, and equipment permitting • Operational Costs: Includes ongoing maintenance costs, and staffing • Advertising Revenue: Annual advertising revenue share and administrative fees based on revenue earnings | <ul style="list-style-type: none"> • Shelter Ownership and Liability: In order to maintain shelters in-house or using a separate contractor, the District may have to take on ownership and liability of bus shelter assets • Direct Control: Outsourcing services to third-party contractors means less control over outcomes but also less liability |

BENEFIT FACTORS

| Tangible | Intangible |
|--|--|
| <ul style="list-style-type: none"> • Maintenance Quality: Includes cleaning frequency and response rate • Shelter Quality: Includes the ability to install new shelters, shelters with advertising space, and a consistent design. | <ul style="list-style-type: none"> • Direct Control: Hiring and training staff to do the work could improve the quality of shelter and bus stop cleanliness. • Opportunity to expand beyond bus shelters to street furniture, red curb needs, ADA Access, etc. |

Step 3: Perform Cost-Benefit Analysis

Based on these cost-benefit factors, staff analyzed the scenarios in a cost-benefit matrix. Scenarios in the red quadrant have a high cost and low benefit and therefore a low value. There are no scenarios within this quadrant. Scenarios D and E fall within the top right yellow quadrant because they have high costs and high benefits. Scenarios A and B fall within the bottom left yellow quadrant and have low costs and low benefits. Finally, Scenario C in the green quadrant has low costs, but high benefits.



In the near-term, District staff recommend hiring a dedicated staff person to supervise the existing contractor to ensure compliance with the contract.

Step 4: Analysis Results and Proposed Phasing

Based on the cost-benefit analysis, staff recommend **Scenario C** because it has a medium cost and high benefit to the District. This means phasing into three separate contracts: one contract for repairs and shelter installations, one contract for cleaning, and one advertising revenue contract that could help offset costs. Transitioning will take staff time and fiscal resources to implement. A phased approach could look like:

| Year | Scenario | Shelter Ownership | Repairs | New Shelter Installation | Advertising | Cleaning |
|-------|----------|-----------------------------------|--------------|--------------------------|--------------|--------------|
| 2021 | A | Clear Channel Outdoor Advertising | | | | |
| 2022 | A | Clear Channel Outdoor Advertising | | | | |
| 2023 | B | Contractor 1 | | | | Contractor 2 |
| 2024 | B | Contractor 1 | | | | Contractor 2 |
| 2025+ | C | AC Transit | Contractor 1 | | Contractor 2 | Contractor 3 |

This timeline is primarily to emphasize that this kind of organizational change, while highly beneficial, cannot happen overnight. However, jurisdictions like Metro Transit and the City of Phoenix Department of Transit have shown that with significant financial investment (including grants) and shifting of organizational priorities, having quality bus shelter and bus stop maintenance and infrastructure is achievable over time. If the District decides to pursue one of these scenarios, there may be an opportunity to pursue alternative funding sources to cover capital costs, just like Metro Transit did upon receiving a \$4.25M Ladders of Opportunity federal grant in 2014.

Attachment 4

Table 2: Cost-Benefit Analysis of Bus Shelter Contract Scenarios

| SCENARIOS | ROLES | | | COST-BENEFIT | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|--|---|
| | Maintenance | Installations & Relocations | Advertising | Benefits | Costs |
| Scenario A: Continue in the current structure, where the cleaning, repairs, installation, relocations, and advertising of bus shelters are outsourced to a single contractor (in this case, CCO) | Clear Channel Outdoor Advertising | Clear Channel Outdoor Advertising | Clear Channel Outdoor Advertising | Revenue Positive: District pays \$0 for maintenance, installation, and relocations while receiving an administrative fee (~123K) | Advertising revenue is tied to quality of maintenance. To keep Contractor costs low, maintenance is the bare minimum and there are a low number of new installations. |
| Scenario B: Separate the cleaning from the advertising/repairs/installations/relocation costs by splitting the contracts into two, potentially allowing for more frequent cleaning and repairs. (Shelter ownership – AC Transit potential pass through ownership) | Contractor 1 | Contractor 2 | | Improved maintenance quality: Uncouples advertising from maintenance costs. Low advertising revenue share. Contractor 2 would use revenue to offset some installation and relocation costs, rather than pay the District. | Medium operating cost (\$0.5M). Low number of new installations per year. Need dedicated staff to monitor maintenance quality. |
| Scenario C: Outsource three separate contracts for cleaning, advertising, and repairs/installations/relocations. (Shelter ownership – AC Transit) | Contractor 1 | Contractor 2 | Contractor 3 | Better maintenance quality. High Advertising Revenue Share. Opportunity to have more expansive contracts (i.e. Phoenix Contract includes not only shelters, but also ADA concrete pads, bus stop seating, etc.) | District purchase and liability of shelters (\$0.3M). With three contracts, highest net operating costs (\$0.9M). Need dedicated staff to monitor all three contracts for compliance to contract and public requests. Number of installations tied to District funds |
| Scenario D: Outsource the advertising, repairs/installations/relocations as two separate contracts. Use potential advertising revenue share to partially offset the costs for in-house staff to do cleaning. (Shelter ownership – AC Transit) | AC Transit | Contractor 1 | Contractor 2 | Consistent Design, more advertising panels. Higher advertising revenue share to offset costs. Full control of maintenance. Opportunity to have more expansive contracts (i.e. Installation contract could include concrete work) Alternative Funding Sources for Capital Costs: Federal Grants, Ballot Measures, Etc. Maintenance can include BRT Platforms. | District purchase and liability of shelters (\$0.3M). Additional Capital Costs (\$0.5M) High Operating Expense (\$1.6M) Reliance on a third-party contractor for shelter installations and reporting of work. |
| Scenario E: Outsource the advertising contract only, use advertising revenue to fund utility costs, permits, cleaning, repairs, installations, and relocations performed by in-house staff | AC Transit | | Contractor 1 | Consistent Design, more advertising panels. Highest advertising revenue share to offset costs. Full control of maintenance and installations. Full accountability to public requests. Opportunity to hire and train staff. Expand beyond bus shelters to street furniture, red curb needs, ADA Access, etc. Alternative Funding Sources for Capital Costs: Federal Grants, Ballot Measures, Etc. Can include BRT Platforms. | District purchase and liability of shelters. Additional Capital Costs (\$0.5M) High Operating Expense (\$1.6M) Building out a shelter maintenance program will require a long-term organizational shift. |