



Request for City Council Committee Action From the Department of Public Works

Date: August 22, 2006
To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee
Referral to: Honorable Paul Ostrow, Chair Ways & Means Budget Committee
Subject: **Public Hearing for Transfer of the Transtop Bus Shelter Franchise to CBS Outdoor and Extension of Shelter Franchise to Year 2015**

Recommendation:

- a. Conduct a public hearing regarding changes to City Code of Ordinances Appendix G – Bus Stop Shelters Franchise
- b. Postpone action to the September 14, 2006 T&PW Committee meeting and the September 18, 2006 W&M/B Committee meeting to allow for further information from Transtop/CBS Outdoor and city staff to be available for upcoming meetings

Previous Directives:

10-29-1999 Third Ten Year Franchise Extension
07-25-2006 TPW Set the Public Hearing for City Ordinance changes for 8-22-06

Prepared by: Jon Wertjes, Director of Traffic and Parking Services, 673-2614

Approved by:

Steven A. Kotke, P.E., Interim City Engineer, Director of Public Works

Presenters in Committee: Jon Wertjes

Financial Impact (Check those that apply)

- X** No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- X** Other financial impact (Explain): **Proposed changes will increase revenue to the City.**
- Request provided to the Budget Office when provided to the Committee Coordinator

Background/Supporting Information

Transtop began their bus shelter franchise in 1979 and has operated a service to the public for over 26 years. Transtop desires to transfer ownership of the Minneapolis bus shelter franchise to CBS Outdoor and has sent notice as required in the City Code of Ordinances Appendix G, Section 16. Section 16 requires a 30 day City Council action or a notice for a time extension. On July 25, 2006, the City sent notice and Transtop received the notice for a time extension to consider this manner. The initial proposed schedule was identified.

Table 1 – Schedule as Originally Proposed (See Table 5 for Modified Schedule)

Action	Date
Transfer Notice received	July 13, 2006
Introduce Ordinance Change at City Council Meeting and refer to T&PW Committee	July 21, 2006
Set public hearing and authorize other actions	July 25, 2006
Review and determine recommended changes to Appendix G	
Hold public hearing at T&PW	August 22, 2006
W&MB Committee	August 28, 2006
City Council Approval	September 1, 2006

Terms and Changes to the Franchise

To consider the franchise transfer and extension, Public Works has discussed numerous concerns, issues and changes with Transtop. The overall list of items discussed includes:

- CBS Outdoor credentials and history
- Extension end date in 2015
- Local and national franchise comparables
- Fees - percentage fee and minimum guarantee fee
- Maintenance cycles
- Litter/trash containers at the shelters
- Provisions to haul away the trash
- Primary transit network
- Advertising provisions and conditions
- Insurance requirements
- Installation and removal requirements

Local and national franchise comparables

CBS Outdoor is a publicly traded international company as highlighted in Exhibits B and C. CBS Outdoor is proposing to take over all of the Twin Cities bus franchises and is requesting that the Minneapolis franchise be extended to match the other local franchises' 2015 end date.

An overview of the local comparable bus shelter franchises is provided in Table 2 below. Minneapolis has the largest number of shelters, highest percentage of ad revenue and the only franchise with a minimum guarantee.

Public Works has requested further information from Transtop and CBS Outdoor regarding these franchise provisions of comparably sized national cities. To date Public Works has not received this data.

Table 2 - Current TRANSTOP Franchises in the Twin Cities

City	Initial Start	Renewal Due	Number of Shelters	Current Percentage of Ad Revenue	Minimum Guarantee per Year	Litter/Trash Services
Minneapolis	Nov 1979	Nov 2009	229	13%	\$110,000	Transtop removes trash weekly in and around the shelters. City provides receptacle and pickup of trash in receptacle.
St. Paul	May 1985	June 2015	100	10%	None	Transtop removes trash weekly in and around the shelters. City provides receptacle and pickup of trash in receptacle.
Roseville	July 2003	April 2015	21	8%	None	Transtop removes trash weekly in and around the shelters. Transtop provides receptacle and pickup of trash in receptacle.
West St. Paul	July 2005	July 2015	6*	8%	None	Transtop removes trash weekly in and around the shelters. Trash receptacles and picked up under an adopt-a-receptacle program.

*Under construction – will have 15 shelters.

Fees, Maintenance, & Litter/Trash

A summary of the historical and proposed franchise fees is presented in Table 3. The City requested the minimum guarantee in 1999 to ensure a payment that could be budgeted. In 2005 the percentage franchise fee (13%) exceeded the minimum guarantee and it appears that 2006 fees will be higher than 2005. This trend is good news for the City.

Transtop/CBS Outdoor proposes to continue the current 13% franchise fee percentage. In addition, Transtop/CBS Outdoor has proposed to increase the minimum guarantee starting in 2006 by \$5,000 per year. As a result this increases the fee over the next four years (2006-2009) by at least \$50,000 and by at least \$275,000 to the extension end in 2015.

Table 3 - Historical and Proposed Franchise Fees

Year	Amount Paid	Existing Minimum Guarantee	Proposed Minimum Guarantee
1999 previous Agreement before the minimum guarantee	\$71,877	None	
2000	\$100,000	\$100,000	
2001	\$100,000	\$100,000	
2002	\$100,000	\$100,000	
2003	\$110,000	\$110,000	
2004	\$110,000	\$110,000	
2005	\$158,142	\$110,000	
2006 (2 quarters)	\$97,730	\$110,000	\$115,000
2007		\$110,000	\$120,000
2008		\$110,000	\$125,000
2009		\$110,000	\$130,000
2010		\$110,000	\$135,000
2011		\$110,000	\$140,000
2012		\$110,000	\$145,000
2013		\$110,000	\$150,000
2014		\$110,000	\$155,000
2015		\$110,000	\$160,000
Total since 2000	\$775,872	\$1,100,000	
Increase fee from 2006 to 2009			+\$50,000
Increase fee from 2006 to 2015			+\$275,000

The maintenance schedules and repairs are important for the proper image and livability of the city. Likewise, bus shelters are a graffiti target and need extra service. Public Works has been pleased with Transtop’s service and efforts to prevent and reduce graffiti on bus shelters. Public Works will actively pursue that CBS Outdoor continues high quality maintenance and graffiti efforts.

Table 2 highlights the current litter/trash services where Transtop removes trash in and around the shelter on the weekly cycle. Transtop provides the trash receptacle and pick-up services only to Roseville’s 21 bus shelters, but not for Minneapolis, St. Paul or West St. Paul.

Public Works Solid Waste/Recycling currently provides the following litter/trash services at bus stops:

- Bus shelters citywide (with or without a bench) located in a commercial corridor are furnished with a litter container and serviced 2.5 times per week (3 times per week in the summer and 2 times per week in the winter).
- All other litter containers are placed by adoption program or by a special service district including the downtown area.
- The litter container service cost is \$12/month for once a week services, \$24/month for twice a week service, etc.
- The breakdown of litter container costs are as follows:

Table 4 – Existing Bus Shelter Litter Container Costs

Container Location	Quantity	Monthly Amount	Yearly Amount
Non-Transtop Bus Shelters Citywide	222	\$6660	\$79,200
Transtop Bus Shelters Citywide	210	\$6300	\$75,600
Total	432	\$12,960	\$155,520

The current minimum guarantee fee to the City of \$110,000 exceeds the \$75,600 cost for litter container collection.

Overall, the franchise bus shelter revenue is deposited in the general fund. However, the litter/trash container costs (\$146,000) are expensed as a transferred out of the parking fund. Public Works would recommend that the franchise revenues should be all accounted for in the parking fund.

Public Works Recommendations

Based on the above information and discussions with Transtop/CBS Outdoor, the Public Works Department with assistance from Risk Management and the City Attorney's office has developed Appendix G Ordinance changes for consideration by the City Council.

These changes can be group into two basic categories: a) Public Works/City Attorney/Risk Management changes to the Ordinance to improve its clarity and to reflect current city procedures and requirements, and b) terms associated with the franchise transfer and extension.

The procedure and requirement changes are **red** highlighted in Exhibit A and include:

- updated insurance requirements,
- updated approval process for shelter installations, removals, etc.,
- actual maintenance cycles used by Transtop,
- clarity on the advertising space limits and specialty advertising, and an
- appeal process to city engineer decisions.

The terms directly associated with the franchise transfer are **blue** highlighted in Exhibit A and include:

- company name changes
- extension date to November 8, 2015
- increase in the minimum number of shelters from 190 to 230
- potential transition requirements in 2015
- increase in the minimum guarantee fee on an escalating scale from \$115,000 to \$160,000 from 2006 to 2015

- provisions for branding and labeling the definite Primary Transit Network
- public service announcement advertising space

Therefore, Public Works recommends to postpone city action to the September 14, 2006 T&PW Committee meeting to allow for further information from Transtop/CBS Outdoor and city staff to be available for upcoming meetings. The recommended modified schedule is outlined below. City staff have confirmed that will be available for these meetings.

Table 5 - Modified Schedule	
Further T&PW Committee discussions	September 14, 2006
W&MB Committee	September 18, 2006
City Council Approval	September 22, 2006

Attachments:

- Exhibit A – Recommended Appendix G Ordinance Changes dated 8-14-06
- Exhibits B & C – CBS Outdoor summary materials

Cc: Susan Young, Corey Conover, Ellen Velasco-Thompson