[San Francisco Affinity Phone Card Program]

AUTHORIZING THE DIRECTOR OF DEPARTMENT OF ADMINISTRATIVE SERVICES TO ENTER INTO AN OPERATING AND LICENSING AGREEMENT WITH PACIFIC BELL TELEPHONE COMPANY, A NORTHERN CALIFORNIA COMPANY, FOR THE DEVELOPMENT AND OPERATION OF THE SAN FRANCISCO AFFINITY PHONE CARD PROGRAM AND IMPLEMENTATION THEREUNDER.

WHEREAS, the City and County of San Francisco seeks to promote San Francisco and to raise additional funds for the City’s General fund by participating in the sale of “official” San Francisco pre-paid telephone calling cards through a San Francisco Affinity Phone Card Program (the “Program”); and,

WHEREAS, On April 22, 1996, the Board approved a resolution authorizing the use of the City’s Seal in connection with the Program; and

WHEREAS, On May 20, 1996, the Board of Supervisors approved the first Operating and Licensing Agreement, by and between the City and Winston Taylor, Inc regarding the sale of Official San Francisco Phone Cards; and,

WHEREAS, In September 1999, the Airport issued a Telecommunications Request for Proposal which included a requirement to provide “customized” pre-paid calling cards bearing the official seal of the City and County of San Francisco, and a separate operating and licensing agreement with the Department of
Administrative Services, for the rights to sell those pre-paid calling cards outside the airport; and,

WHEREAS, For this Lease Agreement, a panel of City evaluators determined that Pacific Bell Telephone Company, a Northern California Corporation (Pacific Bell) submitted the best proposal in response to the Airport’s Telecommunications Request for Proposal; and,

WHEREAS, On November 15, 1999, the Board of Supervisors approved the Lease Agreement between Pacific Bell and the Airport.

WHEREAS, the City, through its Department of Administrative Services and Pacific Bell have negotiated an Operating and Licensing Agreement for the Program, a copy of which is on file with the Clerk of the Board of Supervisors under File No. 001437 (the “Agreement); and,

WHEREAS, The term of the Agreement is for three (3) years, with a provision to extend the term of the Agreement for up to two (2) additional one (1) year periods; and,

WHEREAS, In the event the Airport Lease is terminated, each of the City and Operator shall have the option to terminate this Agreement on the terms and conditions described in the Agreement; and,

WHEREAS, Under the Agreement, the City would grant and license to Pacific Bell the exclusive right to sell “official” San Francisco prepaid telephone calling cards bearing the Seal of the City; and,

WHEREAS, Under the Agreement, the City would receive, from Pacific Bell royalties equal to the greater of the Minimum Annual
Guarantee (MAG) as specified below or to 20% of gross revenues generated from the Official Phone Card.

(i) First year MAG - $150,000
(ii) Second year MAG - $200,000
(iii) Third year MAG - $250,000; and,

WHEREAS, Subject to certain conditions precedent, the City shall have the right to terminate the Agreement unless it receives royalties from Pacific Bell equal to those listed above; and,

WHEREAS, Under the Agreement, the City may permit the San Francisco Visitors and Convention Bureau (the “Bureau”) to participate in the program pursuant to the terms and conditions of a separate agreement by and between Pacific Bell and the bureau; and,

WHEREAS, Within sixty (60) days of the effective date of the Agreement the operator shall provide the City with a written marketing and business plan with respect to the sale of San Francisco Affinity Phone card. The Operator will work in good faith with the City and the San Francisco Visitors and Convention Bureau (the “Bureau”) on developing promotional and marketing strategies for the development of the program; and,

WHEREAS, Under the Agreement, all issues regarding the design and appearance of all phone cards, and the content of all advertising proposed for use in connection with the program shall be subject to the City’s prior written approval or disapproval, which shall not be unreasonably withheld; and,
WHEREAS, Under the Agreement, the City acting through the Department of Administrative Services has the right to approve or disapprove, which shall not be unreasonably withheld, the location of all vending machines used in connection with the program; whether or not such vending machines are placed on City owned or controlled property, and the City can require Pacific Bell to remove any such vending machine from any location for any reason; and,

WHEREAS, The Agreement contemplates the potential placement of vending machines on City owned or controlled property, including without limitation, at the locations described on Exhibit B of the Agreement, subject to the approval of any City commissions, departments or agencies with jurisdiction over such locations, in their sole discretion and any conditions or modifications as they may impose; and,

WHEREAS, The City's Planning Department has determined that the placement of vending machines on the City owned or controlled properties is categorically exempt from further environmental review and that no Master Plan referral is required; and,

WHEREAS, The Board hereby finds that the Program will serve the purposes of promoting the City and raising additional revenue for the City's General Fund and, therefore, it is in the best interest of the City to participate in the Program pursuant to the terms of the Agreement; now, therefore, be it

RESOLVED, That the San Francisco Board of Supervisors hereby authorizes the Department of Administrative Services to enter into
the Agreement, approves as to form by the City Attorney, to administer the Program pursuant to the terms and conditions of the Agreement and to exercise all rights of the City contained therein, including without limitation, the right to extend the term of the Agreement and the right to approve the placement of vending machines in the locations described on Exhibit B to the Agreement and on additional property owned or controlled by the City, subject, where applicable, to such additional approvals and modifications as may be required by any City commissions, departments or agencies with jurisdiction over such locations.
Resolution authorizing the Department of Administrative Services to enter into an operating and licensing agreement with Pacific Bell Telephone Company, a Northern California company, for the development and operation of the San Francisco Affinity Phone Card Program and implementation thereunder.

September 25, 2000 Board of Supervisors — ADOPTED

Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee
I hereby certify that the foregoing Resolution was ADOPTED on September 25, 2000 by the Board of Supervisors of the City and County of San Francisco.

File No. 001437

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Date Approved

Gloria L. Young
Clerk of the Board

Mayor Willie L. Brown Jr.