



# Staff Report

## City Council

Item No. {{section.number}}.A

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**Meeting Date:** August 14, 2024

**From:** Anne V. Ambrose, Assistant City Manager

**Title:** Approve Cost Sharing Agreement with Palm Springs Motors in Cathedral City for Digital Reader Board Replacement

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### **RECOMMENDATION:**

To approve a cost sharing agreement with Palm Springs Motors in Cathedral City to contribute 50%, or an amount not to exceed \$135,680.50 of the acquisition and installation costs, in order to replace one digital reader board; approve a budget amendment to the Economic Development Community Assistance Budget in the amount of \$135,680.50 for the expenditure; and authorize the City Manager to execute the agreement.

### **BACKGROUND:**

The former Economic Development Director received a request from Paul Thiel, owner of Palm Springs Motors, (located in Cathedral City) to discuss a cost sharing agreement for a new flagship digital reader board utilized to advertise their three brands (Ford, Mazda and Lincoln). Palm Springs Motors has been a long-time auto dealership in Cathedral City and Paul Thiel has been an important civic leader.

On June 28, 2023, the City Council approved a similar agreement with the Cathedral City Auto Center for replacement of their digital reader boards. Records show the City and/or Redevelopment Agency previously participated with the Auto Center dealers in providing funding for their digital reader boards in 2005 and 2011 but staff are unaware of any prior marketing/advertising contributions requested by Palm Springs Motors.

### **DISCUSSION:**

Palm Springs Motors, located at the eastern entrance to Cathedral City on CA-111 is the first business encountered when entering the City. Their main sales and marketing exposure occurs along CA-111, including their flagship digital reader board.

The existing digital reader board has reached the end of its useful life. The manufacturer is no longer supporting warranties nor providing replacement parts. The current board's LED's do not operate with the same brightness and visibility as more modern boards. Installing a new electronic reader board will increase readership up to 98%. The new board

will carry a 10-year warranty. As readership improves, the auto dealer believe sales will increase 10% to 12%.

Palm Springs Motors has engaged Southern California's largest digital reader board maintenance and installation company, Electra-Media, Inc (EMI). EMI is proposing to install one Daktronics reader board in place of the current board. EMI's recommended Daktronics board is the same long-life high-resolution boards currently being used at the City of Ontario, Riverside, Industry, Buena Park, and Montclair Auto Centers. The purchase and installation of the board will cost \$271,361.00. The installation cost has been calculated to include prevailing wages. The purchase and installation of the Daktronics board is estimated to occur within 120 days following receipt of the down payment and City permit approvals.

Palm Springs Motors is requesting the City contribute 50% (or \$135,680.50) of the total cost to acquire and install the Daktronics board. The contribution would occur in two payments of \$67,840.25 triggered upon the shipment of the reader boards and upon turn-on of the reader boards. In consideration of the City's 50% contribution, Palm Springs Motors will provide the City 15% total messaging time on the boards for City-related announcements. This offer for 15% advertising time would run for the 10-year useful life of the new boards. According to the Auto Center's advertising company, a similarly located Lamar billboard would cost \$4,000/month (or \$48,000/year) for comparable advertising space.

Beyond Palm Springs Motors covering the initial 50% (\$135,680.50) of the acquisition and installation cost and offering the City 15% of programing time, dealership will cover all monthly maintenance and programming costs over the 10-year life. The total annual maintenance and programming of \$18,600 or \$186,000 for 10 years. The total Palm Springs Motors investment in the acquisition, installation, maintenance, and operation of the one new board is estimated to be \$321,680.50 (\$135,680.50 + 186,000), which is exclusive of ongoing electrical and insurance costs and related permit fees for the installation.

#### **FISCAL IMPACT:**

	DESCRIPTION	GENERAL LEDGER ACCOUNT CODES	PROJECT CODE	AMOUNT	ONE TIME or ONGOING
2024-2025	Economic Development Community Assistance	100-100-130- 135-8650-8658	N/A	\$135,680.50	One Time
<b>2024-2025</b>	<b>Total</b>			<b>\$135,680.50</b>	

#### **FIVE-YEAR STRATEGIC PLAN:**

##### **GOAL C: FISCAL STABILITY AND SUSTAINABILITY**

Objective: Cathedral City has economically prospered by facilitating the investment of private dollars in high quality development which benefits the community. We remain financially solvent by instituting prudent fiscal policies and transparent financial practices.

#### **ATTACHMENTS:**

1. Palm Springs Motors Digital Sign Licensing Agreement

