

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 10/27/2021

Staff Report No. 18-211f

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Bus Shelter Contract - Cost Estimates

ACTION ITEM

RECOMMENDED ACTION(S):

Receive a report on the various contracting scenarios and associated cost estimates for the District's Joint Powers Agreement Transit Shelter Program; and

- 1) Consider the following scenarios, excluding Scenario A (the current contract structure):
 - Scenario B: implement two separate contracts: one contract for cleaning and one contract for advertising, repairs, installations, and relocations;
 - Scenario C: implement three separate contracts: one contract for cleaning, one contract for advertising revenue, and one contract for repairs, installations, and relocations;
 - Scenario D: bring cleaning in-house and implement two separate contracts: one contract for advertising revenue and one contract for installations and relocations; or
 - Scenario E: bring cleaning, installation, and repairs in-house and implement one contract for advertising revenue.
- 2) Authorize the issuance of solicitation(s) associated with the selected scenario chosen by the Board.

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 by providing a safe and attractive place for waiting customers and 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 rider feedback on bus shelters will help meet the District's Strategic Goals and Initiatives with regard to service.

BUDGETARY/FISCAL IMPACT:

The 1999 Transit Shelter Implementation Agreement and subsequent amendments including the current bridge contract are non-monetary contracts that do not require the District to pay Clear Channel Outdoor (CCO) for the services provided. Historically, the District has received \$123,000 annually in administrative fees. Due to COVID-19 economic challenges, CCO and the District have agreed to waive the administrative fee for

the duration of the current Bridge Contract which ends on March 23, 2022.

The operational and capital costs for the scenarios presented in this report are for transit shelters in the Joint Powers Agreement (JPA) only and do not include Oakland shelters, which are under a separate contract managed by the City of Oakland. The District expects to incur an additional operational expense ranging from \$3.5 million to \$4 million annually to maintain the 276 JPA shelters (power washing, cleaning, graffiti, repairs, installations, etc.) under any contracting scenario except for the existing agreement with CCO.

There is also an estimated unfunded need for roughly \$2.7 to \$4.1 million in capital costs (purchasing new shelters, storage, delivery, installation costs, etc.). It is important to note that the identified operational and capital costs are not budgeted for this fiscal year. Staff is in the process of identifying potential funding sources and is seeking financial contributions from the JPA member Cities.

Depending on the scenario, the District can get a share of advertising revenues based on market conditions. Pre-pandemic, CCO generated \$940,000 in advertising revenue for calendar year 2019 from the 276 JPA transit shelters. In the current calendar year, CCO has thus far generated \$429,000 in advertising revenue from the JPA shelters and projects to generate \$533,000 by the end of the calendar year. Beyond the effects of the pandemic, the shift to online and digital platforms means that advertising on transit shelters is not as lucrative as it once was.

In order to allow staff time to transition to a new bus shelter program structure, staff also recommended that the Board approve a sole-source procurement with CCO for a limited-term contract not to exceed 12 months and not to exceed \$1 million in cost, which was approved by the Board on October 13, 2021. This contract would go into effect when our current bridge contract with CCO expires on March 23, 2022.

Lastly, the Board has already approved a position in the recent FY 2021-22 budget amendment to hire a permanent, full-time Assistant Facilities Manager to oversee the contracts and the scope of work associated with the Transit Shelter Program.

BACKGROUND/RATIONALE:

On July 14, 2021, staff presented (Staff Report 18-211d) a cost-benefit analysis of five shelter contract scenarios (A,B,C,D,E) aimed at continuing and improving the program, especially with regard to on-going maintenance. The costs presented in Staff Report 18-211d were based on once-a-week cleaning frequency similar to the frequency currently performed by CCO under the existing contract. At the Board's direction, staff has performed further analysis of annual operating costs and capital costs for scenarios B through E with more frequent weekly cleaning of 276 JPA shelters (Attachment 1). The operating and capital costs for the multiple scenarios presented in this report are for transit shelters in the Joint Powers Agreement (JPA) only and do not include Oakland shelters, which are under a separate contract managed by the City of Oakland.

METHODOLOGY:

Staff applied unit costs from the Tempo Bus Rapid Transit (BRT) maintenance contract and the CCO cost data for the existing 276 JPA shelters to arrive at annual operating costs. The tasks described below were used to calculate operational and capital costs (Attachment 2):

- **Operational Costs (Annual):** power washing, graffiti cleaning, cleaning supplies, trash, sweeping, materials, glass replacement, electrical and utilities, mechanical repairs, vehicle maintenance, removal and relocation of shelters, permitting, salary and benefits for in-house staffing scenarios.
- **Capital Costs:** purchase of new shelters, shipping, support vehicles, cleaning equipment, storage and work space needs.

COST ESTIMATES:

Costs can vary depending on (1) the frequency of shelter maintenance cleanings and (2) the decision to repair, rehabilitate or replace an existing shelter. The cost estimates for all scenarios are based on cleaning shelters three times per week. For comparison, BRT stations are cleaned seven (7) times per week. The District would have to pay an additional \$975,000 annually to clean the bus shelters as frequently as BRT stations. The capital cost estimates also assume that all existing shelters have reached the end of their useful life and therefore need to be replaced with new shelters.

OPERATIONAL COSTS:

Scenario A is the current contracting structure, where all services are implemented by a single contractor (CCO). CCO does all cleaning, trash pickup, installation, rehabilitation, electrical and shelter repairs, acquire and maintain permits, maintenance of utility connections, payment of monthly utility bills, construction management, public information installations, and advertising. There are no capital costs to the District under this scenario. Capital costs are assumed by CCO over an extended period of time. This scenario is no longer under consideration as a viable alternative for the District because CCO has advised that the cost and revenue model under this scenario will not be offered because it is no longer profitable or sustainable.

- **Cost to the District:** No cost to the District. Annual operational costs are paid for by CCO, who offsets costs through the sale of advertising revenue.

Scenario B implements two separate contracts: one contract for cleaning and one contract for advertising, repairs, installations, and relocations. Scenario B assumes the contractor will be able to absorb and offset the costs of major shelter repairs (i.e. electrical and mechanical) through advertising revenue.

- **Cost to the District:** \$3.5 million per year in operations and maintenance (O&M) expenses. This requires the District to temporarily take ownership of the shelters from CCO until ownership can be transferred to the selected contractor for the period of the contract term.
- **Capital Costs:** The District would have \$2.7 million in one-time project capital costs, which includes the purchase of 276 new shelters based on the assumption that all existing shelters have reached the end of their useful life.

Scenario C implements three separate contracts: one contract for cleaning; one contract for advertising revenue; and one contract for repairs, installations, and relocations. Shelters would be owned by AC Transit. Under this scenario, the advertising and shelter repair/installation contracts are performed by separate vendors. The District would need to negotiate for the share of the advertising revenues. The maintenance, repair and installation costs would only partially be offset by a share of the advertising revenue. The District would also take on the ownership and liability of the transit shelters, therefore increasing the overall cost.

- **Cost to the District:** \$4 million per year in O&M expenses. Under this scenario, the District would retain the ownership of the shelters.
- **Capital Cost:** Same as Scenario B - The District would have \$2.7 million in one-time project capital costs, which includes purchasing 276 new shelters based on the assumption that all existing shelters have reached the end of their useful life.

Scenario D brings shelter cleaning in-house and implements two separate contracts: one contract for advertising revenue and one contract for installations and relocations.

- **Cost to the District:** \$5.2 million per year in O&M expenses because the cleanings are brought in-house resulting in 23 additional full-time staff. Under this scenario, the District would retain the ownership of the shelters.
- **Capital Costs:** The District would have \$4.1 million in one-time project capital costs, which includes purchasing 276 new shelters, purchasing support vehicles, and other material costs.

Scenario E brings cleanings, installations, and repairs in-house and implement one contract for advertising revenue.

- **Cost to the District:** \$5.8 million per year in O&M expenses because the cleanings, installations, and relocations are brought in-house resulting in 28 additional staff. Under this scenario District would retain the ownership of the shelters.
- **Capital Costs:** Same as Scenario D - The District would have \$4.1 million in one-time project capital costs, which includes purchasing 276 new shelters, purchasing support vehicles, and other material costs.

LIABILITY AND OWNERSHIP

As a governmental entity, AC Transit is liable for injuries caused by a dangerous condition of public property (Government Code § 830 et seq). If transit shelters are owned, controlled, or maintained by AC Transit, the District could be exposed to significantly greater liability. In addition, the District would be obligated to frequently inspect and repair the shelters to avoid liability for personal injuries. Further, the District's liability exposure could extend to any injuries incurred at its shelters, whether or not a customer or intending customer.

Potential liability associated with shelter ownership could additionally affect the District's insurance premiums or result in an increase in claims within the District's self-insured retention. Staff are unable to quantify the effect of this additional exposure; historically, however, the District has received few claims associated with the bus shelters which were tendered to CCO.

JOINT POWERS AGREEMENT (JPA)

On September 15th and 23rd, staff met with the jurisdictions in Joint Powers Agreement (JPA) and local jurisdictions interested in joining the JPA. Currently, Unincorporated Alameda County and the cities of Albany, Berkeley, Fremont, Hayward, Newark, Richmond, San Leandro, and San Pablo are in the JPA. The City of Oakland and City of El Cerrito have expressed interest in joining the JPA. During the meetings, staff received feedback on the scenarios and their cost estimates. Staff also requested that the JPA consider ways that their local jurisdiction can support AC Transit such as expedited or waived permit fees, taking on some maintenance

duties, or direct financial contributions. JPA representatives are working with their agencies to figure out the best way to support the District and determine their contribution. Any decisions made by the Board regarding the future of the bus shelter program will also need JPA input and support.

If the District were to continue with the Transit Shelter Program, staff requests the Board to consider the following:

1. Scenarios B, C, D, and E.
2. Authorize the issuance of solicitation(s) associated with the selected scenario chosen by the Board. Should the Board select Scenario D or E to establish an in-house program, it would require a phased approach and involve various departments, detailed in the alternatives analysis.

ADVANTAGES/DISADVANTAGES:

The proposed scenarios are different from the status quo and have the following advantages:

- Uncouples maintenance costs from advertising revenue, so that maintenance quality is not tied to how much advertising revenue is received by the contractor.
- More control over the number of shelter relocations and installations, especially under Scenario C, which is a limiting factor with the current contractor due to costs and potential change in advertising visibility.
- More consistent display and updates of public information (such as maps, fares, holiday notices, and schedules).

The proposed new scenarios have the following disadvantages:

- Would require significant financial investment and staff time to administer up to three contracts. Financial investment increases with the in-house options, creating a tradeoff with other District expenses such as the cost to provide bus service, especially given the scarce operating dollars available.
- Ownership of shelters would require additional insurance and liability. Ownership of shelters and an in-house program require dedicated yard space for storage of shelters, trucks, dedicated inventory, and other shelter related materials.

ALTERNATIVES ANALYSIS:

Staff considered ending the transit shelter program and remove all JPA shelters by the end of the current bridge contract term. However, staff believes the shelter program is a significant asset for the District's operations and contributes to the customer experience.

Staff also investigated a phased approach of Scenarios D or E to establish an in-house program as the District currently does not have the infrastructure, resources, or staffing for this. However, achieving an in-house program should be phased in over many years. In order to pull off a partial or full in-house transit shelter program the District would have to plan for and do the following:

- Finance: Staff would need to identify an estimated \$10 million in capital and operating funds within a short time frame.
- Maintenance and Facilities: Staff would need to hire and train an entirely new maintenance division and identify on-site space for storing shelters, trucks, materials, and supplies. Staff would also need to establish new processes for ordering shelters, repairing glass and electricity, cleaning graffiti, installing real-time signage, and disposing of additional trash. Staff would have to work with IT to track the work done in the maintenance software system and provide reporting.
- Insurance/Liability: Staff would need to work with insurance providers to identify the risks (i.e. types of injuries, quality of maintenance, etc.) and premiums for owning shelters. The District may need take on the cost of those risks in any scenario where we take on shelter ownership.
- Marketing and Communication: The District would need to hire additional staff to install public information including maps, schedules, and holiday information. Staff would also explore combining advertising contracts with existing ones.
- Construction and Permitting: Staff would need to contract out construction work, navigate multiple city permitting processes and likely experience long delays dealing with utility companies. Costs may vary in order to make electrical connections or to meet ADA compliance.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR18-211a - 2020 Transit Shelter Advertising Contract

SR18-211b - Transit Shelter Contract Update

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

SR18-211d - Transit Shelter Contract Update

SR18-211e - Cost Estimates and Scenarios Associated with the Transit Shelter Program.

ATTACHMENTS:

1. Cost Estimate Summary Table
2. Cost Breakdown Table
3. Presentation
4. Shelter Location Map

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