



RAIL MANAGEMENT COMMITTEE MEETING

JULY 1, 2009

1:30 P.M.

101 NORTH FIRST AVENUE

13TH FLOOR – BOARD ROOM

PHOENIX, AZ 85003





AGENDA

RAIL MANAGEMENT COMMITTEE

June 24, 2009

To: Chairman Fairbanks and Members of the Rail Management Committee

From: Richard J. Simonetta, Chief Executive Officer

Date: July 1, 2009

Time: 1:30 p.m.

Location: METRO
101 N. First Ave., 13th Floor Board Room
Phoenix, AZ 85003

Please park in the garage in the US Bank Building (enter from Adams Street) and bring your parking ticket to the meeting as parking will be validated. Transit passes will be provided to those using transit. For those using bicycles, please lock your bicycle in the bike rack in the garage. Rail Management Committee members may attend the meeting by teleconference. If you have any questions or need additional information regarding attendance by teleconference, please contact Gina Frackiewicz at (602) 322-4455.

Item	Action Requested
1. Call to Order	
2. Call to the Audience A 15-minute opportunity will be provided to members of the public at the beginning of the meeting to address the Rail Management Committee (RMC) on all agenda items. The Chairman may recognize members of the public during the meeting at his/her discretion. Up to three minutes will be provided per speaker.	Information
3. Minutes Summary minutes from the June 3, 2009 RMC are presented for review and approval.	Action
4. Chief Executive Officer's (CEO) Report Rick Simonetta will brief the RMC on current light rail issues.	Information

Item	Action Requested
Regular Agenda	
5. Advertising Sales Services Contract Staff is requesting that the RMC recommend that the METRO Board authorize the CEO to negotiate and execute a contract for Advertising Sales Services and to recommend an amendment to the METRO Advertising Policy. Please see information attached for Agenda Item 5 for additional information.	Action
6. CEO Search Consultant Update Staff will provide an update to the RMC on the process to procure a CEO search consultant. Proposals are due from interested firms on June 26. At least 15 firms have requested the METRO Request for Proposal. A selection committee that will include member city representatives will be formed to select the consultant. Staff is hoping to request approval of a consultant at the July 15 meeting of the Board of Directors. There is no additional information attached for this agenda item.	Information
7. Future Rail Management Committee Agenda Items The RMC may request consideration of future agenda items. No additional information is attached.	Information
8. Adjournment	Action

With 24-hours notice, special assistance can be provided for persons with sight and/or hearing impairments. Call 602-254-7245 (voice) or 602-261-8208 (TTY) to request accommodations. If you require information about this meeting in alternate formats, please call the METRO hotline at 602-254-RAIL.

A blurred, grayscale background image of a train station platform. A train is visible on the left, and a tram or light rail vehicle is on the right. The text is overlaid in the center.

AGENDA ITEM 3

Minutes



MEETING MINUTES

RAIL MANAGEMENT COMMITTEE

June 3, 2009
101 North First Avenue
13th Floor – Board Room
Phoenix, Arizona

Management Committee Members Present

Frank Fairbanks, City of Phoenix
Carlos DeLeon, City of Tempe
Mike James, City of Mesa
Jamsheed Mehta, City of Glendale
Patrice Kraus, City of Chandler
Susan Daluddung /David Moody, City of Peoria
Dave Meinhart, City of Scottsdale
Bryan Jungwirth, Regional Public Transportation Authority

1. Call to Order

Chairman Frank Fairbanks called the meeting to order at 1:42 p.m.

2. Call to the Audience

There were no public comments.

3. Minutes

IT WAS MOVED BY MIKE JAMES AND SECONDED BY JAMSHEED MEHTA AND UNANIMOUSLY CARRIED TO APPROVE THE REVISED MAY 6, 2009 MEETING MINUTES.

4. Chief Executive Officer's (CEO) Report

Mr. Mike Ladino, General Counsel, presented the CEO's report.

CEO Recruitment Process Update: A Request for Proposals for an Executive Search Consultant to assist with the replacement of the CEO is scheduled to be released next week. The expected hire date of the Search Consultant is in mid July.

Fare Education and Enforcement Campaign: The Task Force comprised of Member City representatives and other agency staff met yesterday to discuss public education, technology limitation experiences, and enforcement enhancements. The Task Force agreed to meet on a regular basis to address these issues.

METRO Office Space Sublease: A Request for Proposals for a Real Estate Broker to sublet approximately 17,000 sq ft of office space is scheduled to be released soon. The space lease term for the 9th and 10th floors will be from July 1, 2009 to June 2016.

Budget Summary: The 20-mile project is within the budget.

Ridership: The preliminary ridership for May is slightly down, but was expected due to summer recess.

Chairman Fairbanks noted that the reason for the lower ridership is the Arizona State University (ASU) summer break in late May, summer tourism drops, and the beginning of vacation holidays. He added that the ridership numbers are still ahead of projections for this time period. Mr. John McCormack, Director of Finance and Administration, stated that the ridership numbers included President Obama's visit for the ASU Commencement.

5. Consent Agenda

Chairman Fairbanks stated that the Lifecycle Program, discussed in May and deferred for one month, is on the agenda for approval and is presented as originally drafted in May.

Mr. James thanked staff, specifically Mr. Wulf Grote, Director of Project Development, for his assistance and follow up in answering questions from the last meeting.

5a. 2009 Light Rail/High Capacity Transit Lifecycle Program Update

IT WAS MOVED BY CARLOS DELEON AND SECONDED BY MIKE JAMES AND UNANIMOUSLY CARRIED TO RECOMMEND THAT THE BOARD APPROVE THE LIGHT RAIL/HIGH CAPACITY TRANSIT LIFE CYCLE PROGRAM UPDATE AS IDENTIFIED IN THE REPORT WHICH INCLUDES THE SCHEDULE OF PROJECTS, THEIR COMPLETION DATE, AND THE REVENUE SOURCES TO COVER THE CAPITAL COSTS.

Regular Agenda

6. Fiscal Year (FY) 2010 Annual Budget and 2010 – 2014 Capital Program and Operating Forecast

Mr. McCormack stated that the preliminary budget was reviewed by staff to address the concerns raised at the May meeting. No changes were made to the Capital Budget and Five-Year Capital Program. Changes to the Rail Operations Budget are as follows: reduced fare revenue, added extended hours of service, and reduced operating costs. In order to achieve the cuts, seasonal reductions were made to the number of two-car trains on the system, Sunday frequency was adjusted from 15 to 20 minute headway, and general and administrative costs were reduced. The result

of these revenue changes and operating costs impact the Member City contributions by approximately \$245,000 above the preliminary estimate. The goal was to stay within the Board-approved extended hours of service cost of \$255,000.

The updated service levels are shown below:

Time of Day	Service Frequency
Weekday 4:40 am* to 6:00 am	20 minutes
Weekday 6:00 am to 7:00 pm	10 minutes
Sunday - Thursday 7:00 pm to 11:00 pm*	20 minutes
Friday and Saturday 7:00 pm to 2:00 am*	20 minutes
Saturday 5:00* am to 6:00 am	20 minutes
Saturday 6:00 am to 7:00 pm	15 minutes
Sunday 5:00 am* to 11:00 pm*	20 minutes
*Indicates time that trains depart end of line stations for either first trip of the day or last trip of the day.	

The base budget includes additional late service for planned special events.

The following changes were made to the Five-Year Rail Operations Budget: Fare Revenue reduced by \$4.153 million, Member City contributions increased by \$0.777 million, and Cost of Operations reduced by \$3.376 million.

Chairman Fairbanks stated that the actions taken regarding the service times and the vehicle reductions during the summer are creative, effective, and appropriate. He also added that with METRO being a new system, temporary adjustments may need to be made as needed depending on demand. He also requested that any issues that might arise related to changes in service be brought to the attention of the Rail Management Committee (RMC) and the METRO Board. Mr. McCormack concurred and added that a \$900,000 contingency has been built into the operating budget to cover the unexpected events. Mr. Ladino stated that the METRO management team will bring issues, if any, to the RMC's and Board's attention.

IT WAS MOVED BY CARLOS DELEON AND SECONDED BY SUSAN DALUDDUNG AND UNANIMOUSLY CARRIED TO RECOMMEND THAT THE BOARD ADOPT THE FY 2010 OPERATING AND CAPITAL BUDGET AND ACCEPT THE FY 2010 THROUGH FY 2014 FIVE-YEAR CAPITAL PROGRAM AND OPERATING FORECAST.

At 2:02 p.m. Ms. Susan Daluddung left the meeting. Mr. David Moody represented City of Peoria.

7. Section 5309 Project Budget Adjustment

Mr. John McCormack, Director of Finance and Administration and Mr. Brian Buchanan, Director of Design and Construction, presented information regarding Section 5309 contract budget adjustments to various project elements. The report focused on the specific cost savings in certain budget areas being transferred to cover other project costs. The overall project budget remains within the overall Full Funding Grant Agreement (FFGA) budget.

Mr. James asked if there were any unexpected issues in the right-of-way budget driving the costs higher than expected. Mr. McCormack stated that the condemnation court rulings exceed the estimates which were beyond METRO's decision authority.

Chairman Fairbanks inquired about the additional expenditures on the fare system and the Hand Held Verifiers (HHVs). Mr. McCormack stated that the HHVs are interim verifiers which read Platinum Cards. The permanent verifiers will have the capability to read any magnetic stripped card, immediately confirm validity, and a record of inspection. The data will provide the type of fare and compliance. The HHVs have additional features (i.e., camera).

Chairman Fairbanks asked if the interim HHVs work satisfactory and inquired about the delivery date for the permanent verifiers. Mr. Larry Engleman, Director of Safety, Security and Quality Assurance, stated that the interim units work satisfactory and the delivery of the permanent units is expected this summer.

IT WAS MOVED BY CARLOS DELEON AND SECONDED BY MIKE JAMES AND UNANIMOUSLY CARRIED TO RECOMMEND THAT THE BOARD AUTHORIZE THE FOLLOWING CHANGES TO THE SECTION 5309 PROJECT BUDGETS:

- **DECREASE THE PRIOR RIGHTS UTILITIES BUDGET BY \$1,000,000 TO \$29,500,000;**
- **INCREASE THE STATION FINISHES BUDGET BY \$400,000 TO \$54,581,000;**
- **INCREASE THE SIGNALS AND COMMUNICATIONS BUDGET BY \$175,000 TO \$44,259,762;**
- **INCREASE THE FARE COLLECTION BUDGET BY \$300,000 TO \$8,524,547;**
- **INCREASE THE RIGHT-OF-WAY BUDGET BY \$1,500,000 TO \$133,100,000;**
- **DECREASE THE PROJECT RESERVE BY \$1,375,000 TO \$481,071.**

8. Central Mesa High Capacity Transit Alternatives Analysis Recommendations

Mr. Wulf Grote, Director of Project Development, presented information regarding the results of the Alternative Analysis for the Central Mesa Project and requested approval of the study findings. The Maricopa Association of Governments (MAG) Regional Transportation Plan (RTP) includes a 2.7-mile corridor extension from Sycamore to Mesa Drive. The Central Mesa Project is funded with revenues derived from Proposition 400, and the Federal Transit Administration (FTA). The budget in the TLCP was set at \$194 million in 2008 dollars.

Mr. Grote noted that the study area was expanded to Power Road to address transit connections and ensure a complete review of the corridor. The purpose of the analysis was to define the alignment/route and define the transit technology. Two modes were studied: light rail (LRT) and bus rapid transit (BRT). Over a two-year evaluation period discussions included two BRT options on Main Street, and four LRT options on Main Street, First Avenue, and First Street. Park-and-ride options were also studied.

Staff met with a number of residents, community organizations, and involved agencies to inform them about the project and to present the alternatives and issues for public and agency review.

BRT capital cost estimates were determined to be the lowest; however, the disadvantages related to reduced ridership and a lack of economic development opportunities associated with the option.

Light rail is recommended as the mode of transportation due to lower life cycle costs, a much greater passenger carrying capacity, reductions in travel times, elimination of a bus to rail transfer at Main and Sycamore, greater economic development opportunities, and better service to travel demand in the corridor.

Main Street is recommended due to best access to Downtown Mesa activity centers, lower capital costs, highest ridership, least property acquisitions, lowest travel times, greatest economic development opportunities, and the best option to meet FTA criteria for cost effectiveness.

With the assumption that the METRO Board approves staff's recommendation the next steps will be to present this action to MAG for approval and to update the Regional Plan, initiate an environmental assessment, create a Downtown Mesa stakeholder group to define criteria for downtown urban design elements, and begin engineering phase in the Spring 2010 after FTA approval is acquired.

Mr. James stated that the success and progress of the project is due to the education and work efforts with the Mesa City Council and staff. The Mesa Council voted unanimously to proceed with the project. Mr. James appreciated and thanked METRO staff for their work and Phoenix and Tempe businesses for their input during the Business Forum to share their experiences with METRO and rail construction.

He also stated that Phase 2 – extension of the LRT corridor - is important to Mesa and allows opportunities to plan for future capital bond opportunities and other options.

Mr. DeLeon congratulated City of Mesa and METRO for their hard work and the engagement of the community.

Mr. Mehta congratulated City of Mesa and METRO for a tremendous project moving ahead. He asked if this is the first illustrative project being presented to MAG. Mr. Grote replied that it is; however, MAG has had other illustrative projects added (i.e., Sky Train in Phoenix). It is important that there is a solid end-of-line and staff recommends this action move forward. Mr. Mehta stated that the project has a logical destination with funds available and the identification of the illustrative project allows for funds to be pursued at a later point.

Mr. Mehta also asked about the increase in service frequency of the existing BRT. Mr. Grote replied that increasing frequency with the existing LINK BRT to match LRT will create a seamless service. Mr. Mehta asked if the recommendation/approval by RMC and METRO Board would be directed to Regional Public Transportation Authority (RPTA) Board since BRT is identified in the Life Cycle Program. Mr. Grote stated that the recommendation is to MAG for their consideration for long-range planning.

Chairman Fairbanks congratulated City of Mesa. He asked if the Mesa Drive recommendation is within the available budget. Mr. Grote replied that it is.

IT WAS MOVED BY CARLOS DELEON AND SECONDED BY JAMSHEED MEHTA AND UNANIMOUSLY CARRIED TO RECOMMEND THAT THE BOARD APPROVE THE FOLLOWING:

- **CENTRAL MESA LPA AS PHASE 1, WHICH INCLUDES LRT ON A MAIN STREET ALIGNMENT TO THE EAST SIDE OF MESA DRIVE**
- **LPA TO BE ADVANCED TO THE ENVIRONMENTAL PHASE**
- **FORWARD PHASE 2 RECOMMENDATIONS TO MAG FOR FUTURE FUNDING CONSIDERATION. PHASE 2 INCLUDES A FUTURE EXTENSION OF THE LRT CORRIDOR ON MAIN STREET TO APPROXIMATELY GILBERT ROAD AND TO IMPROVE SERVICE FREQUENCY ON THE MAIN STREET LINK BRT TO MATCH LRT.**

9. METRO Insurance Brokerage Contract

Ms. Karen Frey, Ashton Tiffany, stated that METRO uses an insurance broker to procure the insurance. There is no formal contract with the broker and the broker has been paid on a commission basis. In March 2009, a procurement for a broker was initiated for a fixed-fee contract. Three proposals were received and they were evaluated based on qualification of the firm, qualification and availability of personnel

assigned, understanding of scope for METRO and RPTA (combined agency effort), and price. The evaluation committee was comprised of RPTA and METRO staff, a Risk Management Committee member, and Ms. Karen Frey.

Ms. Frey stated that this contract will generate a 76% savings.

Mr. Jungwirth stated that he was involved in the selection process and wanted to thank METRO staff for their management of the process. He noted that it resulted in great savings for both agencies.

Mr. Ladino requested that this item be placed on the Consent Agenda for Board's approval. The Committee Members approved the request unanimously.

IT WAS MOVED BY DAVID MOODY AND SECONDED BY DAVE MEINHART AND UNANIMOUSLY CARRIED TO RECOMMEND THAT THE BOARD AUTHORIZE THE CEO TO EXECUTE A FIVE-YEAR METRO INSURANCE BROKERAGE CONTRACT WITH ARTHUR J. GALLAGHER NOT TO EXCEED \$167,525.

10. METRO System Naming Rights

Mr. John Farry, Director of Community and Government Relations, stated that a presentation was made to the Rail Staff Working Group regarding naming rights (i.e., naming the transit system in the same manner that a stadium or arena was named). With naming rights comes the opportunity for revenue opportunities. Transit agencies around the country have considered and applied this concept.

In April 2009, METRO Board approved traditional system advertising resulting in a RFP. The RFPs are due on June 17 and a proposed Board award is scheduled for August 2009.

It is being recommended that a system naming process could include completion of the existing advertising RFP process and award of an advertising contract, should the proposals warrant an award. A separate RFP could be advertised to hire a consultant to investigate naming rights and the potential revenues. Several months would be required to procure the consultant, develop possible system naming alternatives, and to procure and award a system name. During development of the system naming opportunities, METRO could move forward with the traditional advertising sales. Ultimately, the Board could move forward with both opportunities or determine that one type of revenue-generating activity is appropriate.

Mr. James expressed some issues relating to the three cities and the use of naming rights. He gave an example of University of Phoenix in City of Glendale.

Mr. Jungwirth inquired about the system image and identity and whether the committee members discussed the types of companies interested in advertising (i.e., commercial businesses). Mr. Farry stated that the same advertising parameters would apply as stated in the Board-adopted advertising policy.

Ms. Kraus stated there are some concerns, but recommends reviewing all opportunities for revenue generation. She recommends taking this item to the Board and to allow for concept and revenue consideration. Technical details still need to be worked out (i.e., termination and renaming of naming rights, etc.).

Mr. DeLeon stated that the City of Tempe noted that the city's Transportation Commission considers these issues before action is taken. However, he stated that his opinion is that longer term relationships can result in interests that have the long standing reputation and interests of community at heart. Some companies seek permanence and see value in providing a quality look and presentation to maximize their investment. There should also be a balance between the naming rights and traditional advertising while being cautious not to oversaturate the customers with ads and naming.

Mr. DeLeon recommended moving forward with the RFP and also asked about the source of the funding necessary for the RFP (estimated to be \$50,000 to \$100,000). Mr. Farry stated that the cost would either be acquired from the agency operating budget or contingency budget; however, today staff is only looking for input regarding moving forward with the concept.

Chairman Fairbanks stated that he supported the concept specifically due to the potential of revenue generation. There are potentials for negative effects which can be minimized. He also addressed the long-term and short-term contracts and the importance of examining business cycles. He noted that it is important to consider potential negative implications that might result of a long-term association. It will be important to consider good reputations and long-term standing in the community. Chairman Fairbanks gave examples of a Portland station that sold naming rights to Bank of America versus street name identification. He noted that some passengers might find it easier to get around on the system with corporate locations. He also noted that quality advertisers have the potential to enhance the system. Finally, he noted that there is a need for coordination between advertisers to avoid competition between similar companies at locations. The City of Phoenix is experiencing some challenges during current economic times and encourages careful consideration of this concept.

Mr. Meinhart recommended exploring opportunities by working with BRT.

Mr. Mehta stated that the naming rights have potential for local jurisdiction concerns. They have revenue generating potential, but the jurisdictions may not approve of the advertiser. Jurisdictional consideration needs to be given to station and vehicle advertising.

11. Future Rail Management Committee Agenda Items

Mr. Ladino stated that staff is reviewing the July and August scheduled agenda items for RMC/Board consideration to determine a need for meeting.

12. Adjournment

The meeting adjourned at 2:52 p.m.



AGENDA ITEM 5
Advertising Sales Services Contract



MEMO RAIL MANAGEMENT COMMITTEE

AGENDA ITEM 5

To: Chairman Fairbanks and Members of the Rail Management Committee

Through: Richard J. Simonetta, Chief Executive Officer

From: Mike Ladino, General Counsel

Date: June 24, 2009

Re: Advertising Sales Services Contract

PURPOSE

The purpose of this memorandum is to request that the Rail Management Committee (RMC) recommend that the METRO Board (Board) authorize the Chief Executive Officer (CEO) to negotiate and execute a contract for Advertising Sales Services and to recommend an amendment to the METRO Advertising Policy.

BACKGROUND

In April, the Board amended the METRO Advertising Policy to permit advertising on the METRO system (see attached policy). As a result of the change to that policy, staff developed a Request for Proposals (RFPs) for advertising sales services. The RFP to hire a vendor to conduct sales and installation of vehicles wraps, station wraps, station posters, and in-vehicle floor decals, was issued on May 6, 2009. Responses were received on June 17, 2009. Of the two proposals determined to be responsive, only the proposal from CBS Outdoor, Inc. offered to provide the types of ad sales specified by the Board; the second proposal sought to sell in-car audio commercials.

Key elements of the CBS Outdoor, Inc., proposal are:

- Sales of vehicle wraps, station wraps, station posters and in-vehicle floor decals will be consistent with METRO advertising policy restrictions and limitations.
- Compensation provided to METRO would be 60% of net income from advertising sales, with no minimum guarantee.
- "Net income" would be defined as the actual amount charged to the client (the advertiser) for the ad space; it does not include the amount the vendor would charge the advertising client for the printing and installation of the ads.

An RFP Evaluation Committee, consisting of representatives of METRO and the cities of Phoenix, Tempe and Mesa recommends accepting the proposal of CBS Outdoor, Inc. If Board approval is given in July, a contract is expected to be in place in August, with ad sales projected to begin by September.

The contract will address several key areas of concern to the RMC and Board that include:

- Products advertised will conform to METRO's advertising policy, which limits ad content to speech which proposes a commercial transaction,
- METRO reserves the right to review all advertising for content and appearance, and may direct the removal of advertising that causes public criticism or is found offensive by transit passengers or members of the public, and
- METRO shall have the right to utilize all unsold advertising space at its sole discretion.

METRO Advertising Policy Amendment. The RFP Evaluation Committee also recommended that the METRO Advertising Policy be amended to permit vehicle wraps for periods shorter than six months. The committee felt that in the current economy, requiring advertisers to make a minimum six-month wrap purchase would significantly reduce sales and income opportunities. The quantity of vehicle wraps would still be limited to no more than 20% of the fleet at any one time.

FISCAL IMPACT

The economy has had a significant negative impact on advertising revenues. The contract involves no costs on the part of METRO, but because the vendor has not offered a minimum guarantee, it is not possible to project income.

RECOMMENDATION

Staff requests that the RMC recommend that the Board amend the METRO Advertising Policy to permit sales of vehicle wraps for any length of time. The quantity of vehicle wraps would still be limited to no more than 20% of the fleet at any one time.

Staff requests that the RMC recommend that the Board authorize the CEO to execute a one-year contract with CBS Outdoor, Inc., The contract includes a provision to permit three additional one-year extensions, at METRO's option.



ADVERTISING POLICY

Valley Metro Rail, Inc. believes that advertising on the light rail system is best performed using a standard set of established criteria. Therefore, the following criteria are established for advertising.

Vehicle Advertising

That advertising on the exterior of the vehicle will be limited to no more than ten (10) vehicles with a minimum purchase period of six (6) months. METRO reserves the right to wrap four (4) additional vehicles for its own purposes.

That advertising on the interior of the vehicle allow for floor decals. In vehicles that have exterior wraps, the floor decals must match the theme of the wrap. In unwrapped vehicles, only one decal design per vehicle will be allowed.

That advertising on the interior of the vehicle allow for the installation of LCD-TV in vehicles.

Station Advertising

That station advertising be limited to wraps and display case posters. That station wraps occur in participating cities only and be limited to backdrop banners, vertical banners and paver decals. That any advertising at stations not be attached to, or obscure, station art.

That display case station posters occur in participating cities only and be limited to no more than 50% of map cases at any given station.

That advertising at station platforms allow for the installation of electronic or standard kiosks.

General Advertising

That any future Valley Metro Rail advertising policy be consistent with the City of Phoenix Public Transit Department's policy that establishes the following standard.

Advertising Standard

The subject matter of METRO system advertising is limited to speech that proposes a commercial transaction.

METRO policies prohibit the display of advertising copy or graphics that:

1. Are false, misleading, or deceptive
2. Relate to an illegal activity
3. Are explicit sexual material, obscene material, or material harmful to minors as these terms are defined in Title 13, Chapter 35, Arizona Revised Statutes
4. Advertise alcohol or tobacco products
5. Depict violence and/or anti-social behavior
6. Include language which is obscene, vulgar, profane or scatological
7. Relate to instruments, devices and items, products or paraphernalia which are designed for use in connection with "specified sexual activities" as defined in the City of Phoenix Zoning Ordinance.

All advertising is subject to approval by Valley Metro Rail and/or its designated representatives.

Adopted by Valley Metro Rail Board of Directors on April 15, 2009.