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metro.net**EXECUTIVE MANAGEMENT COMMITTEE
MARCH 19, 2015****SUBJECT: BILLBOARD MANAGEMENT SERVICES****ACTION: AUTHORITY TO EXERCISE THE OPTION TO EXTEND BILLBOARD
MANAGEMENT CONTRACT****RECOMMENDATION**

Authorize the Chief Executive Officer (CEO) to exercise the option to extend the Billboard Management Contract with All Vision for one year (1 year) from July 1, 2015 to June 30, 2016.

ISSUE

On May 23, 2013, the Board authorized the CEO to amend the revenue contract with All Vision to provide management services for outdoor advertising displays on Metro owned property. The Amended and Restated Contract with All Vision (All Vision Contract) provides that Metro has the option to extend the term of the revenue contract for five (5) additional one-year (1-year) periods.

Approval to exercise a one-year (1-year) option to extend the All Vision Contract requires board approval to proceed.

DISCUSSION

Pursuant to the All Vision Contract, as amended, Metro contracted with All Vision to provide management services and representation for the outdoor advertising displays (billboards), located on Metro right of way, facilities, structures and property and to develop a strategy for optimizing revenue to Metro from billboard assets.

All Vision has completed the following tasks:

1. Evaluated all Metro-owned real property for its potential for increasing revenue to Metro from billboard assets.

2. Investigated local and state ordinances which control the placement or removal of billboards
3. Developed a Strategic Plan for optimizing billboard assets and increasing revenue to Metro. The Metro Board approved implementation of the Strategic Plan on September 26, 2013.
4. Obtained development entitlements from the City of Downey for a digital billboard structure, solicited proposals from billboard companies, negotiated terms of a sales agreement with the billboard company to sell the media on the billboard and constructed the digital billboard structure.
5. Met with local municipal officials, including officials from Los Angeles, El Monte, Glendale, Irwindale, and Long Beach, to discuss agreements to provide for the installation of digital billboards within their jurisdiction

The municipalities mentioned above have shown significant interest in participating in this program as it provides them the opportunity to eliminate blighted conditions, where applicable, caused by the existing numerous, low quality, static billboards located in their jurisdiction and also provides the opportunity to participate in receiving a portion of the additional revenue generated by the new signboards. Negotiations are being conducted with these cities to finalize the terms of an agreement to provide for the installation of digital billboards within their jurisdiction.

The existing All Vision Contract expires June 30, 2015 and Metro staff recommends that Board authorizes the CEO to exercise the option to extend the contract with All Vision for one year (1 year) from July 1, 2015 to June 30, 2016 to allow negotiations with these local municipalities to be completed. Metro reserves the right to terminate the agreement at any time if revenue increases are not realized or if the arrangement is otherwise no longer in the agency's best interests.

DETERMINATION OF SAFETY IMPACT

This Project will have no impact on safety.

FINANCIAL IMPACT

The All Vision Contract is a revenue contract and is expected to generate a minimum of \$1,000,000 in new general fund revenue over the ten-year term of the contract (\$500,000 in 2015 plus \$100,000 annually for five years). Further increases are predicted to begin in FY15 when developments of the new billboard structures are anticipated. In each specific case where a static billboard is removed and replaced with a digital billboard, at a minimum, Metro will receive a base rental amount equal to the current revenues from the static billboard replaced, plus a share in the net revenues generated by the new digital billboard. These additional revenues could range from \$2 million to \$10 million over the life of the contract, however, only the minimum payment is guaranteed.

IMPACT TO BUDGET

This is a multi-year revenue-generating contract and as such does not draw funds from a project or cost center budget. The revenues generated are eligible for all expenses including bus and rail operating and capital expenditures.

ALTERNATIVES CONSIDERED

The alternative is to not exercise the option to extend the All Vision Contract. This alternative is not recommended because the agreement with All Vision involves no out-of-pocket cost and is expected to produce a minimum of \$1,000,000 in additional revenues over the term of the contract. Most of the existing leases were negotiated more than 20 years ago by the railroad companies that previously owned the right of way. All Vision's staff has extensive experience in billboard management, operations, sales, and representing the interest of property owners making it prudent to continue to explore this alternative. Furthermore, All Vision has demonstrated a strong commitment to the billboard program by investing substantial time and resources toward moving the program forward.

NEXT STEPS

All Vision and Metro staffs are continuing to meet with these and other local municipalities to determine if they are interested in opting into this program. All Vision and Metro staffs will finalize the terms of agreements with the local municipalities and return to the board for approval.

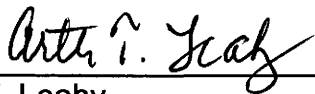
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