



CITY OF SANTA MONICA

REGULAR MEETING AGENDA OF THE BUDGET TASK FORCE

SANTA MONICA INSTITUTE TRAINING ROOM
330 OLYMPIC DRIVE, 2ND FLOOR (PLAZA LEVEL)
SANTA MONICA, CA 90401

MONDAY, JANUARY 27, 2020
6:00 PM

Call to Order

Roll Call

(Please note that Agenda Items may be reordered during the meeting at the discretion of the body.)

1. **Approval of Minutes:** Approval of December 2, 2019 Minutes
2. **Discussion/Action Items**
 - a. Vote for Budget Task Force Chair and Vice Chair
 - b. Increase Santa Monica Farmers Market Program Vendor Fees (Housing and Economic Development)
 - c. Consider Naming Rights and Sponsorship opportunities for a Coordinated Municipal Marketing Program (Finance)
3. **Public Input:** Public input is permitted only on items not on the agenda that are within the subject matter jurisdiction of the Budget Task Force. State law prohibits the body from taking any action on items not listed on the agenda, including issues raised under this agenda item.
4. **Written Communication:** Review of any written communications received from the public
 - a. Address letter regarding the Farmers Market
5. **Future Agenda Items:**
 - a. Review Paramedic Assessment Fee (February 3, 2020 Meeting)
 - b. Evaluate Resourcing for City Events (February 3, 2020 Meeting)
 - c. Review of Long-Term Proposal List
6. **Adjournment**

STANDARDS OF BEHAVIOR THAT PROMOTE CIVILITY AT ALL PUBLIC MEETINGS:

- Treat everyone courteously
- Listen to others respectfully
- Exercise self-control
- Give open-minded consideration to all viewpoints
- Focus on the issues and avoid personalizing debate
- Embrace respectful disagreement and dissent as democratic rights, inherent components of an inclusive public process, and tools for forging sound decisions

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This agenda is subject to change up to 72 hours prior to a regular meeting and 24 hours prior to a special meeting. Please check the agenda prior to the meeting for changes.

City of Santa Monica
Finance Department
1717 4th Street, Santa Monica, CA. 90401
Phone: 310-458-8281 E-mail: Finance.Mailbox@smgov.net
Website: finance.smgov.net

PUBLIC INPUT GUIDELINES: Public attendance and comment at Advisory Council meetings are welcomed and encouraged. Members of the public will have 3 minutes to speak and should submit a chit to City staff before the presentation begins. If more than, 15 members of the public wish to speak on one item, speaking time will be limited to 2 minutes each. If a member of the public submits a late chit, his/her speaking time will be limited to 1 minute. Members of the public wishing to speak will be called upon in the order in which their chit was received. Applause or any other disruptive behavior is not allowed. Any member of the public unable to attend a meeting but wishing to comment on an item(s) listed on the agenda may submit written comments prior to the meeting by mailing them to Finance Department, Attn: Budget Task Force, 1717 4th Street, Suite 250, Santa Monica, CA 90401. Or comments may be emailed to Finance.Mailbox@smgov.net.



**SANTA MONICA BUDGET TASK FORCE
REGULAR MEETING MINUTES**

SANTA MONICA INSTITUTE TRAINING ROOM
330 OLYMPIC DRIVE, 2ND FLOOR (PLAZA LEVEL)
SANTA MONICA, CA 90401

MONDAY, DECEMBER 2, 2019

6:00PM

santamonica.gov/BudgetTaskForce

- I. Call to Order at 6:07pm
- II. Roll Call

The Interim Chair conducted Roll Call.

Present

Judy Abdo, Interim Chair
Dominic Gomez, Interim Vice Chair
Dominick Bei
George Brown
Janine Bush
Laurence Eubank
Ina Godoy
K. John Lee
Brandi Lockhart Kimberly Ong
Jeremy Peterson
Concepcion Rechtszajd
Matt Rice
Phillip Ticun

Absent

David Nanjo

In addition, the following City staff were also in attendance:

Rick Cole, City Manager
Katie Lichtig, Assistant City Manager
Brandon Ward, Deputy City Attorney
Gigi Decavalles-Hughes, Director of Finance
Susan Lai, Budget Manager, Finance
Stephanie Lazicki-Meyer, Principal Analyst, Finance
Jennifer Young, Senior Budget Analyst, Finance
Jonathan Tang, Senior Budget Analyst, Finance
Landry Doyle Wiese, Management Fellow
David Martin, Director of Planning and Community Development (PCD)
Jing Yeo, Planning Manager, PCD
Lynn Wolken-Gonzales, Principal PCD Analyst
Francie Stefan, Mobility Manager, PCD
Henry Servin, Parking Manager, PCD
Michael Towler, Principal Administrative Analyst, PCD

III. Approval of Minutes

November 18, 2019 meeting minutes were approved by Laurence Eubank and seconded by George Brown as amended by Judy Abdo.

IV. Discussion and Possible Action Items

PCD Director David Martin introduced the proposals by discussing the Department's previous efforts to reduce expenditures.

Proposal One: Eliminate Planning Fee Waivers

Planning Manager Jing Yeo presented PCD's proposal to eliminate fee waivers for building and safety review and planning review. Yeo's discussed topics including but not limited to: historic reasons for waiving fees; categories of existing fee waivers (affordable housing, sustainability, historic preservation, childcare, and homeowner or small business support); and potential impacts on stakeholders.

PCD presented two options: Option A to eliminate fee waivers for solar system installation on new construction and to subsidize fees for Historic Preservation applications and voluntary solar installations at 80%, for an annual revenue increase of \$106,000; and Option B to eliminate all fee waivers in all categories for an estimated revenue increase of \$580,000. PCD recommended Option A.

The Task Force discussed the cost of planning fees in relation to total project costs; the Department's reasoning for subsidizing Historic Preservation permits; the staff time

required to process applications; whether or not waived fees incentivize project participation; the availability of state or federal subsidies for solar installation; the building code requirements for new construction; the potential to collect fees in installments; the potential to reduce fee waivers in a phased manner to measure potential changes in user behavior; and the landmarks designation review process.

Public Comment

There was no public comment on the proposal.

Motion

Laurence Eubank made a motion to support an amended version of Option B which would charge full cost recovery in all fee categories except childcare and affordable housing. The motion was seconded by Dominick Gomez.

The Task Force held a roll call vote on the motion.

Judy Abdo	Y
Dominic Gomez	Y
Dominick Bei	Y
George Brown	Y
Janine Bush	Y
Laurence Eubank	Y
Ina Godoy	Y
K. John Lee	Y
Brandi Lockhart	Y
David Nanjo	<i>absent</i>
Kimberly Ong	Y
Jeremy Peterson	Y
Concepcion Rechtszajd	Y
Matt Rice	Y
Phillip Ticun	Y

The motion passed unanimously.

Proposal Two: Reduce Grace Period in Downtown Parking Structures

Parking Manager Henry Servin presented the Department's proposal to reduce the parking grace period in Downtown parking structures. The Department presented three options: a.) to reduce the grace period from 90 minutes to 60 minutes in Year One and from 60 minutes to 30 minutes in Year Two, b.) to reduce the grace period from 90 to 60 minutes in Year One without further reductions, and c.) to maintain the 90-minute grace period.

Servin's presentation included a discussion of topics including but not limited to: to current supply of off-street parking; recent changes in the City's parking rates; parking policy goals in the Downtown area; parking rates in all citywide facilities; the grace period in neighboring cities; stakeholder outreach and engagement; The Department recommended Option A, which was estimated to raise \$700,000 in Year One and \$1.5 million in Year Two.

Task Force discussed topics including, but not limited to: long-term revenue projections; the potential to expedite the reduction to a 30-minute grace period; the potential for rate increases to incentivize mode shift or trip attrition; the Department's tradeoffs to balance parking availability, disincentivize short vehicle trips, and promote consumption in Downtown area; subsidies for part-time workers in the Downtown area; validations for those spending money in the Downtown area; parking accommodations for those with accessibility issues; potential effects on a changing retail industry; and potential effect on sales tax revenue.

Public Comment

Kent Strumpell, representing Climate Action Santa Monica, spoke in favor of removing subsidies for vehicle use in order to reduce transportation-related emissions.

Motion

George Brown motioned to support Option A to reduce the grace period from 90 minutes to 60 minutes in Year One and from 60 minutes to 30 minutes in Year Two. The motion was seconded by Matt Rice.

The Task Force held a roll call vote on the motion.

Judy Abdo	Y
Dominic Gomez	Y

Dominick Bei	N
George Brown	Y
Janine Bush	Y
Laurence Eubank	N
Ina Godoy	N
K. John Lee	N
Brandi Lockhart	N
David Nanjo	<i>absent</i>
Kimberly Ong	Y
Jeremy Peterson	Y
Concepcion Rechtszajd	Y
Matt Rice	Y
Phillip Ticun	Y

The motion passed by a vote of 9 to 5.

V. Future Meetings and Agenda Items

Member Brandi Lockhart suggested the proposals before the group should include cutting staff if the existing proposals are not sufficient to close the budget shortfall. Gigi Decavalles-Hughes referred Task Force members to the list of long-term budget proposals which the Task Force may consider in the future, noting that some involve staffing changes. The next meeting is Monday, January 13, 2019 at 6pm at the Ken Edwards Center.

Meeting adjourned at 8:32pm.

ATTEST:

APPROVED:

Landry Doyle Wiese
Secretary

Judy Abdo
Interim Chair

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Mid-Term Program Changes for FY 2020-21

Program Name: Santa Monica Farmers Markets Program

Recommended Action: Increase SM Farmers Markets Program Vendor Fees

Annual Financial Impact: Approximately \$174,000 On-going Revenue Increase

The Santa Monica Farmers Markets are among the best in the country. The City has proudly worked with vendors over the last 40 years to bring high-quality, sustainable produce to Santa Monica and the region. The markets are a part of our community culture and identity, and the City is committed to their success. The markets generate revenue through vendor fees that cover the markets' direct operating expenses. However, when administrative overhead costs are considered, the program operates at a deficit. As a result, the Budget Task Force process provides an opportunity to consider whether the program could be adjusted to reduce or eliminate any impact on the City's finances. Because Santa Monica's vendor fees are lower than other farmers markets in the region and because Santa Monica is one of few cities in LA County that manages their farmers market program directly, two key options for consideration are raising vendor fees or turning the market operations over to a non-profit organization.

Program Description

- The City of Santa Monica operates four weekly certified farmers markets in three locations within the community where small farmers sell directly to the consumer throughout the year. The markets also include prepared food vendors, musical entertainment, exhibitions and City information booths, and youth education classes. Unique to the Sunday Main Street market are a small collection of retailers from the Main Street business district. More than 15,000 people visit all four markets weekly which collectively host more than 170 farmers. Over 60 restaurants or wholesale companies purchase from the markets on a weekly basis, supplying SM Farmers Market produce throughout Santa Monica and the Greater Los Angeles region.

History & Background

- California Certified Farmers' Markets were established in 1978, when Governor Jerry Brown signed legislation known as the Direct Marketing Act which enabled California farmers to sell their own produce directly to consumers at locations designated by the Department of Agriculture.
- The inaugural Santa Monica Farmers Market opened on Saturday July 11, 1981, in Santa Monica's downtown retail district along Arizona Avenue between Fourth and Second Streets.
- Overall, the Santa Monica (SM) Farmers Markets program is a successful commercial enterprise with its array of farmers and non-agricultural vendors generating a steady year-over-year increase in sales and positive customer feedback.
- The success of the SM Farmers Markets relies on skilled management from staff with knowledge of the federal, state, and county agricultural requirements and health laws. In turn, they hold participating farmers and vendors to the highest standards to ensure on-going quality control and product source and production integrity. Market Coordinators and attendants are trained to operate the market within the framework and guidelines of City regulations, policies, and initiatives. The City team that operates the markets includes a mix of full-time and part-time staff as well as as-needed staff.

- The markets are primarily attended by those who live or work in Santa Monica and the westside of Los Angeles, but they are also popular with chefs and residents throughout Los Angeles County, as well as visitors from outside the region. The SM Farmers Markets play an important role in supporting Santa Monica restaurants. In addition to being a significant supplier of fresh produce, the markets also feature local restaurants in their programming. The markets and the staff who manage them have been instrumental in adding to the vibrancy of the commercial districts where they are located, incorporating City initiatives such as the COAST open-streets festival and adding to the quality of life amenities for Santa Monica. Additionally, SM Farmers Markets were the first farmers markets in LA County to partner with Food Forward to divert unsold produce that otherwise would have gone to landfills to social service agencies that serve community members in need.
- The SM Farmers Markets accept CalFresh/Electronic Benefit Transfer (EBT) nutrition benefit cards and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)/Senior Farmers Market Nutrition Program vouchers for all eligible products to ensure the market is accessible across income levels. Additionally, the Pico Farmers Market provides additional access to CalFresh customers via participation with the Market Match program.

Wednesday Farmers Market

- The **Wednesday Farmers Market** is the most well-known and popular of the four markets. It is considered one of the largest in the country and regularly appears on lists of must-visit farmers markets as it is a uniquely growers-only focused market, featuring farmers, growers, and ranchers with a wide variety of locally grown and specialty produce. It hosts a variety of programming, with education primarily tied into the market's mission and focus. These types of educational and programming activities and special events include the following:
 - Weekly educational classes for Santa Monica-Malibu Unified School District elementary school students at the market's "Taste a Rainbow / Vegucation" booth;
 - School or industry level field trips (including pre-K scavenger hunts, high school Careers through Culinary Arts Program (CCAP) visits, LA Trade Tech and Cal Poly Pomona at-market presentations, and tours for City or Downtown Santa Monica visitors or employees);
 - A rotating weekly Featured Restaurant program highlighting local Santa Monica restaurants, partnership and table space for City Departments and programs, and market special events; and
 - Special events include the annual All You Can Carry Pumpkin Patch, CalFresh Awareness Month activities, and Chef Demos.
- The **Wednesday Farmers Market** is the largest of the four markets with approximately 75 farmer vendors each week, which can increase to 90 participating farmers depending on the season. Individual farmer sales can range from approximately \$200 to more than \$20,000 on a typical market day (with all-time, one-day highs for farmers reaching \$40,000 with a specific product). In FY 18-19 the total agricultural vendor fees paid by farmers at Wednesday's Market generated \$552,403 in revenue to the City. The Wednesday Market sees approximately 10,000 shoppers weekly, including Santa Monica residents and workers, chefs and produce companies, out-of-town visitors, and local school children. Over 55 major produce sourcing companies such as Fresh Point and well-known chefs/restaurants shop weekly and utilize the market's reserved parking program on meters that surround the Downtown Farmers Market (many attending both Wednesday and Saturday Downtown). The Wednesday Farmers Market's weekly "Vegucation" program sees approximately 1,200 K-2 elementary students from the Santa Monica-Malibu Unified School District as participants in the market education field trips throughout the school year. The market's on-site staff profile is comprised of one Market Manager, two part-time

Farmers Market Attendants, and one as-needed Farmers Market Attendant, with one full-time Farmers Market Assistant assigned to coordinate and lead class visits.

Saturday Downtown Farmers Market

- The **Saturday Downtown Farmers Market**, also known as the Organic Market, opened in May 1991 and has a slightly smaller footprint than the Wednesday Downtown Market. Like the Wednesday Farmers Market, the Saturday market is situated on Arizona Avenue adjacent to the Third Street Promenade, and its primary function is as a produce focused market. This market is also a favorite among chefs and like the Wednesday market, provides chef parking permits. The market hosts a weekly Bike Valet to incentivize patrons to use an alternate form of transportation. While the market is no longer expressly an ‘Organic Market’ due to the wider mix of farmer growing applications, it has the highest composition of Certified Organic Farmers of all the City’s markets, as well as a Certified Organic bakery.
- The **Saturday Downtown Farmers Market** hosts approximately 50 farmer vendors each week, which can increase to 60 participating farmers depending on the season. Individual vendor gross sales can range from approximately \$200 to \$15,000 on a typical market day. In FY 18-19 the total agricultural vendor fees paid by farmers at the Saturday Market generated approximately \$195,929 in revenue to the City. The market on-site staff profile is comprised of one as-needed Farmers Market Coordinator I and two part-time Farmers Market Attendants.

Saturday Pico Farmers Market

- The **Saturday Pico Farmers Market** was established in March 1992 at Virginia Avenue Park and is a central feature of the park on Saturdays. It is the smallest of the four markets and is the most community oriented. This market-in-the-park is comprised of farmers, as well as prepared food vendors and includes programming such as live bands, cooking demonstrations, and various activities geared toward children and adults. The market also hosts a UC Master Gardener Program. The market manager closely aligns the market’s activities with Virginia Avenue Park user groups focusing on themes such as social equity as well as health and nutrition programs in partnership with local health care providers like Providence St John’s Hospital. The market is participating in the Pico Wellbeing Project and is currently aligning market goals, policies, and programming with some of the findings and community requests. The market also serves an important function in that it is the only Santa Monica Farmers Market which administers and accepts Market Match - a California program that provides matching funds to those using their federal nutrition benefits in order to enhance their spending power and to further ensure the market is accessible to all incomes.
- The **Saturday Pico Farmers Market** hosts approximately 25 farmer vendors each week, which can increase to 30 participating farmers depending on the season. There are also 5 additional prepared or cooked food vendors at the market weekly. Individual vendor gross sales can range from approximately \$200 to \$4,750 in a typical market day. In FY 18-19 the total agricultural vendor fees paid by farmers at the Pico Market generated approximately \$73,814 in revenue to the City. The market on-site staff profile is comprised of one full-time Farmers Market Coordinator I and one as-needed Farmers Market Attendant.

Sunday Market at Main Street

- In January 1995, the **Sunday Market at Main Street** began operations in the parking area at Heritage Square. The Sunday Market includes a mix of farmers, cooked-food, and prepared-food vendors, as well as retailers from the Main Street business district. This market features a robust programming schedule of weekly live musicians, community performers, activations and activities for children, face painting, a climbing rock wall, and monthly Market Chef demos. It is the only market that has a (non-food) retail component and is also the only one that is not located on City-controlled property.
- The **Sunday Main Street Farmers Market** hosts approximately 30 farmers each week, which can increase to 35 participating farmers depending on the season. There are an additional 9 prepared or cooked-food vendors weekly and approximately nine Main Street business retail vendors (called Little Main Street). Individual farmer gross sales can range from approximately \$200 to \$3,000 in a typical market day. In FY 18-19 the total agricultural vendor fees paid by farmers generated \$50,719 in revenue to the City. The market on-site staff profile is comprised of one full time Farmers Market Coordinator II and two part-time Farmers Market Attendants.

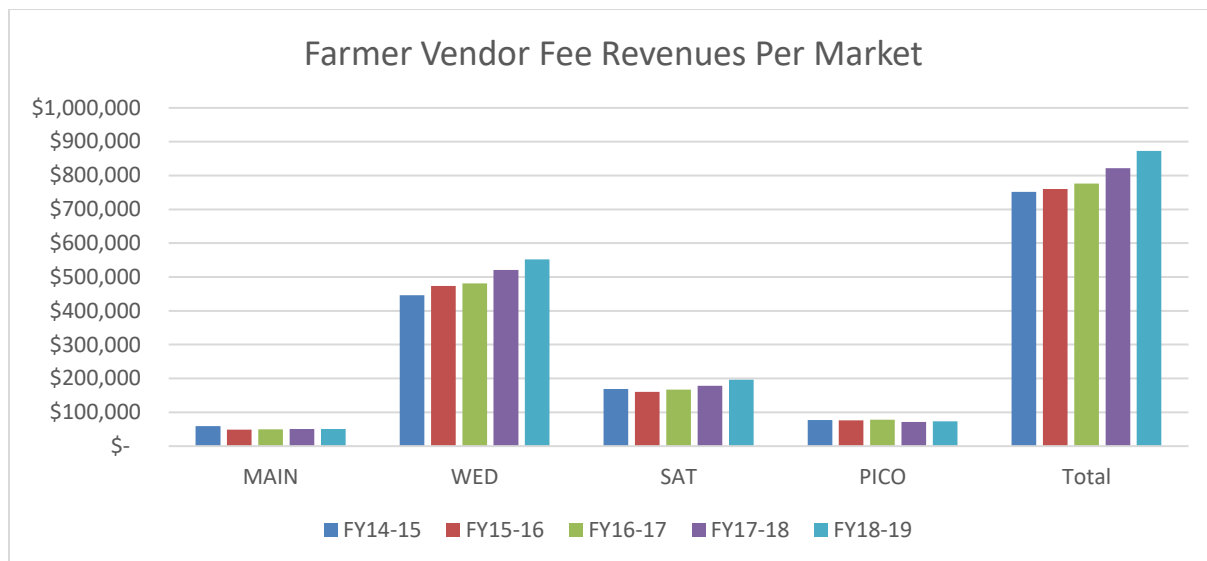
Financial Analysis

In Appendix A at the end of this report is a table that reflects the operating budget actuals of the SM Farmers Markets program during the past five fiscal years from FY 14-15 to FY18-19 that illustrate the program revenues and operating expenses. The program's bike valet service that is available at all four markets costs approximately \$40,000 annually and is paid for by a transportation grant and as such does not appear in the budget actuals. The section below provides greater description regarding the program revenues and expenditures.

Revenues

The workgroup monitors gross sales of all the agricultural vendors at each of the four markets. Farmers fees are calculated as a percentage of sales and prepared food vendors pay a flat fee per market day of operation (typically ranging from \$75 to \$175 depending on booth size, type, and market location). In FY 18-19 the City collected \$872,865 in farmer vendor fee revenue based on a fee rate of 5% of gross agricultural sales. In addition, \$97,620 of revenue was generated by prepared food vendor fees and \$6,414 in revenue was produced by promotional sales. All three of these revenue elements generated \$976,899 in total revenue for FY 18-19.

Market revenues fluctuate each year based on number of trading days (e.g. this year Christmas and New Year's Day fall on Wednesdays thereby impacting half of the total month's activity for the largest market). As outdoor events, markets' sales rely on optimal weather thus poor weather or poor outdoor conditions can reduce market vendor participation, customer attendance, and occasionally forces market closures. For example, within the current fiscal year, both Saturday markets were closed in response to unsafe air quality from the Saddleridge Fire. As noted in the bar graph below, the total revenues from agricultural vendor fees have been increasing year over year with the last two fiscal years experiencing over 5% annual growth compared to the prior fiscal year. Similarly, the Wednesday market generates approximately 63.2% of the program's agricultural vendor fee revenue followed by the Saturday Downtown market at 22.4%. The other two markets representative percentage share of the total farmer vendor fee revenue is 8.4% for the Saturday Pico market farmer and the Sunday Main St. market represents 5.8%. These percentage ratios are generally consistent in past fiscal year revenue activity.



Expenditures

The annual costs to operate the Santa Monica Farmers Markets are primarily related to salaries and wages. The SM Farmers Markets staff team is comprised of four full-time positions, two part-time permanent positions, and two as-needed positions, at an annual salaries and wages cost of \$653,902 in FY 18-19. The program's expenses have had two substantive increases in the past five years primarily related to salary expenses as the program adjusted staffing positions to address necessary operational requirements due to retirements and position reclassifications. A fee increase of a 0.5% was applied to farmer vendors at the start of FY 18-19 to support a position change from part time to full time. Additionally, all four markets have a bike valet service that cost \$34,940 in FY 18-19 which is paid for by Prop A Local Returns and as such is not included in expenditures.

SM Farmers Markets supplies and expenses are related to market operations (supplies, special events, parking management, refuse collection, and utilities), education programs, office (rent, telephones, computers, and office supplies), vehicles (maintenance and fuel) and membership/dues for FY 18-19 total of \$233,744. Indirect administrative overhead expenses include oversight from leadership within the Department as well as are the City's administrative support from a variety of departments including the City Manager's Office, Human Resources, Finance, the City Attorney's Office, Police, Public Works, and Planning and Community Development that totaled \$167,211 in FY 18-19. Total expenses related to operating the SM Farmers Markets were \$1,065,871 for FY 18-19.

Summary

In FY 18-19, adjusted revenues of \$970,145 exceeded the \$898,660 of direct operational costs (including salaries and wages, supplies and expenses, and direct charges from other departments) to operate the SM Farmers Markets. However, when indirect expenses (administrative overhead) of \$167,211 are considered, the program operated with a budget deficit of \$95,726.

Benchmarking

How does this program compare to best practices and industry standards?

- Most California farmers markets are operated by non-profit organizations in which there are various levels of city support and coordination to facilitate their operations. In some cases, city support is extremely limited. Most farmers markets charge an agricultural (farmer) vendor fee greater than SM Farmers Market farmer vendor fee of 5% of gross sales.

Farmers Markets	Farmer Vendor Fee	Food Vendor Fee	Application & Other Fees
Santa Monica	5%	\$100 to \$200	-
Torrance	7%	12%	-
Beverly Hills	7%	12%	-
Hollywood (SEE-LA)	7.5%	12%	\$25
Culver City (Model Neighborhood Program)	8%	12% or \$50	-

- Per the LA County Agricultural Commission there are approximately 130 certified farmers markets in the county of which 90% are managed by non-profit organizations and approximately 4% are grower operated. Only 6% of farmers markets in the county are City Government operated (Beverly Hills and West Hollywood each operate one weekly market, and City of Torrance operates two weekly markets).
- The Santa Monica Farmers Markets could be operated by a non-profit organization that specializes in operating farmers markets.
- Patrons of the Santa Monica Farmers Markets and residents have benefitted from a well-managed operation and a highly curated selection of vendors that is augmented by specialized programs, educational events and activities. City staff and the farmers market operations are also closely governed by the Santa Monica Farmers Market Rules and Regulations, which help to keep the markets and the vendors (farmers, prepared food vendors) to the highest of standards ensuring our markets feature produce that is grown by the farmers and prepared food that is sustainably grown and locally-sourced in support of the Farmers Markets' Mission.
- SM Farmers Markets operations are integrated into the City's Wellbeing Framework and into the local school district's education curriculum.

Possible Options

Option A: Increase revenues generated by the markets to cover operating expenses. (Recommended)

The City could explore revenue generation options that thereby decrease the program's impact to the City's General Fund. This could include increasing the agricultural vendor fees that are paid by the farmers. Currently the City charges an agricultural vendor a fee of 5% of the farmer's gross sales which generates approximately 90% of the program's annual revenue of \$976,899 in FY 18-19. The City's agricultural vendor fee of 5% is well below the industry average of 7% charged by most farmers markets so a fee increase would not be outside of the industry standard. A fee increase may impact some of the smaller agricultural vendors and in turn potentially reduce participation at the Saturday Pico and Sunday Main St. markets where agricultural sales are the lowest among the four farmers markets. The current fee level is decided administratively and was last increased from 4.5% to 5% on in July 1, 2018, to cover a salary increase from converting a part-time position to full time. **Staff recommends an increase of the agricultural (farmer) vendor fee at the markets by 1% resulting in farmers paying a total of 6% of their reported gross sales of agricultural produce to the City.**

This 1% farmer vendor fee increase would generate approximately \$174,000 in additional revenue to the program, enough to cover the administrative overhead associated with the program. Staff will evaluate the impacts of the fee adjustment in considering future adjustments as well as continue to monitor operational expenditures. An additional revenue option could be to raise the vendor fees for non-farmers (prepared food, Little Main Street) and/or explore opportunities to expand the market operations with more vendors

although this option would have staffing implications and space limitations. Based on recent experience, the non-farmer vendor fees are currently set at market rate so increased fees could either reduce participation and/or result in higher consumer prices and impact perception of market affordability. Furthermore, recognizing the popularity, profile, and name recognition of the SM Farmers Markets, additional program revenue could be generated through sponsorships, advertising and/or naming rights that the City is currently exploring.

Option B: Have a non-profit organization manage the Santa Monica Farmers Markets.

When Santa Monica started its farmers markets nearly forty years ago, there wasn't an alternative method to providing the service. However, today most farmers markets are operated by various non-profit organizations. Operating farmers markets is not a service that must be provided by the City, and there is no legal mandate that the City provide the service. However, changing a successful operating model introduces the risk that the markets could lose some of the tangible and intangibles elements that make them so special, including integration with other City operations and priorities. Given that an increase in fees would fully offset the indirect operating shortfall, staff does not recommend this option.

Option C: Alter the program operations to reduce operating expenses.

The City could explore options to reduce the number of markets to reduce the City's management and operating costs; however, these approaches may diminish the markets' viability as vendors and customers may redirect their efforts and purchases. In addition, fewer markets or smaller markets with reduced staff would be even less efficient than the current operating model, would likely not result in an improved balance of revenues and expenditures, and could make it difficult to hire and retain staff. As such, due to the unknown benefits of reducing the number or scope of the markets and potential impacts that reductions could create, staff does not recommend this option.

Option D: Maintain the program as-is.

Lastly, the City could maintain the program as-is without making any changes; however, the program's direct and indirect operating expenses are expected to continue to exceed the program's revenues which will cause a continuing impact to the City's general fund. Due to the need to improve the financial sustainability of the markets and ensure the long-term financial health of the City, staff does not recommend this option.

Impacts of the Options

Community & Other Stakeholders

Three options could have some form of impact to the various stakeholders of the program:

Option A - The recommended approach to increase vendor fees to generate additional program revenue to cover the program's expenses would impact the 170 agricultural (farmer) vendors at the four markets as they would pay a higher amount of their gross sales to participate in the market(s). This could result in vendors dropping out of markets or passing along costs to customers via higher prices.

Option B - The alternative to transition the management of the program to an external organization should have limited operational impact to the patrons, vendors, and businesses who participate in the farmers markets. However, it is not known what impacts if any there may be to the quality of vendors/produce and

the level of customer service, programming, and educational outreach that a contracted operator would have. A contractual service agreement could stipulate operating standards and expectations to address any areas of concerns. Lastly, current City staff would be impacted as their positions would be eliminated. If Option B is pursued, City leadership is committed to transitioning City staff into other positions within the organization where feasible.

Option C – The alternative consideration to reduce the scope of the program by eliminating some of the markets would impact the patrons who frequent the markets for sustainable produce, the neighborhoods that rely on the markets as a community resource, and the livelihood of vendors who participate in the markets.

Services & Performance

Similarly, the three options could impact the program's services and performance.

Option A - The recommended approach to increase the agricultural vendor fee would impact the 170 farmers at the four markets. Some vendors may elect to increase the price of their produce to cover the increased vending fee while others may elect to not participate in the farmers markets. There is a wait list of farmers who are interested in participating in the Wednesday market, but it will be challenging to fill any vendor opportunities if they arise at multiple market sites. Staff does not believe there would be any other service or performance impact.

Option B - The alternative to transition the management of the program to an external organization could have a number of impacts such as:

- Potential loss of integration of the farmers market program with other City programs, priorities, and services, e.g. Sustainable SM, Wellbeing Initiative, Economic Opportunity framework.
- There is also the concern of a decrease of the customer experience as it is not guaranteed that a non-City entity would be able to provide the same level of programming, special events, marketing and promotions.
- Similarly, there is a concern that a non-City entity would not be as committed to quality control to ensure the integrity of farmer grown produce sold in the markets.
- Some level of staffing will be required to transition the market's operations and provide contractual management and operational oversight in the first year of implementation.
- It is unknown as to what fee or revenue sharing formula would be negotiated between the City and a third-party, contracted operator; however, staff assumes that the City would eliminate its operating expense under a contracted service model.
- The potential savings related to indirect costs would not be immediately realized, as management and administrative support provided by the City takes only a small portion of any staff member's time. To realize indirect savings, contracting of the farmers market service would need to be combined with other contracting of services.

Option C – The alternative consideration to reduce the scope of the program would impact the program's integration and implementation of services and programming in the areas of the City where they are located. Additional risks include:

- Potential loss of markets in the community would eliminate a significant quality of life amenity in the community as well as impacts to the City staff, vendors, and market patrons.
- Potential loss of integration of the farmers market program with other City programs, priorities, and services, e.g. Sustainable SM, Wellbeing Initiative, Economic Opportunity framework.
- The potential savings related to indirect costs would not be immediately realized, as management and administrative support provided by the City takes only a small portion of any staff member's time. To realize indirect savings, contracting of the farmers market service would need to be combined with other contracting of services.

Outcomes & Values

The performance metrics for the farmers market program are the year-to-year changes in gross agricultural sales generated at the four markets as that figure represents the actual consumer expenditure at the markets. The expectation is that staff can assist in increasing sales through programming, education, and by ensuring the integrity of quality produce and by providing a high level of customer service.

- **Engaged and thriving community** – SM Farmers Markets serves as a community anchor and hub for our neighborhoods, its residents and local businesses.
- **Affordability** – SM Farmers Markets ensure affordability via Market Match and the acceptance of federal nutrition program vouchers.

Implementation Plan

The three options would have different implementation plans.

Option A - The recommended approach to increase vendor fee would only require an administrative notice to the agricultural vendors of the fee increase which could take place within a month of a final decision.

Option B - The alternative to transition the management of the program to an external organization would involve a public procurement process to solicit proposals from qualified and experienced organizations that operate farmers markets. The selection of a non-profit provider and negotiation of terms for a contractual services agreement would require Council authorization and a transition plan would require assignment of various contracts. Lastly, the City's personnel function would have to work with program staff to facilitate transition into other City positions where feasible.

Option C – The alternative consideration to reduce the scope of the program by eliminating some of the markets would require a noticing process to vendors and other market participants as well as transition of City personnel whose positions would be impacted.

City Attorney

The City Attorney has evaluated Option B, the alternative to transition the management of the program to an external organization and would need to determine what permitting and contractual authorizations and assignments will be required to allow a third-party operator to manage the program. They have also identified that a well-drafted contract will be critical to address the wide range of operational and legal issues.

The other options do not require a City Attorney evaluation.

Human Resources

The City Human Resources staff will be involved in the two options (Options B & C) that would eliminate City positions and would likely require meet-and-confer or negotiations with the impacted bargaining units (MEA, ATA, and Teamsters) of the positions affected. Similarly, relocation/placement efforts with the impacted employees would be overseen by Human Resources.

Risks

The City's Risk Management staff has evaluated Option B which would involve contracting the program to a non-profit organization and believes that the required amount of insurance to cover the potential

liability and risk of a contracted operator assuming management of the program will not be a cost prohibitive obligation.

Another potential risk related to Option B involves what happens if a nonprofit organization becomes insolvent or for other reasons can no longer operate some or all of the markets. If there is little to no notice of the contracted organization ceasing their operations, the City could lose the farmers markets for some time, impacting vendors and residents/customers and potentially causing long-term impacts to the markets' reputation for reliability. As a result, both vendors and customers may not return once market operations are reestablished. Similarly, there is a risk of the City's ability to maintain market consistency during the period of transition to non-profit operations, if existing staff seek other positions while the City's solicits a non-profit operator.

Decision Points

- Option A – The Budget Task Force could recommend that the City increase the agricultural vendor fee to generate additional revenue to help offset expenses.

	5%	6%	7%
FY 18/19 Agricultural Vendor Revenues	\$872,865	\$1,047,439	\$1,222,012
Total Increase in Revenue		\$174,574	\$349,147

Staff recommends an initial increase of 1% for a vendor fee of 6%, which would cover the program's deficit, keep SM Farmers Market rates competitive with regional markets, refrain from alienating small farmers, and prevent higher costs from passing to customers. A 2% increase in the vendor fee could also negatively impact the smaller markets (Pico and Main Street) where sales are lower and vendor interest is not as strong.

- Option B – The Budget Task Force could recommend that the City seek an outside organization to operate the farmers market program. If Council ultimately supported this approach, a competitive procurement process would be conducted to solicit interest and select a qualified operator.
- Option C – The Budget Task Force could recommend that the City eliminate the program or reduce the scope of the program by eliminating one or more markets and associated staffing to reduce expenses. Elimination is not recommended as this program is a critical quality of life program for residents and is a key element of Santa Monica's identity as a Sustainable City of Wellbeing. Reducing the markets is not recommended as the limited staff obligations of part-time and as-needed positions would be difficult to fill and retain. In addition, the revenue of a reduced program would most likely not cover the reduced program expenses.
- Option D – The Budget Task Force could recommend that the City maintain the program as it currently operates. This approach would leave the program's indirect expenses unaddressed.

Presentation

- Overview of the Farmers Market Program
- Costs and Fees related to the Farmers Market Program
- Impacts of Proposal Options

APPENDIX A
BUDGET ACTUALS FY14-15 TO FY 18-19

Description	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Revenues					
Agricultural Vendor Fee	\$751,730	\$760,009	\$776,505	\$822,177	\$872,865
Prepared Food Vendor Fee	\$146,641	\$122,800	\$117,605	\$117,742	\$97,620
Promotional Sales/Market Match	\$14,342	\$18,346	\$15,281	\$8,636	\$6,414
Subtotal Farmers Market Revenues	\$912,713	\$901,154	\$909,391	\$948,554	\$976,899
Estimated Unrealized Parking Revenues for parking validations	\$ (6,754)	\$ (6,754)	\$ (6,754)	\$ (6,754)	\$ (6,754)
Adjusted Revenues	\$905,959	\$894,400	\$902,637	\$941,800	\$970,145
Expenditures					
Salaries and Wages	\$505,435	\$570,505	\$570,597	\$580,320	\$653,902
Supplies and Expenses	\$165,899	\$202,374	\$224,656	\$197,021	\$233,744
Estimated Non-Dept Vehicles and Equipment Replacement	\$9,014	\$9,014	\$9,014	\$9,014	\$9,014
Estimated Non-Dept transfer Computer Replacement	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Subtotal Direct Expenditures	\$682,348	\$783,893	\$806,267	\$788,354	\$898,660
Indirect Administrative Overhead	\$151,564	\$155,521	\$159,002	\$163,624	\$167,211
Adjusted Expenditures	\$833,912	\$939,413	\$965,269	\$951,978	\$1,065,871
Net Income/(Loss)	\$72,046	\$(45,013)	\$(62,632)	\$(10,178)	\$(95,726)

Mid-Term Program Changes for FY 2020-21

Program Name: Coordinated Municipal Marketing Program

Executive Summary

To develop alternative revenue streams and maximize the use of municipal assets, cities often sell advertising, sponsorships, or naming rights to corporations or individuals. The City of Santa Monica operates several of these partnerships, but strict municipal code regulations limit their scope.

While the City aims to maintain the quality of its built environment and community services, targeted private funding could unlock new opportunities to improve public infrastructure, support diverse programming, and fund emerging innovations.

A Coordinated Municipal Marketing Program could raise revenues by:

- selling advertising on City-owned assets in the public right of way or on City-owned property,
- selling naming rights for City-owned property or other assets, and
- negotiating sponsorships for City programs or events.

While considering all legal, operational, and reputational risks, staff seeks Task Force endorsement of the recommendation to move forward by:

- a.) issuing an RFP to conduct a valuation of potential advertising, naming rights, and sponsorships for various City-owned assets and City programs and events; and,
- b.) establishing a Municipal Marketing Committee to develop program policy.

This proposal does not seek a Task Force recommendation on any specific projects at this time. However, the Task Force is asked to consider options within four asset classes—municipal property, city-owned assets in the public right of way, city programming, and special events—and provide feedback on the scope of a program and the types of projects the City may want to remove from consideration.

Context

The City of Santa Monica values maintaining high quality urban design and architectural aesthetic in the built environment.

The City takes great care in managing and maintaining the City's public spaces including the Santa Monica Pier, Santa Monica Promenade, city parks and beaches, the Public Right-of-Way, and other City-owned facilities and property. The Architectural Review Board (ARB) reviews private development to maintain a high quality of design and materials in architecture, landscape design, and signage.

The City's Public Right-of-Way (PROW) includes the City street and alley network and is generally the area between private property lines, including sidewalks, parkways, and roadbeds. This is an important part of the City's public life and identity. The PROW is generally used for all types of circulation including pedestrians, cyclists, vehicles, and all other modes of transportation. The PROW is also used to provide services including emergency vehicles, Resource Recovery and Recycling Collection services,

package and postal delivery. Additionally, it is used for utilities, bike racks, and other functional furniture such as parking meters, and light poles. The parkways and trees included in our street network are important to the environmental health of the City, and the City takes pride in maintaining a substantial portion of the City's Urban Forest in the Public Right of Way.

As part of the Santa Monica Municipal Code (SMMC), the City's Sign Code governs both public and private property and is generally more limiting than what is allowed in neighboring Los Angeles.

The City's Sign Code applies to both public and private property including the Public Right of Way (SMMC [9.61.230 Signs on Street](#)). The goal of the Sign Code is to:

"preserve and enhance the aesthetic, traffic safety, and environmental values of the City while at the same time providing for channels of communication to the public, including, but not limited to, identifying and advertising businesses within the City..." and "...to provide minimum standards to safeguard life, health, property and public welfare through the regulation and control of the design, materials, construction, size, location and maintenance of signs and sign structures."

The Sign Code prohibits off-premises signs, which are defined as:

"a commercial sign which displays any message directing attention to a business, product, service, profession, commodity, activity, event, person, institution, or other commercial message which is generally conducted, sold, manufactured, produced, offered or occurs elsewhere than on the premises where such sign is located."

This includes billboards, banners, bus shelter advertising, or any other type of off-premises signs (SMMC [9.61.180 Prohibited Signs](#)).



Los Angeles: signage on Santa Monica Blvd.



Santa Monica: minimal visual clutter

The City has allowed two exceptions to the Sign Code's prohibition on off-premises signs: 1.) for banners advertising City-produced events and 2.) for mobile advertisements, such as advertising on Big Blue Bus, City-owned vehicles, or other mobile transportation device.

In addition, signs are subject to design review by Planning staff, with some requests reviewed by the Architectural Review Board. Signs on designated City Landmarks, Structures of Merit and Historic Districts are reviewed by Planning Staff and the City's Landmarks Commission.

Due to the Sign Code’s limitations, the City has not previously focused on advertising, sponsorship, or naming rights as an opportunity for alternative revenue.

Municipal marketing efforts that do take place are largely uncoordinated and decentralized. Nevertheless, existing programs provide a baseline for what could be done, how much revenue could be raised, and how the City might coordinate with outside sponsors or advertisers.

1. Big Blue Bus - Advertising

For more than 20 years, Big Blue Bus (BBB) has had a revenue-generating advertising program selling commercial advertising space on the exterior and interior of Big Blue Bus fixed route vehicles. Advertisements on BBB vehicles are governed by the agency’s Advertising policy (*Appendix C: Big Blue Bus Advertising Policy*).

BBB contracts with a third party to conduct sales, administration, installation, and maintenance of advertising on BBB and Culver City buses. The agreement includes a guaranteed minimum of \$3 million revenue in year one, and \$3.125 million in year two.

2. Breeze Bike Share - Sponsorship

In 2015, the City executed a five-year contract for Hulu’s sponsorship of the Breeze Bike Share Program. Hulu’s sponsorship rights allow corporate logos on bicycles, on the Breeze Bike Share website, and on any digital or printed marketing materials. However, due to municipal code restrictions, Hulu is not allowed to place its logo on bike-share docking stations or on any permanent signage. The sponsorship revenues of \$3,375,000 directly subsidize the program’s operations, providing roughly \$540,000 in annual operational funding. The entity negotiating the sponsorship earned a 20% commission on the total value of the contract. Hulu’s sponsorship was viewed as a success, particularly because it is a local business that shared Santa Monica’s values related to mobility and sustainability. However, as operating costs have increased, the sponsorship revenues are insufficient to fully fund the program. The Breeze Bike Share sponsorship will end in November 2020. The City is considering how to move forward with the Breeze Bike Share program.

3. Santa Monica Pier Corporation – Sponsorship and Advertising

Santa Monica Pier Corporation (SMPC) manages sponsorships, marketing, advertising, and corporate promotions related to the Pier, as well as the licensing of the City-owned Pier Sign trademark. Revenues generated from these third-party promotions and sponsors help support the SMPC’s operations and year-round free public programming.

However, Sign Code restrictions limit what is permissible. Third-party advertising or commercial activations are limited to the commercial areas of the Pier such as the Central Plaza and Pier Deck Parking lot. Attended or unattended advertising and commercial activations are not permitted on the Pier’s Public Right of Way. Commercial activations in the commercial area must be attended by the promoters’ staff and not left unattended. In addition, the Pier’s light pole banners can only be used to advertise City-produced or Pier Corporation-produced events (*Attachment A: Pier Advertising*).

4. Downtown Santa Monica, Inc. - Advertising

From 2013 to 2018, Downtown Santa Monica Inc. (DTSM) received City permission to sell advertising space in downtown parking structures. DTSM hired a third-party advertising operator to manage the program and developed a revenue sharing agreement that split revenues between the City, DTSM, the operator, and Macerich. All advertising content was subject to an advertising policy approved by the City

and DTSM. In its initial years, the program succeeded in raising revenues; however, market interest waned as advertisers desired digital media infrastructure which required capital investment.

Downtown Advertising Program Revenue Sharing Agreement

PARKING STRUCTURES 1-6		PARKING STRUCTURES 7-8	
Third-Party Operator	40%	Third-Party Operator	40%
City of SM	48%	Macerich	30%
DTSM, Inc.	12%	City of SM	24%
		DTSM, Inc.	6%

In November 2019, the City and DTSM presented the Promenade 3.0 proposal to the City Council, which aims to redesign and modernize the Promenade. The proposal included ideas for allowing advertising and sponsorship in the public realm.

- [Link to Promenade 3.0 Proposal Update](#)

5. Annenberg Community Beach House – Naming Rights

In 2005, The Annenberg Foundation provided a one-time \$27.5 million grant to finance the rehabilitation of the historic 415 PCH property at Santa Monica State Beach. As a stipulation of receiving grant funding, the City Council agreed to a donor recognition program that included renaming the site as “The Annenberg Community Beach House at Santa Monica State Beach.”

6. Give Santa Monica – Naming Rights

Give Santa Monica, operated by the Community and Cultural Services Department, allows individuals to purchase amenities for parks and beaches—such as benches, trees, or drinking fountains—that are personalized with commemorative plaques.

The following table summarizes ongoing revenues the City receives from marketing opportunities.

Overview of Ongoing Revenues

	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Advertising				
Big Blue Bus (BBB)	\$2,405,018	\$2,573,000	\$2,002,000	\$2,046,090
DTSM. Advertising Program	\$345,524	\$400,803	\$64,000	\$0
Sponsorship and Naming Rights				
Breeze Bike Share	\$421,644	\$716,850	\$716,108	\$729,763
Give Santa Monica	\$35,521	\$19,146	\$16,375	\$13,240

Benchmarking

Case studies from other cities demonstrate the potential risks and rewards associated with commercializing municipal assets.

Cities use a variety of tactics to generate marketing revenues. The two most common programs are out-of-home advertising and corporate or individual sponsorships. Out-of-home advertising includes the sale of advertising space on City-owned media assets including digital kiosks, billboards, street furniture, and other physical or digital assets.

Out-of-Home Advertising

Program Description	Revenues	Links
1. West Hollywood		
As part of its Smart City Strategic Plan, the City of West Hollywood launched a Street Media Project to improve wayfinding and street furniture. In 2017, the City signed a contract with Outfront/Decaux to develop a coordinated street furniture program to include bus shelters and kiosks funded by advertising revenues.	The Street Furniture contract with Outfront/Decaux guarantees the City \$16.45 million in revenue over ten years , plus between 30-50% of net additional revenues.	Street Furniture Contract Project History Street Furniture Program Sunset Strip Billboard Program
West Hollywood also operates the Sunset Boulevard Off-Site Advertising Signage Program which aims to attract innovative and unique signage to the Sunset Boulevard corridor – it is not clear how much revenue the program generates.		
2. LA County Metro		
In January 2018, Metro awarded two ten-year licenses to Outfront Media and Intersection Media to sell advertising space on the rail and bus system. As part of the contract, Intersection will fund \$20 million in infrastructure upgrades by installing digital kiosks at rail stations, at no cost to the City. In addition to running advertisements, the kiosks will improve rider experience by providing wayfinding, arrival times, service alerts, and emergency messages.	The contract with Outfront Media for advertising on the bus system guarantees \$262.2 million in revenues over ten years . The contract with Intersection Media for advertising on the rail system guarantees \$42.9 million over ten years .	Contract Press Release

3. Los Angeles

In 2001, the City of Los Angeles executed a 20-year contract with Outfront JC Decaux, LLC for exclusive rights to sell and display advertising on street furniture in the public right-of-way in exchange for providing, installing, and maintaining all street furniture assets. However, the agreement largely failed. Very few street assets were installed as the contractor struggled to gain permits and approvals for various assets, and as a result, actual revenues were only 56% of the original projections.

In 2019, the City ended its contract with JC Decaux and began the process of procuring a new provider.

The 2001 contract estimated revenues of \$150 million over 20 years. However, as of April 2019, the City projected total revenues of **\$84.4 million**.

[2017 Review of Existing Street Furniture Contract](#)

[2019 Proposal for New Street Furniture Contract](#)

*As part of its 2019 Proposal, the City of Los Angeles included a brief review of Street Furniture Programs in other large cities that may be useful for additional examples.

4. Philadelphia

In 2014, the City of Philadelphia awarded a 20-year concession to Intersection Media, LLC to implement a coordinated street furniture program to provide transit shelters, street furniture, and digital LinkPHL kiosks. 10% of all digital advertising is reserved for community or public messaging. In addition, any unsold advertising panels are used for community or public messaging (for examples, view *Attachment B: Digital Kiosk Community Content*). Intersection Media provided \$12.4 million in capital investment to design, fabricate, and install the street furniture.

The 2014 contract included a minimum annual guarantee of **\$52.2 million in revenue over 20 years**. In addition, the City will receive 50% of gross revenues from digital kiosks, benches, and newspaper condos and roughly 20% of gross revenues from transit shelters.

[2014 Concessionaire Agreement - Exhibit A](#)

Corporate and Individual Sponsorships and Naming Rights

Program Description	Revenues	Links
1. Toronto, Office of Partnerships		
In 2007, the City of Toronto established the Office of Partnerships to oversee naming rights and sponsorships, joint-ventures, and citywide donations and grants. Partnerships have included sponsorships of major events, government programs, and naming rights for public parks and playgrounds. As of 2019, The Office was staffed by 5 full-time employees with a budget of \$650,000.	As of 2017, the Office of Partnerships managed over 216 partnerships raising over \$21 million annually .	Office of Partnerships Overview Partnership Guidelines and Policies Partnership Examples

2. LA County Metro

In December 2016, LA County Metro established a Corporate Sponsorship and Naming Rights Program to facilitate sponsorships of facilities, programs, services, or events. The program was administered by Metro’s Communications Department—sponsorships over \$500,000 require Board approval.

n/a

[Corporate Sponsorship and Naming Rights Policy](#)

[CurbedLA on Policy Reversal](#)

[CityLab on similar plans for D.C. Metro](#)

However, after receiving criticism, Metro reversed its position and removed the Corporate Sponsorship Program entirely in February 2017.

Opportunities

If operated with a limited scope and significant oversight, the City of Santa Monica could develop a Municipal Marketing Program that balances the City’s diverse goals, including:

- Accessing new, reliable revenue streams
- Updating and modernizing public infrastructure
- Maintaining Santa Monica’s aesthetic value and brand integrity

Specific municipal marketing projects would be subject to staff recommendation, private sector interest, financial value, community input, and City Council approval. This proposal does not seek a Task Force recommendation on any specific projects at this time. However, staff encourages the Task Force to consider options within four asset classes—municipal property, city-owned assets in the public right of way, city programming, and special events—and provide feedback on the scope of a program and the types of projects the City may want to remove from consideration.

Municipal Property and City-Owned Assets in the Public Right of Way

	Minimal Change	Significant Change
Sponsorship and Naming Rights	Sponsorship and/or Naming Rights of lower-profile City property. For example: playgrounds, bike or scooter parking zones, gardens, library rooms, city-owned vehicles, parking structures, or animal shelter.	Sponsorship and/or Naming Rights of higher-profile City property or pedestrian areas. For example: the Promenade, Esplanade, Pier, Airport, or City parks.
Advertising	<p>Digital advertising displays mounted within public facilities, including parking structures or parks.</p> <p>Commercial brand activations permitted to operate in public right of way, with potential for unattended commercial displays.</p> <p>Banners hanging from light posts throughout the City featuring private advertising.</p>	<p>Digital kiosks located in the public right of way at bus shelters, bus stops, or intersections with high pedestrian traffic – providing wayfinding, community messaging, and other services like Wi-Fi access or cell phone charging, while also displaying advertising.</p> <p>Larger billboards (digital or static) facing the public right of way or fixed to City buildings or property.</p>

City Programming and Special Events

	Minimal Change	Significant Change
Sponsorship and Naming Rights	<p>Sponsorship of individual City programs that would feature logos or other branding on uniforms, websites, marketing materials, or signage, for example: Farmer's Markets, Park Ambassadors, SMI training, youth engagement, City Sustainability Plan.</p> <p>Sponsorship of City Events including COAST, Soulstice, or Jazz on the Lawn</p>	n/a
Advertising	<p>Event or program sponsors given permission to showcase larger, temporary signage or banners facing the public right of way, featuring extensive corporate branding.</p> <p>Events feature temporary interactive brand activations, including unattended commercial displays.</p>	n/a

Implementation Plan

In order to implement an effective Municipal Marketing Program, staff recommends a phased approach that begins by objectively assessing opportunities and developing coordinated policy.

1. Evaluate Opportunities

To evaluate potential projects the City has two options depending on the program scope. For projects the City is ready to implement, staff could move directly to procurement and issue an RFP to receive bids from potential providers. For projects where the City may need additional expertise, staff could hire a consulting firm to conduct a valuation of the potential projects, programs, or facilities that may benefit from advertising, sponsorship, naming rights, or other private funding arrangements.

- A small team of City staff, which includes at a minimum staff from Procurement, Economic Development, and City Manager's Office, would lead the effort in drafting the scope for the RFPs and/or RFIs.
- This team would select a qualified vendor(s) to conduct the valuation and provide the City with a comprehensive report that outlines all viable naming rights and sponsorship opportunities to be considered for the program.
- The information received would provide City Council with information that would assist in identifying the best opportunities and ensuring the City receives fair value in subsequent agreements.

2. Establish a Municipal Marketing Committee

The Municipal Marketing Committee would consist of City staff and possibly members of ARB, Planning Commission, Recreation and Parks Commission, and the public or partner organizations with expertise.

The Committee would:

- Develop a comprehensive citywide advertising, sponsorship, and naming rights policy based on available inventory and identify constraints of current Santa Monica Municipal Codes
- Identify changes to municipal code and administrative instructions
- Identify changes to the public procurement process
- Develop standards for public process that include input from the community, City Council, and relevant boards and commissions and establish reporting requirements for ongoing monitoring and evaluation
- Use asset valuation and community input to finalize inventory of available assets
- Conduct a comprehensive cost-benefit analysis to determine the viability and profitability of the Program—including all vendor costs, capital investment, and overhead costs for the City to launch and manage a successful sponsorship program including any vendor costs, and any financial investments for capital costs
- Create methods to benchmark measures for return on investment
- Develop strong goals and financial targets for the program based on the scope developed by the Committee

- Recommend directed use of revenues. For example, bus shelter or kiosk revenue could be directed to fund transportation programs.

3. Hire Third-Party Marketing Agencies and/or Internal City Staff

- Identify existing City staff member(s) to manage the implementation process including the RFP process and to oversee selected vendor(s) to secure sponsorships and manage sponsors.
- Identify pilot projects that can be deployed in FY 20/21.
- Issue RFPs to identify third-party media agencies to sell and manage advertising, sponsorships, and naming rights across the City's approved asset inventory.

Timeline: Approx. 2.5-3 years to launch the program

Impact

Implementing a Municipal Marketing Program would also require collaboration among diverse stakeholder groups and alignment across a variety of City initiatives.

Stakeholders

City Staff

City Manager	developing relevant policy, overseeing communications
Finance	procurement, contract management, financial analysis, revenue collection
City Attorney	developing policy, updating relevant codes, ensuring legal compliance
Planning and Community Development	oversight of Public Right of Way and Sign Code
Public Works	oversight of Public Right of Way; infrastructure maintenance
Big Blue Bus	coordination with existing advertising and street furniture programs
Housing and Economic Development	coordination with local businesses, Pier, or DTSM
Community and Cultural Services	coordination of special events and city programming

Boards and Commissions

Architectural Review Board	Review signage on private and City-owned property
Landmarks Commission	Review signage on Landmarked property
Parks and Recreation Commission	Make recommendations to Council regarding use of funds for parks
Planning Commission	Make recommendations to Council regarding Sign Code modifications

Community Members

Downtown Santa Monica, Inc.	oversight over Promenade assets
Pier Corporation	oversight over Pier assets
Santa Monica Travel and Tourism	City branding and tourism communications
BIDs and Chamber of Commerce	local business inclusion

Residents and Visitors

public input from residents, non-residents, and local businesses to ensure partnerships align with the public interest and add value to those who live, work, or travel in our City.

Other City Initiatives

Shared Mobility	may benefit from improved wayfinding tools and other public transportation amenities; shared mobility providers may be strong candidates for sponsorship opportunities
Promenade 3.0	proposed upgrades include plan for digital signage, likely requiring changes to Sign Code. As a leader in pedestrian activity, the Promenade would be a target for advertising spend
City Events	Sign Code changes could increase sponsorship dollars for City-produced events like COAST while also impacting Pier-produced events like Twilight Concert Series
City Wi-Fi	a network of digital kiosks may be able to provide free, public Wi-Fi subsidized by advertising revenues
Parks & Parklets	could be prime opportunity to attract lower value sponsors interested in sponsoring highly-visible infrastructure improvements

Outcomes & Values

A successful Coordinated Municipal Marketing Program should be shaped by the City's values for innovation, safety, inclusion, and equity.

Innovation: new infrastructure in the public realm would seek best practices in connectivity, technological flexibility, and accessibility; policies would develop innovative private-public partnerships that prioritize City interests.

Safety: new infrastructure in the public realm would prioritize safety for all right-of-way users, including maintaining ADA compliance.

Inclusion: corporate partnership opportunities would aim to provide avenues for small and/or local businesses.

Equity: new infrastructure would be installed to serve the City's diverse population equally, including equity considerations in site locations and service offerings.

When designed to align with these values, a Coordinated Municipal Marketing Program could serve the following Framework Outcomes:

Connected and Engaged Community: municipal advertising could increase public expose for City events, programs, and volunteer opportunities. Digital kiosks could provide real-time information about City events, enroll users in City services, or feature local artists. Sponsorships may be dedicated to operating programs or events that would not that would not be affordable.

Place and Planet: offering modernized public infrastructure could improve the public realm and the public transit network by offering street furniture, pedestrian wayfinding, free public Wi-Fi, real-time transit information, USB charging, and public art displays.

Legal Implications

The Sign Code can be amended to permit off-premises signs as consistent with City policy and Council's direction. For City-owned property, the City will be able to retain a limited amount of control by developing an advertising policy based on clear objective criteria. Although some modifications will be needed, the Big Blue Bus Advertising Policy provides an example of what a general City advertising policy could resemble. Even with a City advertising policy in place, the City would only have limited control over advertising, with the result that some advertisements that will generate complaints from the community will be allowed to be put in place. Permitting off-premises signs will create some level of litigation risk, with that risk increasing the more the City tries to restrict different types of advertising.

Risks

In addition to potential litigation risk noted above, other risks associated with a Municipal Marketing Program include, but are not limited to, the following:

- Revenue targets fail to materialize
- Regulations limit private sector interest
- Infrastructure installation not delivered on time
- Digital components raise data policy or cybersecurity concerns
- Corporate partnerships expose City to reputational risk
- New services are only deployed in areas with monetary value, not serving residents equitably

To mitigate these risks the City plans to:

- Create a centralized Committee to develop policies, negotiate terms with private sector partners, and enforce compliance with City values and policies.
- Coordinate with neighboring cities to implement best practices and lessons learned
- Require City Council approval on all naming rights proposals and sponsorships over a certain dollar threshold.

Financial Analysis

The value of a Municipal Marketing Program will vary based on its scope; however, the City anticipates the following costs:

- One-time fee to consultant conducting asset valuation, cost will vary based on project scope
- Revenue sharing with media agencies. The agencies responsible for negotiated sponsorships, selling advertising space, and/or operating and maintaining advertising assets will receive some sort of revenue sharing agreement.
- Revenue sharing with Enterprise Funds or other City partners. If marketing revenues are directly related to one of the City's Enterprise Funds or one of the City's partner agencies like the Pier or Promenade, the City may develop revenue sharing agreements that reduce the impact to the General Fund.

The City would likely incur costs above in phases as we develop the program, and they would depend on the program scope.

In addition, a Municipal Marketing Program could generate costs savings – and provide ongoing services - by allowing the City to reduce investment in programs or services that could receive outside funding.

For example:

- The City spends \$218,000 per year to operate the free public Wi-Fi network; this service could be replaced by a private vendor funded by advertising revenues.
- In 2019, the City gave over \$400,000 to subsidize the Twilight Concert Series and spent \$390,000 on the COAST event. These investments could potentially be off-set by corporate event sponsors that the City has not been able to attract at a higher level to this point, due to advertising restrictions.

Decision Points

Option A

Move forward with developing a Municipal Marketing Program by pursuing opportunities in all four asset classes and establishing a Municipal Marketing Committee.

Option B

Move forward with developing a Municipal Marketing Program by a limited set of opportunities and establishing a Municipal Marketing Committee.

- Include recommended list of assets to be included or excluded.

Option C

Do not move forward with developing a Municipal Marketing Program and maintain the City's general ban on off-premises signs.

Attachment A: Pier Advertising

Permitted & Unpermitted Advertising Types on the Santa Monica Pier

ALLOWED – Advertising limited to “Attended displays” of advertising within Pier’s Central Plaza/parking lot.





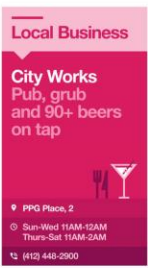


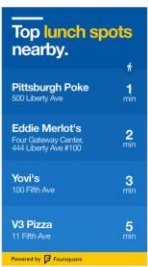
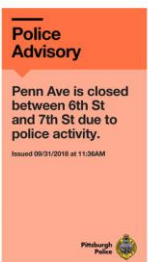


NOT ALLOWED – off site advertising displays such as promotional installations, billboards, street banners, vending machines, directories/kiosks.



Attachment B: Digital Kiosk Community Content

Digital kiosks can reserve advertising space for public content or community messaging.

Examples from Intersection LLC content for the City of Pittsburgh include:

	Real-time, Local Transit Information Link displays real-time transit information from various providers and across modes, to help users discover and connect to local mobility and transit options.
	Dynamic Community Content Real-time content of interest to locals and visitors alike, that contributes to the community and unique sense of place in the City of Pittsburgh. Go Pirates!
	LinkLocal, Connecting to Local Businesses Free, template-based advertising for local businesses ensures those with few resources to create advertising creative can get their local business and message up on Link's 55" screens.
	Transit Service Changes and Travel Advisories Link integrates with real time travel information apps like Google Transit, Trip Planner and other real time apps and APIs to keep residents and visitors informed of service disruptions and changes to their travel plans.
	Event Messaging Local events for residents or tourists alike, happening near Link and curated by a trusted, local expert.
	'Popular Nearby' Content A popularity-driven list of nearby businesses relevant to the current time of day and place.
	Emergency Messaging Link's screens display real-time alerts fed from a central management system to ensure critical alert messaging reaches those who need it in an emergency.
	Content from Museums, Universities and Cultural Institutions Pittsburgh has a wealth of institutions dedicated to art, culture, history and the dissemination of learning. Link can help these institutions engage with the city and share their collections, local facts, history or other forms of engagement with the public.
	Local Community Partnerships: Aunt Bertha Case Study Intersection partnered with the award-winning software provider Aunt Bertha to provide information on local non-profit and social services on kiosk tablets in all five boroughs of New York City. The partnership brings access to housing, food, health, legal, education, and other services to the streets of New York. Link looks forward to engaging with the City and its community stakeholders to hear how Link may help connect residents with the services and information they need.

Attachment C: Big Blue Bus Advertising Policy

CITY OF SANTA MONICA

BIG BLUE BUS POLICY FOR ADVERTISEMENTS ON BUS EXTERIORS – as of February 2016

This bus advertising policy was approved by the Santa Monica City Council on February 9, 2016. Its purpose is to maximize bus ridership, maintain governmental neutrality and avoid actual or perceived discrimination in advertising, respect First Amendment rights, avert harm or abuse to bus riders and buses and to the City's transit system, maximize advertising revenues, and preserve marketability of advertising space on City bus exteriors.

In order to achieve these purposes, the City allows all types of exterior bus advertising, without regard to content, except advertising that falls within the following categories which were approved in *American Freedom Defense Initiative v. King County*, 796 F.3d 1165 (9th Cir. 2015) for exclusion from exterior bus advertising:

1. Political campaign speech;
2. Adult-related products and services, alcohol, firearms, and tobacco, smoking, smoking materials, including electronic smoking or "vaping";
3. Sexual or excretory subject matter;
4. False, misleading or deceptive;
5. Copyright, trademark, or otherwise unlawful;
6. Illegal activity;
7. Profanity or violence;
8. Demeaning or disparaging;
9. Harmful or disruptive to transit system;
10. Lights, noise and special effects; and
11. Unsafe transit behavior

From: Hassan Ghamlouch <hassan.ghamlouch@ucr.edu>

Sent: Monday, January 06, 2020 6:36 PM

To: Finance Mailbox <Finance.Mailbox@SMGOV.NET>

Subject: Budget Task Force/Farmers' Market

Dear Budget Task Force Committee,

Thank you for soliciting and accepting inputs from the community and farmers' market vendors specifically regarding the City projected budget shortfalls. As stated in your distributed Farmers Markets flyer (attached): "The Santa Monica Farmers Markets are among the best in the country". There is a reason for that success and far too many benefits to list in this email. Hiring a third party, increasing fees and or eliminating farmers' markets are NOT the best solutions to address the budget short fall. As noted in the overview, the recommendations are for a budget reduction plans that allow the City to eliminate the threat of unfunded pension liability. This shouldn't be balanced on the back of farmers that already work hard to plant, grow, transport and support Santa Monica community with sustainable and healthy food. This should be balanced with pension reform, which I did not see on any of the recommendations. This might be very hard to do, but many counties, cities and government entities are doing.

- Please note that we already pay our fair share of fees and Business License to serve this community. Most farmer's markets charge a flat fee (a bit higher), but do not double dip with Business License fees.
- Hiring a third party to operate the market is a total waste of time and money, hence the City still need to cover most of the operating costs: (permits, insurance, street closure, police, sanitation and so on). Good trusted third party vendors are almost nonexistence. Most of them are lining their pockets and have no vested interest in the overall City/farmers' market mission. I've been an organic farmer for over 20 years and one of the reason why I continue to farm is the support of Santa Monica Farmer's Market, it's employee and residents. I've worked many independent farmers' markets, but NONE match what we have at Santa Monica – I'm sorry if I have to say it this way, but - do not screw this up.

Recommendations:

1. Consider the consolidation of the Saturday farmer's markets – to the promenade
2. If fees need to increased – a small percentage might be doable, but with a multi-year commitment. You cannot continue to increase the fees year after year
3. Farmers' market business license revenues should be allocated to support the operations of the farmers' market

Please do not forget the indirect revenues that the farmers' market generates from increased tourism, restaurants proceeds, and parking fees.

Thank you for your consideration.

Hassan G.
The Grove



RE: Budget Task Force

December 14, 2019

The Santa Monica Farmers Markets are among the best in the country. The City has proudly worked with vendors over the last 40 years to bring high-quality, sustainable produce to Santa Monica and the region. The markets are a part of our community culture and identity, and we are committed to their success. The markets are highly popular and generate revenue, yet the program operates at a deficit. Santa Monica is one of a few cities in LA County that manages their market program directly; most are operated by non-profit organizations. For these reasons, a budget task force is reviewing options to improve the financial sustainability of the markets as part of a six-year budget strategy to ensure the long-term financial health of the City of Santa Monica. The Farmers Market Program is included in the review, along with a dozen other City programs and services.

For more information please visit the Budget Task Force Web Page: <https://finance.smgov.net/budget-task-force>

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