

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 7/14/2021

Staff Report No. 18-211d

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Transit Shelter Contract Update

ACTION ITEM

RECOMMENDED ACTION(S):

Consider receiving a report on the status of the District's contract with Clear Channel Outdoor (CCO), a peer review exploring different transit shelter contract models, a cost-benefit analysis of different scenarios for the District's bus shelter program, and provide feedback on the staff recommendation for next steps. [Requested by Directors Peebles - 4/28/21 and Walsh - 5/26/21]

STRATEGIC IMPORTANCE:

Goal - Convenient and Reliable Service
Initiative - Service Quality

All transit trips begin at the bus stop. Shelters play a critical role in the quality of the customer experience at those stops by providing a safe, attractive place for waiting customers. Shelters are also a clear visual marker for customers looking to catch the bus. Ensuring that the District's bus stop infrastructure is well-maintained and that the District is responsive to customers' requests for bus shelter maintenance or improvements will help meet the District's Strategic Goals and Initiatives regarding service.

BUDGETARY/FISCAL IMPACT:

The 1999 Transit Shelter Implementation Agreement and subsequent amendments are non-monetary contracts, meaning the District is not required to pay Clear Channel Outdoor (CCO) any money for the services provided and historically received \$123,000 annually in administrative fees. Given the COVID-19 economic challenges, CCO and the District agreed to waive the administrative fee for the duration of the Bridge Contract.

Moving forward, any bus shelter program model-other than the existing agreement with CCO-will incur an expense to the District but could increase maintenance from what CCO currently provides. Depending on the model, staff estimates that the shelter program could cost the District up to \$2 million annually to maintain, assuming the same number of existing bus shelters. This does not include any capital costs of replacing existing or purchasing and installing new shelters.

BACKGROUND/RATIONALE:

Status of Current Transit Shelter Contract

In late 2019, the District began negotiating a new Transit Shelter Agreement with CCO. Due to COVID-19 economic impacts, the General Manager approved amendments to extend the 1999 Transit Shelter Contract to June 30, 2021. The District is currently negotiating a Bridge Contract with CCO based on the terms presented to the Board in January 2021 per Staff Report 18-211c, which will allow the District more time to negotiate a longer-term agreement and/or pursue another model to deliver the program. Pursuant to the amendments and the Bridge Contract, CCO must continue to maintain shelters per the 1999 Transit Shelter Contract terms (Attachment 1).

Staff met with the local jurisdictions that are part of the Bus Shelter Joint Powers Agreement (JPA) on March 24, 2021 and June 9, 2021 to discuss the peer review, cost-benefit analysis, and future negotiation points. For the JPA participants, maintenance and flexible shelter designs for varying conditions continue to be a top priority. During the meetings, the JPA participants and the District affirmed the JPA's role in determining bus shelter locations and permitting, vetting designs through their governing bodies, and determining advertising standards (Attachment 2). Having a strong partnership with JPA participants is crucial to a successful program.

Peer Review

Staff conducted a peer review of transit shelter contract models that could improve bus riders' transit experience. Staff reached out to ten agencies, and further investigated programs at the City of Phoenix (Arizona) Department of Transit, Santa Clara Valley Transportation Authority (VTA), and Metro Transit in Minneapolis-St. Paul (Attachment 3). Based on the peer review, contract models fell into two categories:

(1) Full Services: This category outsources all services-including maintenance, advertising, installations, and relocation of bus shelters-to third-party contractors. In some cases, the agency had a single contractor like the District's current model. In other cases, the agency split the services into multiple, separate contracts such as in the City of Phoenix.

(2) Hybrid Services: This category outsources some services to a third-party contractor and takes on some services in-house. Both VTA and Metro Transit had varying levels of in-house and outsourced services.

Cost-Benefit Analysis

Staff then 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. Second, staff identified factors for costs and benefits and applied them to each scenario. Attachment 4 lists the Scenarios, Cost-Benefit Factors, Cost-Benefit Analysis, and Staff Recommended Phasing.

Staff Recommendation and Proposed Timeline

Based on the cost-benefit analysis in Attachment 4, staff recommend **Scenario C** because it has a medium cost and high benefit to the District. Achieving this scenario would require phasing into three separate contracts: one contract for repairs and shelter installations, one contract for cleaning and daily operations (such as updating public information, maps, fares, and schedules), and one advertising revenue contract that could help offset costs.

If the District decides to pursue this scenario, there may be an opportunity to pursue alternative funding sources to cover capital costs, just like Metro Transit in Minneapolis-St. Paul did upon receiving a 2014 \$4.25 million federal grant. In the near-term, staff recommends hiring a dedicated staff position to field supervise

CCO's efforts for contract compliance.

In addition, staff is looking into shelter design improvements as part of negotiations with CCO or to be considered in different program delivery models. A replacement of the shelters may be necessary given their age, but it is likely it will carry a cost unless a contractor is willing to replace shelters via an advertising revenue contract. For a list of negotiation terms and design considerations, see Attachment 5.

ADVANTAGES/DISADVANTAGES:

Phasing into **Scenario C** has the following advantages and disadvantages:

Advantages

- Completely uncouple maintenance costs from advertising revenue, resulting in more frequent and reliable cleanings.
- Increase response rate and accountability to the public.
- More control over the number of shelter relocations.
- Consistent display and update of public information (such as maps, fares, holiday notices, and schedules).
- Potential to expand cleanings beyond bus shelters to bus stops, broadly.

Disadvantages:

- Would require financial investment and staff time to administer three contracts.
- Fewer shelters may need to be maintained in the program to fully offset costs
- Ownership of shelters would require additional insurance and liability considerations.

ALTERNATIVES ANALYSIS:

One alternative would be to re-release a Request for Proposals (RFP) for Transit Shelter Advertising. Staff doesn't recommend this alternative as the RFP released in 2019 received only one bid and staff believes there is a low probability that the District will get additional proposals given the landscape of street furniture advertising in the Bay Area.

Another alternative to the staff recommendation would be to enter into a long-term contract with Clear Channel Outdoor Advertising (CCO) at no cost or liability to the District (**Scenario A**). More shelters can be maintained in this scenario; however, staff recommends against this alternative for following reasons:

- Maintenance quality is tied to advertising revenue. Low revenues have resulted in an inability to improve maintenance beyond the current terms and protocols.
- Less control over maintenance, updates to public information, new shelter installations, customer responses, and other services such as staffing needs resulting in a mediocre shelter program.
- Cleanings are limited to bus shelters.

Another alternative would be to perform shelter maintenance, installations, and relocations by in-house staff while advertising is outsourced to a third-party contractor (**Scenarios D & E**). Staff doesn't recommend this alternative as it has the following long-term challenges:

- The District would need to hire staff, buy equipment, and purchase the shelters.
- The District would take on ownership, liability, and permitting of shelters.

- The advertising revenues are less likely to offset costs.
- Rough Order of Magnitude maintenance costs per year: \$2.0 million.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR18-211c - Transit Shelter Contract Update - 2021 Bridge Contract

SR18-211a - 2020 Transit Shelter Advertising Contract

SR18-211b - Transit Shelter Contract Update

ATTACHMENTS:

1. Summary of Contract Terms
2. Joint Exercise of Power Agreement
3. Peer Review of Bus Stop and Bus Shelter Contract Structures
4. Cost-Benefit Analysis Report
5. Negotiation Points and Design Considerations
6. Board Presentation

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