



CITY OF WAUKESHA

Administration

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Committee: Transit Commission	Date: 9/7/2017
Common Council Item Number: 17-1250	Date: 9/19/2017
Submitted By: Fred Abadi- Public Works	City Administrator Approval: Kevin Lahner, City Administrator KL
Finance Department Review: Rich Abbott, Finance Director RA	City Attorney's Office Review: Brian Running, City Attorney BER
Subject: Approval of Agreement with Clear Channel Outdoor to Provide Bus Shelters with Advertising	

Details:
 This item is to seek the approval of a new ten-year agreement with Clear Channel Outdoor to provide Bus Shelters with Advertising within the City of Waukesha and Waukesha County Transit System service areas. The City first signed an agreement with Clear Channel Outdoor to provide bus shelters in 2007 and this agreement expires November 30, 2017. The new agreement would have Clear Channel Outdoor maintain the current twenty-four (24) bus shelters it has placed throughout the Waukesha Metro and Waukesha County Transit service areas. Twenty (20) of the bus shelters are in the City of Waukesha. Clear Channel must keep these shelters in good repair, clean throughout the year and remove snow and ice during winter months. All costs of these shelters are paid for by Clear Channel. In return, Clear Channel can place advertisements in these shelters. In addition to maintaining the existing shelters, Clear Channel has proposed paying a guarantee of \$700/shelter/year for the life of the contract or 20% of the net collections for each year whichever is greater.

Transit conducted a Request for Proposals (RFP) using a vendor list of known firms that performs this type of business, did an internet search, as well as advertised the RFP on a national transit industry website that Transit has had great success using in the past procurements. In researching potential vendors, Transit only found 5 firms nationwide that provide bus shelters/revenue and most operate on the East or West Coast. Placing the RFP in a nationwide publication is a standard procedure but also helped to ensure that a potential vendor was not missed.

Clear Channel was the only firm to submit a proposal but was not surprising given that Clear Channel is the only vendor to provide shelters and revenue in Wisconsin. In fact, only Milwaukee County and the City of Waukesha have this type of agreement in the State.

The reason for the 10-year agreement is that it allows a longer time for Clear Channel to amortize (recover) the depreciation cost of adding new shelters. Clear Channel has stated it would not consider adding any new shelters if it was awarded a 5-year agreement because the revenue generated over a 5-year period would not be enough to recover their expenses as the depreciation expense of new shelters would be too high. The next new shelter that will have ads on it is on Bluemound Rd. at Bishops Way. This is the first of potentially



several new shelters that could be placed along Bluemound Rd. in the City of Brookfield. Some of these new shelters could be placed west of Brookfield Square on the Waukesha Metro Route 1 and be used by citizens of the City of Waukesha. While Clear Channel does not initially intend to add shelters in the City of Waukesha, the 10-year agreement would allow for future locations in the City and additional revenue from it. Over the past 10 years, shelters have been added due to new developments that were not planned back in 2007 (when the contract commenced) such as the bus shelter at the Woodman's Food Market which was a Spancrete Plant in 2007.

Another reason for recommending a 10-year agreement is the revenue would be the same whether it was a 5 year or 10-year agreement. In addition, Clear Channel stated that they could not agree to increasing the guarantee rate annually but instead offered to provide 20% of net collections if that amount was higher than the guarantee rate. In the RFP, Transit only requested a fixed per shelter revenue proposal so this is an offer that can potentially be more revenue based on market conditions. Clear Channel sees the 20% proposal as a way for both they and the City to benefit from a successful year(s).

Options & Alternatives:

There are several options that could be considered.

1. Not renew the contract and take ownership of the bus shelters. The current contract has a clause for this but there is no advantage to do so. Transit would then take on insuring and maintaining these shelters which would add an additional 24 shelters to the 32 it currently maintains which would be 75% increase. Transit would incur inventory costs of having to purchase spare parts and training costs for Maintenance staff on how to fix and maintain the shelters including the solar lighting systems. Transit staff has never worked on these types of shelters and do not have experience with solar lights. The Maintenance staff would not be able to provide snow removal and ice control with its current resources and would either need to hire more personnel and purchase an additional maintenance vehicle or incur costs for outsourcing snow removal. Regular cleaning of the shelters would also be difficult given the current resources for Transit maintenance. Last, Transit would lose the revenue payments guaranteed in the new contract.
2. Renew a 5-year agreement. This would allow for the status quo of Clear Channel maintaining the existing 24 shelters and Transit would receive at a minimum the guaranteed revenue payments of \$700/shelter/year. The negative effect would be that there would be no opportunity for new shelters so any new shelter placed would need to be paid for and maintained using Transit funds and there is the potential for loss of the additional revenue of not being able to add another Clear Channel shelter. In addition, the revenue proposal is the same for a 5 year or a 10-year agreement so there is no financial incentive to choose this length of term.
3. Renew a 10-year agreement. This would allow for the status quo of Clear Channel maintaining the existing 24 shelters and Transit would receive at a minimum the guaranteed revenue payments of \$700/shelter/year. In addition, as stated in the details, it allows for the potential of additional bus shelters to be placed and maintained by Clear Channel at no costs to taxpayers and provides additional guaranteed revenue.

Financial Remarks:

As previously stated, this agreement would have Clear Channel pay for the maintenance of the existing 24 bus shelters placed (20 in the City) including snow and ice removal. The costs Transit would incur for snow and ice removal alone is estimated at a minimum of \$20,000/year for the shelters placed in the City. In addition, Clear Channel would pay for all costs associated with installing a new bus shelter. Costs of a new shelter and installation ranges from roughly \$15,000-20,000/shelter.

Clear Channel's revenue proposal is to pay \$700/shelter/year or 20% of the net collections whichever is greater. The guaranteed rate is \$100 less per shelter than the current contract which results in \$2,000 less guaranteed payments per year to the City. This is due to a down turn in the sales/net collections. In 2016, Clear Channel's 20% of net collections of advertising on the 24 bus shelters was \$14,580 which was \$4,620 under the current contract's guaranteed payments. The proposed new guaranteed payment is \$2,220 over that 2016 total. The new agreement also offers the potential of additional funds beyond the current contract guaranteed payment levels in the form of the greater of the guaranteed \$700/shelter/year or 20% of net collections. Clear Channel has some ways of potentially generating significantly more revenue and have been successful in Milwaukee County.

Executive Recommendation:

Recommend approval.