



(For Board Meeting of November 20, 2009)

SUMMARY OF RECOMMENDATIONS
MEETING OF THE
GOVERNMENTAL AFFAIRS AND PUBLIC INFORMATION
COMMITTEE/COMMITTEE OF THE WHOLE
FRIDAY, NOVEMBER 20, 2009
(CHAIR JANET REILLY)

Item No. 1

Authorize execution of a Services Agreement with Clear Wireless, LLC, for wireless internet services onboard Golden Gate Transit Buses, for a five-year term, with two one-year options, at the District's sole discretion, at no cost to the District.

Action by the Board – Resolution

Item No. 2

Authorize execution of the First Amendment to the Professional Services Agreement with Clear Channel Outdoor, Inc., for exterior bus advertising services, to provide modifications to the terms and conditions of the Agreement, as outlined in the staff report.

Action by the Board – Resolution



Agenda Item No. 1

To: Governmental Affairs and Public Information Committee/Committee of the Whole
Meeting of November 20, 2009

From: Kellee J. Hopper, Marketing and Communications Director
Z. Wayne Johnson, Deputy General Manager/Administration & Development
Teri W. Mantony, Deputy General Manager, Bus Division
Celia G. Kupersmith, General Manager

Subject: **AUTHORIZE EXECUTION OF A PROFESSIONAL SERVICES AGREEMENT WITH CLEAR WIRELESS, LLC RELATIVE TO REQUEST FOR PROPOSALS (RFP) NO. 2010-BT-5, WIRELESS INTERNET SERVICES ONBOARD GOLDEN GATE TRANSIT BUSES**

Recommendation

The Governmental Affairs and Public Information Committee recommends that the Board of Directors authorize execution of a Professional Services Agreement with Clear Wireless, LLC (“Clearwire”) relative to Request for Proposals (RFP) No. 2010-BT-5, *Wireless Internet Services Onboard Golden Gate Transit Buses*, for a five-year contract term, with two additional one-year option years, at the District’s sole discretion, at no cost to the District.

Summary

As an incentive to attract choice riders to the Golden Gate Transit bus system and help increase ridership, staff issued a RFP to install wireless access systems on its fleet of buses. Implementation of a wireless system is intended to appeal to choice riders by allowing them the opportunity to use commute time to their advantage by “working on the way to work” or just surfing for fun. The project is also intended to enhance the District’s ability to communicate with customers, with online banners/notices providing the ability to conduct brief passenger surveys and make special announcements of District services. Various usage and data reports also available could be useful in future marketing efforts.

In mid-2008, the District launched a pilot program on seven MCI commute buses to test whether wireless internet service was viable in our service area, and it was determined to be a well-received passenger amenity. Approximately 150 weekly log-ons occur on these buses, which primarily serves on Route 72F and Route 72X.

RFP documents for RFP No. 2010-BT-5 were sent to 16 prospective proposers. The Secretary of the District received one proposal on Tuesday, September 22, 2009, from Clear Wireless, LLC, Kirkland, Washington, with a proposal of making the service free to the passenger and free to the District.

The Evaluation Committee, consisting of Bus, Planning, Marketing & Communications, and IT staff, and the District's Attorney have reviewed the single proposal and determined that Clearwire has properly submitted all required documents. Its proposal is technically responsive to the specifications.

District staff also reviewed the cost proposal from Clearwire, as well as researched the market rates for similar services. It has determined that it is an exceptional offer compared to other firms offering similar services, given that these services would be provided at no cost to the District or to the District's customers.

Proposers were strongly encouraged to obtain Disadvantaged Business Enterprise (DBE) participation on this project, although there is no contract-specific DBE goal. The DBE Program Office has determined that Clearwire has complied with the DBE requirements applicable to the RFP. At this time, no DBE participation is anticipated during the performance of this project.

Background

Clearwire's open all-IP network, combined with significant spectrum holdings, provides expansive network capacity for this project. Clearwire also provides pre-WiMAX communications services in 50 markets across the U.S. and Europe, making Clearwire the largest operator of next generation wireless broadband networks in the world. Their 4G service, called CLEAR™, utilizes WiMAX technology to deliver advanced high-speed Internet services to consumers and businesses. Clearwire is looking to make this technology available in the San Francisco Bay Area in mid-2010 and would like to first introduce it on the District's fleet. Until the WiMAX technology is fully launched in the region, Clearwire has proposed onboard dual EV-DO (Evolution, Data Optimized) high-speed wireless broadband technology, which is a higher speed service than currently provided for during the demonstration project.

Clearwire is proposing to deliver Internet access free of charge to passengers and free of charge to the District. Clearwire wants to use the project as a "best practice" case study on how to use WiMAX to provide Wi-Fi hotspot services on public transportation, and therefore, will bear the cost of the project as a marketing expense. Clearwire expects the cost of initial setup (including hardware and services) in Year One to be in excess of \$400,000 and the ongoing costs to be approximately \$145,000 per year. Clearwire expects to use the banner area on the page to advertise its CLEAR 4G services to District passengers and offset part of the capital costs of hardware and ongoing cost of WiMAX and EV-DO services through the marketing of advertising banners to third parties.

Given the superiority of the WiMAX product over the EV-DO service, Clearwire proposed to delay complete fleet implementation until the WiMAX system is fully operational. However, in negotiations, Clearwire has agreed to install the EV-DO service on select commute route buses in the interim. Clearwire projects that it will take fewer than 120 days to fully equip this sub-fleet with wireless internet capability. All technical and customer service would be handled by Clearwire, and ownership of the equipment would be retained by Clearwire.

Fiscal Impact

There is no fiscal impact associated with this report as the financial burden of this project will be borne by Clearwire.



Agenda Item No. 2

To: Governmental Affairs and Public Information Committee/Committee of the Whole
Meeting of November 20, 2009

From: Kellee J. Hopper, Marketing and Communications Director
Teri W. Mantony, Deputy General Manager/Bus Transit Division
Joseph Wire, Auditor-Controller
Celia G. Kupersmith, General Manager

Subject: **AUTHORIZE EXECUTION OF AN AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT WITH CLEAR CHANNEL OUTDOOR, INC., RELATIVE TO REQUEST FOR PROPOSALS NO. 2007-D-3, EXTERIOR BUS ADVERTISING SERVICES, TO MODIFY TERMS AND CONDITIONS OF THE AGREEMENT**

Recommendation

The Governmental Affairs and Public Information Committee recommends that the Board of Directors authorize execution of an amendment to the Professional Services Agreement with Clear Channel Outdoor, Inc., Relative to Request for Proposals No. 2007-D-3, *Exterior Bus Advertising Services*, to including the following: 1) modify the minimum annual guarantee for the remaining two years of the Agreement; 2) provide an in-kind trade credit as supplemental financial compensation; 3) increase the previously-approved Revenue-Sharing Agreement; and, 4) add a one-year option term to the Agreement, exercisable at the District's sole discretion.

Summary

In September 2006, the Board of Directors authorized the award of Contract No. 2007-D-3, *Exterior Bus Advertising Services*, to Clear Channel Outdoor, Inc. (Clear Channel), Oakland, CA, for a three-year term for bus side advertising, full exterior bus wrap services, and Ultra King ("Quarter") wrap services on the basis of guaranteed minimum monthly payments, or 55% of net advertising revenue, whichever is greater on a monthly basis, with two unilateral one year options exercisable at the District's discretion. The District completed its base three-year Contract in October 2009 and chose to exercise the first of two available option years.

Approximately six months ago, Clear Channel approached the District requesting a possible financial adjustment to the Contract, citing a significant downturn in the economy and resulting cash flow impacts on advertising sales. According to Clear Channel, sales demand was at record lows, necessitating significant changes in their operations. After a series of meetings with staff, Clear Channel agreed to the following staff proposal:

1. Reduce the minimum annual guarantee from \$1.1 million to \$850,000 annually for each option year.
2. Add a non-expiring \$50,000 in-kind trade to the benefit of the District each option year.
3. Increase the revenue share for each option year as follows:
 - a. Revenues over \$900,000 with a 60% revenue share; and
 - b. Revenues over \$1.2 million with a 65% revenue share.
4. Add a third-year option, exercisable solely at the District's discretion, with the same terms and conditions as set forth above.

Staff opines that this proposal would best benefit the District as it would continue to provide a predictable revenue stream, while potentially achieving additional revenue if the economy recovers to previous levels. The proposal balances risk and certainty of revenue with an acknowledgement that economic factors have dramatically affected the advertising market and, thus, Clear Channel's ability to sell advertising space to the same levels as has been achieved historically.

Fiscal Impact

For each remaining year of the Agreement, the minimum monthly guarantee amount would decrease from \$1.1 million to \$850,000 annually. Revenue sharing would be increased through the option years as 60% share for revenues over \$900,000, and 65% share for revenues over \$1.2 million. The District would receive a non-expiring \$50,000 in-kind trade to the benefit of the District each option year that would offset a portion of the loss in guaranteed revenue. Finally, a third-year option would be added, exercisable by the District with the same terms and conditions as set forth in the remaining option years. Revenue for FY 09/10 will be adjusted to reflect the \$250,000 decrease in projected income.