



Date: December 18, 2014

To: Patrick H. West, City Manager *T. Maloyan*

From: Ara Maloyan, P.E., Director of Public Works *m*

For: Mayor and Members of the City Council

Subject: **Bus Shelter Advertising**

The City Council on November 18, 2014 authorized the City Manager to execute a five-year agreement with CBS-Decaux to construct and maintain ad-bearing bus shelters. In addition to the construction and maintenance of the ad-bearing bus shelters, the City will continue to collect \$140 per shelter per month, or 20 percent of the net revenue for that shelter, whichever is greater. Net revenue is defined as the gross advertising revenue amount invoiced by CBS Outdoor to the advertiser, less the advertising agency's commission. The City of Long Beach receives \$355,000 in annual revenue from 172 ad-bearing bus shelters, resulting in approximately \$2,064 per shelter annually.

With the authorization, the City Council also requested staff to determine if an "industry standard" exists for ad-bearing bus shelter contracts. City staff conducted a peer benchmarking analysis of fourteen (14) cities or transit agencies to determine if the City's agreement with CBS-Decaux is comparable with what other cities or agencies currently receive from their ad-bearing shelters.

No Real "Industry Standard"

An industry standard does not exist for shelter rates or percentage share of revenues for ad-bearing shelters. Two companies dominate the ad-bearing shelter market: CBS-Decaux (formerly CBS Outdoor, Viacom) and Clear Channel. As noted on November 18 at the Council meeting, the City of Long Beach issued a Request for Proposals (RFP) for ad-bearing shelters with operations and maintenance requirements, and only one of the two industry players, CBS-Decaux, responded to the City's RFP.

Several factors determine the revenue received by a city or agency, including whether the contractor operates and maintains the shelter, the number of shelters bearing advertisements, and the market size of the location of the shelters. For example, an agency that has hundreds of shelters in a dense, urban environment would receive a higher share of revenues from the contractor than an agency in a smaller community and market size.

The following table identifies the revenue sharing agreements between a city (or local transit agency) and the revenues shared by its contractor that provides advertising. Because determination of advertising revenues depend on factors such as the location and size of the market, staff identified cities and agencies for comparison using the following criteria: 1) proximity to the City of Long Beach, 2) major transit agencies in California, and 3) size of the city or agency.

City/County	Bus Shelter Contract Revenue Terms
Long Beach	\$140 per shelter per month or 20 percent of net revenue, whichever is greater
Alameda and Contra Costa, Counties of	10 percent of net revenue
Anaheim	15 percent of gross revenue (contracted for 120 shelters)
Burbank (Contracts with two companies)	(A) 20 percent of <u>net</u> revenue or \$140 per shelter per month; (B) \$220 per shelter, or <u>gross</u> revenue (less minimum) based on occupancy--up to 26 percent revenue share
Culver City	No bus shelter advertisements
Glendale	\$80 per shelter per month, or 13 percent of net revenue, whichever is greater
Los Angeles, City of	20 percent of gross revenue
Pasadena	\$300 per shelter per month (100 shelters)
Sacramento Regional Transit	Average of \$66 to \$90 per shelter per month (\$130,000 to \$175,000 on an annual basis for 160 ad-bearing shelters)
San Bernardino, County of (Omnitrans)	50 percent of gross revenue, but no maintenance provision.
San Diego MTS	\$950,000 per year or 55 percent of gross revenue (444 shelters, with potential for 500)
San Francisco MUNI	55 percent of gross revenue
Santa Clara County (Valley Transit Authority)	\$50 per shelter per month, or 18 percent of net revenue, whichever is greater
Santa Monica	No bus shelter advertisements
Torrance	\$140 per shelter or 20 percent of gross revenue, whichever is greater

Based on the surveyed cities, the City of Long Beach's most recently adopted contract with CBS-Decaux falls within the revenue terms received by cities or transit agencies.

If you have additional questions, please contact Malcolm Oscarson at 562-570-6325.

ATTACHMENT – Ad-Bearing Bus Shelter Locations

CC: Tom Modica, Assistant City Manager
 John Gross, Director of Financial Management
 Jyl Marden, Assistant to the City Manger