Attachment B

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KEYSER MARSTON ASSOCIATES

MEMORANDUM

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AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

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To: Sarah Brenha, Program Manager
Corporate Partnerships and Development Program
Economic Development Department, City of San Diego

From: KEYSER MARSTON ASSOCIATES, INC.

Date: February 21, 2023

Subject: Evaluation of IKE/DSDP City Wayfinding Partner Proposal

I. INTRODUCTION

The City of San Diego (City), through its Corporate Partnerships and Development Program (CPDP), managed by the Economic Development Department, requested that Keyser Marston Associates, Inc. (KMA) prepare an independent evaluation of the IKE Smart City (IKE) and Downtown San Diego Partnership (DSDP) proposal submitted to the City in October 2021.

As background, in October 2021, the CPDP issued a City Wayfinding Request for Sponsorship (RFS) for the purposes of identifying a partner that is interested in providing wayfinding kiosks to market promotions, events, and exclusive opportunities to San Diego residents, employees, and visitors. IKE in partnership with the DSDP, responded to the RFS, and submitted a proposal to the City. The proposal details the installation and operation of 50 interactive wayfinding kiosks in highly pedestrian-trafficked commercial corridors throughout Downtown. The kiosks will provide an interactive platform that allows users to access various applications to explore, discover, and navigate the City. The purpose of the KMA evaluation is to determine whether the IKE/DSDP proposed revenue sharing structure with the City is market-justified.

For this assignment, KMA undertook the following work tasks:

- Reviewed the IKE/DSDP City Wayfinding Partner proposal (dated October 29, 2021), the Corporate Partnership Agreement (Agreement) and Non-Binding Term Sheet (draft dated

December 23, 2022) with a particular focus on the IKE/DSDP financial proposal to the City in terms of the share of revenue allocated to the City.

- Evaluated transit-related advertising revenue sharing structures.
- Profiled comparable agreements in other jurisdictions that have worked with IKE to install similar interactive kiosks and compared those to the proposed business terms for the City.
- Modeled the IKE/DSDP 15-year cash flow projection assuming the DSDP and the City receive 45% of Net Revenue.

This memorandum report has been organized as follows:

- Following this Introduction, Section II presents the KMA key findings.
- Section III provides an overview of the proposed key deal terms.
- Section IV summarizes the KMA survey of transit agencies.
- Section V presents a survey of other jurisdictions with IKE kiosk agreements.
- Section VI presents the KMA review of the revenue generated to the City based on the IKE cash flow projection.
- Section VII outlines limiting conditions pertaining to this assignment.

II. KEY FINDINGS

The following presents key findings of the KMA evaluation.

- The KMA survey found that jurisdictions that assume more responsibilities in implementing the kiosk program tend to receive a higher share of advertising revenue compared to those jurisdictions that have limited to no responsibility. Under the proposed deal terms, the City of San Diego will have limited responsibilities compared to the non-profit entity (DSDP). When compared to other cities, the proposed revenue allocated to the City falls within the range of the revenue sharing structures.
- The IKE cash flow projection demonstrates that the City could receive a net present value of $9.3 million over the Initial Term (Years 1 through 10) and an additional net present value of $3.5 million over the Renewal Term (Years 11 through 15). The revenue to the City is

contingent upon three factors: (1) the number and timing of kiosk installations; (2) whether advertising revenue achieves the IKE projection; and (3) whether operating expenses fall within the IKE projections.

- KMA finds that the revenue sharing structure proposed by IKE/DSDP is market-justified, based on the following:
  - the City, by way of allowing the installation of kiosks, will be providing a public benefit to residents, employees, and visitors
  - the City has limited responsibility outside of: (1) allowing the installation of the kiosks in the public right-of-way, and (2) collaborating with IKE and DSDP on the kiosk locations
  - the City will receive an allocation of revenue that is within the range of other surveyed jurisdictions

III. PROPOSED KEY DEAL TERMS

The City and IKE/DSDP are currently in negotiations and have drafted a Corporate Partnership Agreement and Non-Binding Term Sheet. The following summarizes the salient aspects of the proposed business terms.

- The parties will execute an Agreement with an Initial Term of 10 years with the option of one (1) Renewal Term of five (5) years.

- IKE will manufacture, install, operate, and maintain 50 kiosks at mutually agreed upon Downtown locations at no cost to the City. The cost of installation includes all permitting, labor, and infrastructure expenses.

- The 50 kiosks are to be installed in the following Downtown areas: Civic/Core, Columbia, Marina, Horton Plaza/Gaslamp Quarter, East Village, Cortez, and the Convention Center District. Additionally, City staff may authorize up to 25 additional kiosks within these areas if it is determined and mutually agreed that there are not enough kiosks to meet demand.

- The DSDP's role during the life of the program is to:
  - Provide passive and active mode content for the kiosks
  - Coordinate and schedule the City and community content among participating neighborhoods and stakeholder groups
  - Assist IKE with submitting, obtaining, and maintaining the required approvals
  - Communicate with IKE regarding the ongoing needs, maintenance, and cleaning of kiosks
  - Answer incoming IKE call button activations for maintenance or safety requests

- Engage in reasonable community outreach for the siting and deployment of the kiosks

- IKE will pay Public Benefit Revenue to the City and DSDP annually in quarterly installments. Public Benefit Revenue will be calculated as the greater of:

Minimum Annual Guarantee (MAG)	Share of Net Revenue
o Term Year 1 – $16,000 per Operational Kiosk o Term Year 2 – $18,000 per Operational Kiosk o Term Years 3-10 – $20,000 per Operational Kiosk o Term Years 11-15[(1)] – $22,000 per Operational Kiosk	45% of Net Revenue [(2)] or 50% of Net Revenue [(2)] if City provides Efficient Power Connections

(1) If the Agreement is extended.
(2) Defined as the total revenue earned from the sale of advertisements on the kiosks, less Out-of-Pocket Costs and Expenses incurred by IKE.

The MAG is structured as a schedule of annual guaranteed revenue based on a per-kiosk rate. The measure serves as security should the advertising revenue from the kiosks not meet the projected gross revenue and/or if operating and maintenance expenses exceed those currently projected.

- Out-of-Pocket Costs and Expenses are defined as:

  - Utility services, including electric and data service
  - IKE's insurance premiums
  - Repairs and maintenance to the kiosks, excluding catastrophic destruction and replacement to the extent the costs thereof have been paid by insurance coverage
  - Sales and management expenses equal to 12.5% of Gross Revenue
  - An amount equal to the annual amortized portion of the cost to fabricate, acquire, install, and replace the kiosks (approximately $105,000 per kiosk), amortized over a 10-year period

- Public Benefit Revenue will be shared between the City and DSDP, allocated 65% to the City and 35% to DSDP.

- IKE will maintain the kiosks in first class condition with an expected level of reasonable wear and tear. IKE will promptly and adequately repair all damage to the kiosks and replace the kiosks as reasonably necessary throughout the Initial and Renewal Terms, including responding to all maintenance requests within 24 hours of notification.

IV. SURVEY OF TRANSIT AGENCIES

KMA profiled advertising revenue structures for the San Diego Metropolitan Transit System (MTS), North County Transit District (NCTD), and San Francisco Municipal Transportation Agency (SFMTA). Based on publicly available information, the survey found that the share of advertising revenue paid to the transit agency ranges between 55% and 68% of gross advertising revenue. The survey includes bus and train wraps, bus shelters, trolley station kiosks, and transit shelters. The following presents an overview of each transit agency's advertising revenue structure.

San Diego Metropolitan Transit System

MTS currently has agreements in place to allow its advertising contractor to operate a revenue-producing advertising program on the interior and exterior of MTS buses and trolley rail cars, bus shelters, and trolley kiosks. The contractor is obligated to provide installation and removal services and vandalism repairs. The contractor is responsible for selling the advertising space and managing all contracts with the advertisers. MTS receives revenue based on the greater of a MAG or a percentage share of the gross advertising revenue. Costs associated with the selling, printing, posting, vandalism repairs, installation, or maintenance of the advertisement are not deducted from gross sales. Based on current MTS contracts with its contractors, MTS receives between 62% and 68% of gross advertising revenue.

North County Transit District

NCTD currently has an agreement in place to allow its advertising contractor to operate a revenue-producing advertising program on the interior and exterior of NCTD buses and rail cars. The contractor is obligated to provide installation and removal services and vandalism repairs. The contractor is responsible for selling the advertising space and managing all contracts with the advertisers. NCTD receives revenue based on the greater of a MAG or a percentage share of the gross advertising revenue. Based on the current NCTD contract with its contractor, NCTD receives 63% of gross advertising revenue.

San Francisco Municipal Transportation Agency

SFMTA currently has an agreement in place to allow its advertising contractor to provide digital and print advertising on transit shelters and kiosks; inspect and clean all transit shelters; provide daily maintenance of boarding platforms; fulfill cleaning requests that are reported to the City's non-emergency customer service center; provide new shelters; maintain and bring power connections to shelters to support safety lighting and the customer information system; and support public and private construction projects with temporary shelter removals, reinstallations, and new shelter installations. SFMTA receives revenue based on the greater of a

MAG or a percentage share of the gross advertising revenue. Based on the FY 2007-08 through FY 2021-22 SFMTA contract with its contractor, SFMTA received 55% of gross advertising revenue during its 15-year term. SFMTA exercised its option to extend the term with the existing contractor through FY 2026-27 and now receives 57% of gross advertising revenue.

The revenue sharing structures for the transit agencies are not comparable to the revenue sharing structures of entities that hold agreements with IKE for the installation/operation of kiosks. The magnitude of transit-related advertising revenue is dependent on traffic statistics, reach in the number of people that are exposed to the advertisements, and the number of impressions made by the advertisements. An impression is generally defined as a metric used to quantify the number of digital views. Unlike fixed kiosks which primarily rely on pedestrian activity, transit agencies are able to reach a larger audience due to transit ridership and mobile advertisements, e.g., bus, train, and trolley wraps.

V. SURVEY OF OTHER JURISDICTIONS WITH IKE KIOSK AGREEMENTS

In 2015, IKE launched the interactive kiosk program in Denver. Since that time, kiosk installations have occurred in several metropolitan cities throughout the country. In many of these jurisdictions, IKE collaborates with local associations and non-profit entities such as business improvement districts and visitor-serving marketing organizations.

For comparison purposes, KMA reviewed agreements provided by IKE for the cities of Baltimore, Miami, and Tempe. KMA also independently researched publicly available information for IKE kiosk agreements in the cities of Berkeley, Houston, and San Antonio. In some instances, as referenced below, a third-party non-profit entity is either: (1) a party to the agreement with IKE, or (2) holds a direct agreement with IKE and the local jurisdiction is not a party. Detailed information on each jurisdiction can be found in the attached Table 1.

The following presents an overview of each IKE kiosk agreement surveyed for this study.

City of Baltimore

The City of Baltimore, along with the Downtown Partnership of Baltimore (DPB), have mutually agreed to install 15 kiosks. The City has allowed one (1) additional kiosk to be installed for a total of 16 kiosks installed to date. The agreement with IKE allows for a 20-year initial term with one (1) automatic renewal term of 20 years. The City does not share in any of the revenue generated by the kiosk advertisements; however, the City maintains full right and ownership to the kiosks (excluding the IKE software). The City collaborates with IKE and DPB as to the locations of the kiosks. The City is also responsible for providing assistance to IKE with submitting permit applications and obtaining the necessary approvals for utility and telecommunication services. DPB, in coordination with IKE, is responsible for managing the content of the kiosks.

City of Berkeley

The City of Berkeley executed a Franchise Agreement with IKE to allow for the operation of the IKE kiosks within the City limits. The 2019 IKE agreement for the administration and management of the kiosks is with Visit Berkeley, the City's former convention and visitors bureau. The agreement with Visit Berkeley calls for up to 31 kiosks within the City. The agreement also allows for a 15-year initial term with one (1) automatic renewal term of five (5) years. Visit Berkeley is responsible for: providing content for the kiosks; assisting IKE with submitting, obtaining, and maintaining approvals from the City; communicating with IKE regarding ongoing needs, maintenance, and cleaning of kiosks; and answering incoming IKE call button requests. The revenue sharing structure allows Visit Berkeley to receive the lesser of either (1) $100,000 or (2) 10% of gross advertising revenues in the first two years of the program and 25% in the subsequent years of the term. Should annual revenue exceed $100,000, the City is entitled to 75% of the revenue payable to Visit Berkeley.

City of Houston (TX)

The City of Houston executed an agreement with IKE in May 2021 for installation of up to 75 kiosks within the first three (3) years, with up to 125 kiosks by the end of the first renewal term. The agreement outlines an initial term of 12 years with two (2) performance-based five (5)-year renewal terms. The City required that at least 10% of the kiosks be installed in communities of concern. The City is responsible for: providing content for the kiosks; assisting IKE with submitting, obtaining, and maintaining approvals from the City; communicating with IKE regarding ongoing needs, maintenance, and cleaning of kiosks; and answering incoming IKE call button requests. The revenue sharing structure allows the City to receive the greater of either: (1) a MAG or (2) 42% of net advertising revenue, or 45% of net advertising revenue if the City provides Efficient Power Connections. The City does not share advertising revenue with other non-profit affiliates.

City of Miami (FL)

The City of Miami executed an agreement in August 2020 with IKE for installation of up to 50 kiosks during the initial term with up to 150 kiosks installed during the renewal terms. To date, 45 kiosks have been installed in the City. The agreement outlines an initial term of seven (7) years with two (2) automatic renewal terms of (i) seven (7) years and (ii) six (6) years. The City required that at least 10% of the kiosks be installed in communities of concern. The revenue sharing structure allows the City to receive the greater of either (1) a MAG of $100,000 or (2)

40% of gross advertising revenue. The City receives its share of revenue and then deposits 75% of the revenue into the City's General Fund with the balance distributed to special districts where the kiosks are installed. The City collaborates with various special districts and neighborhood associations such as the Coconut Grove Business Improvement District, Downtown Development Authority, Omni Community Redevelopment Agency, Southeast Overtown Park West Community Redevelopment Agency, and Wynwood Business Improvement District. The special districts/neighborhood associations are responsible for: providing content for the kiosks; assisting IKE with submitting, obtaining, and maintaining approvals from the City; communicating with IKE regarding ongoing needs, maintenance, and cleaning of kiosks; and answering incoming IKE call button requests.

City of San Antonio (TX)

The City of San Antonio has a direct agreement with IKE for the installation of up to 25 kiosks. The agreement outlines an initial term of 10 years with up to four one (1)-year renewal terms. The City is responsible for: providing content for the kiosks; assisting IKE with submitting, obtaining, and maintaining approvals from the City; and assisting IKE with connecting to electrical services and fiber optic cables on public and private properties, where applicable. The revenue sharing structure allows the City to receive the greater of either: (i) a MAG of $150,000 in the first year with an additional $787,080 over the next four (4) years, or (ii) 21.5% of net advertising revenue. Based on publicly available information, it does not appear that the City splits its revenue with other non-profit affiliates.

City of Tempe (AZ)

The Downtown Tempe Authority, Inc. (DTA) executed an agreement in May 2019 with IKE for the installation of up to 15 kiosks within the City. To date, nine (9) kiosks have been installed in the City. The IKE agreement allows for a 15-year initial term with one (1) automatic renewal term of five (5) years. The City's only responsibility is to grant DTA permission to utilize designated right-of-way areas for the installation of the kiosks. DTA is responsible for providing assistance to IKE with submitting permit applications and obtaining the necessary approvals for utility and telecommunication services. DTA, in coordination with IKE, is responsible for managing the content of the kiosks. The revenue sharing structure allows DTA to receive 10% of gross advertising revenues in the first two (2) years of the program and 15% in the subsequent years of the term, including the extended term. The City does not share in the advertising revenue.

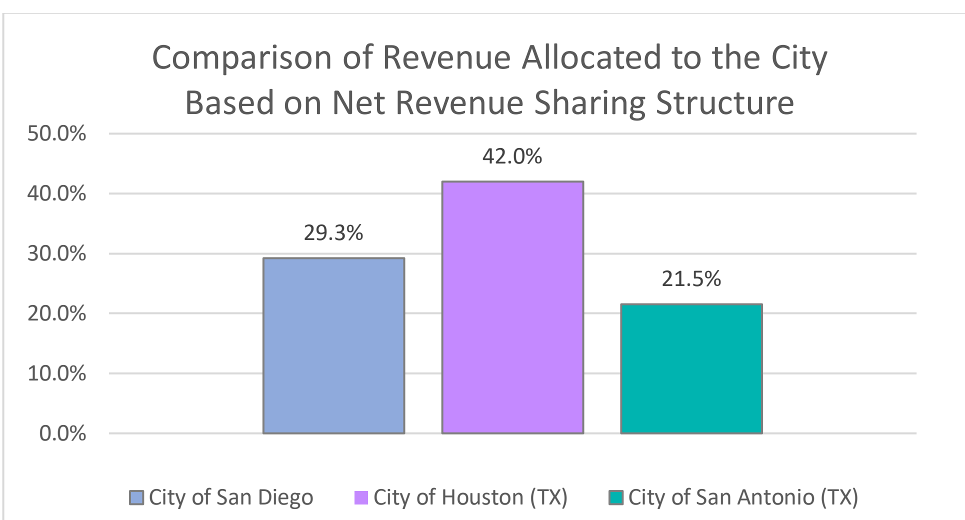
As noted in the above survey, each of the revenue sharing structures differs in terms of: (1) whether revenue allocated to the entity with the IKE agreement is shared on a gross or net advertising revenue basis, and (2) whether the City receives a share of the revenue. The following presents a side-by-side comparison of the revenue sharing structures for each of the jurisdictions.

Comparison of Revenue Sharing Structures by Jurisdiction

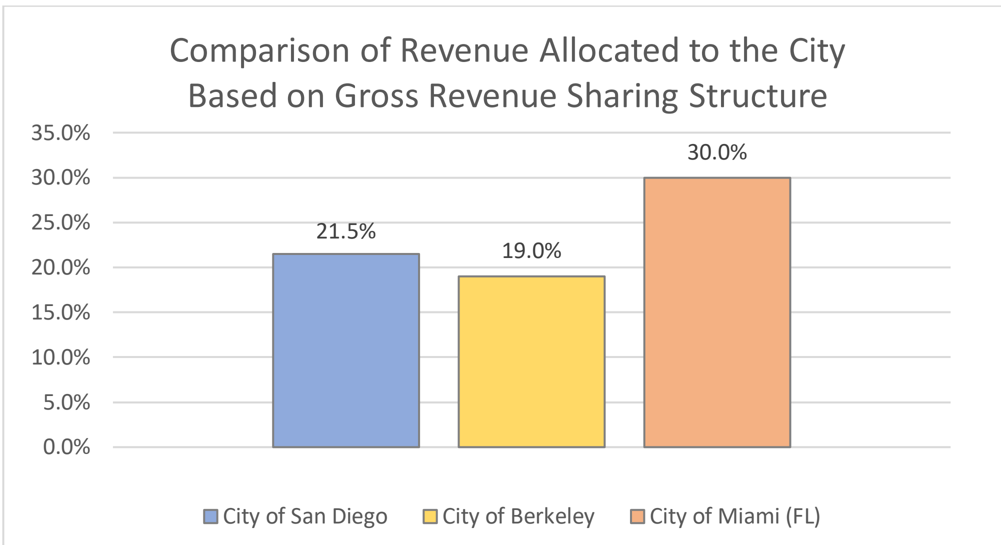
	San Diego	Baltimore	Berkeley	Houston	Miami	San Antonio	Tempe
Direct Contract with City?	Yes	No	No	Yes	Yes	Yes	No
Share of Revenue to City/Non-Profit Entities with IKE Agreement	45% of Net Revenue(1)(2)	Not Available	25% Gross Revenue	42% Net Revenue (1)	40% of Gross Revenue	21.5% of Net Revenue (1)	15% of Gross Revenue (3)
Allocation of Revenue to City	65%	0%	75%	100%	75%	100%	0%

(1) Defined as the total revenue earned from the sale of advertisements on the IKE Kiosks, less Out-of-Pocket Costs and Expenses incurred by IKE.
(2) Share of revenue may increase to 50% with Efficient Power Connections.
(3) Reflects Years 3 through 20.

As shown above, the City of San Diego will share in 45% of net revenue with DSDP. Of this amount, 65% will be allocated to the City equating to 29.3% of net revenue. When comparing the IKE/DSDP proposal to other cities with net revenue sharing structures, the City of San Diego's revenue allocation falls within the range of revenue sharing structures. The following graph illustrates this comparison.



To provide a direct comparison of revenue sharing structures among the cities that receive a share of gross revenue, KMA imputed the City of San Diego's share of revenue as a percent of gross revenue. To arrive at this calculation, KMA utilized Year 3 stabilized revenue from the IKE/DSDP cash flow projection to determine the ratio of net revenue as a percent of gross revenue. This ratio (73%) was then applied to the City's share of revenue (45% of net revenue to City/DSDP x 65% allocated to the City x 73% = 21.5% of gross revenue to the City). This comparison demonstrates that the City of San Diego's revenue allocation is within the range of revenue sharing structures on a gross basis. The following graph depicts this comparison.



The KMA survey also found that cities that receive a higher share of advertising revenue tend to assume more responsibility compared to those cities that have limited to no responsibility. As shown on the following page, the cities of Houston and San Antonio retain 100% of their revenue share but also maintain a high level of responsibility with respect to providing content and other services specific to their jurisdiction. The cities that receive a lesser share of revenue have minimal responsibilities.

Comparison of City Responsibilities							
	San Diego	**Baltimore**	**Berkeley**	**Houston**	**Miami**	**San Antonio**	**Tempe**
Allocation of Revenue to City	65%	0%	75%	100%	75%	100%	0%
Grant ROW/ Easements	✓	✓	✓	✓	✓	✓	✓
Coordinate Kiosk Locations	✓	✓		✓	✓	✓	
Provide Content				✓		✓	
Other (1)				✓		✓	

(1) Includes, but is not limited to, other responsibilities such as communicating directly with IKE, responding to incoming service calls, and assisting IKE with connecting to electrical services and fiber optic cables on public and private properties.

It is difficult to formulate a direct comparison between the IKE/DSDP proposal and other the IKE kiosk agreements surveyed for this study. There are many variables in the proposed agreement that differ from circumstances present in other jurisdictions. In San Diego, for example, DSDP will be primarily responsible for the day-to-day administration of the program. Nonetheless, San Diego will receive a share of the revenue that falls within the range of the surveyed cities. In sum, KMA generally finds that the proposed deal terms and revenue sharing structure is market-justified.

VI. REVIEW OF IKE CASH FLOW PROJECTION

The following presents the KMA review of the projected revenue to the City based on the IKE cash flow projection assuming 45% of Net Revenue to the City and DSDP. KMA did not independently validate the projected gross advertising revenues or confirm the accuracy of the operating and maintenance costs. KMA utilized the IKE/DSDP figures to calculate the cumulative values (on both a future value and net present value basis) of the revenue that is projected to be allocated to the City. The detailed technical analysis is attached to this memorandum as Tables 2 and 3.

As previously noted, the City will receive 65% of the revenue allocated to the City and DSDP (Public Benefit Revenue), which equates to 29.25% of net advertising revenue. Based on the IKE/DSDP cash flow projection, the City would receive the following amounts.

Total Value of Revenue to City [1]			
Term:	Initial Term Years 1 – 10	Renewal Term Years 11 – 15	Total Potential Revenue to City
Nominal Dollars (Undiscounted) [2]	$14.7 M	$10.2 M	$24.9 M
Constant Dollars (NPV) [2][3]	$9.3 M	$3.5 M	$12.8 M

(1) Based on 45% of Net Revenue to the City and DSDP, as projected by IKE (pro forma dated January 12, 2023).
(2) Reflects City's proposed share of Public Benefit Revenue (65%).
(3) Net present value in Year 0 assuming an 8.5% discount rate, based on RERC Estimates Pre-Tax Yield (IRR) in the San Diego region for First-Tier Investment Properties as of the 4th quarter 2022 RERC Real Estate Report.

As shown above, it is anticipated that the City will receive a net present value of $9.3 million during the Initial Term and potentially an additional $3.5 million during the Renewal Term, for a total net present value of $12.8 million. Gross revenues are derived from the sale of advertisements on the kiosks. Therefore, if all 50 kiosks are not installed prior to stabilization (Year 4), projected gross revenues may be overstated in the beginning years, thereby reducing the total revenue generated to the City.

VII. LIMITING CONDITIONS

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.

2. The analysis assumes that neither the local nor national economy will experience a recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.

3. The development concept will not vary significantly from that identified in this analysis.

4. Any estimates of development costs, capitalization rates, income and/or expense projections are based on the best available project-specific data as well as the experiences of similar projects. They are not intended to be projections of the future for the specific project. No warranty or representation is made that any of the estimates or projections will actually materialize.

5. KMA is not advising or recommending any action be taken by the City with respect to any prospective, new, or existing municipal financial products or issuance of municipal securities (including with respect to the structure, timing, terms, and other similar matters concerning

such financial products or issues).

6. KMA is not acting as a municipal advisor to the City and does not assume any fiduciary duty hereunder, including, without limitation, a fiduciary duty to the City pursuant to Section 15B of the Exchange Act with respect to the services provided hereunder and any information and material contained in KMA's work product.

7. The City shall discuss any such information and material contained in KMA's work product with any and all internal and/or external advisors and experts, including its own Municipal Advisors, that it deems appropriate before acting on the information and material.

attachments

TABLE 1

SURVEY OF JURISDICTIONS WITH IKE AGREEMENTS
IKE/DSDP CITY WAYFINDING PROPOSAL
CITY OF SAN DIEGO

	City of San Diego (Proposed)	City of Baltimore (MD)	City of Berkeley	City of Houston (TX)	City of Miami (FL)	City of San Antonio (TX)	City of Tempe (AZ)
Entity w/IKE Agreement	City of San Diego and Downtown San Diego Partnership (DSDP)	Downtown Partnership of Baltimore, Inc. (DPB)	Visit Berkeley	City of Houston	City of Miami	City of San Antonio	Downtown Tempe Authority, Inc. (DTA)
Initial Term	10 years	20 years	15 years	12 years	7 years	5 years	15 years
Renewal Term(s)	One (1) term of 5 years	One (1) automatic term of 20 years	One (1) automatic term of 5 years	Two (2) performance-based 5-year options	Two (2) automatic terms of (i) 7 years and (ii) 6 years	Up to four (4) one (1) year options	One (1) automatic term of 5 years
Total Potential Term	15 years	40 years	20 years	22 years	20 years	10 years	20 years
Number of Kiosks	50 kiosks	Up to 15 kiosks	Up to 31 kiosks	75 kiosks within 36 months of agreement with up to 125 by end of 1st Renewal Term	50 kiosks during the Initial Term with up to 150 installed during the Renewal Terms	25 kiosks	15 kiosks
Revenue Sharing Structure w/Entity Holding IKE Agreement	Greater of: (1) the Minimum Annual Guarantee (based on number of operational Kiosks) or (2) 45% of Net Revenue (1)	Not Available	Lesser of: (1) 25% of Gross Revenue (2) or (2) $100,000	Greater of: (1) Minimum Annual Guarantee (based on number of operational kiosks) or (2) 42% of Net Revenue (2) + 3% if City provides Efficient Power Connections	Greater of: (1) Minimum Annual Guarantee ($100,000) or (2) 40% of Gross Revenue (2)	Greater of: (1) Minimum Annual Guarantee ($150,000 in Year 1 (3)) or (2) 21.5% of Net Revenue (1)	Term Years 1-2 – 10% of Gross Revenue (2) Term Years 3-20 – 15% of Gross Revenue (2)
Structure of Revenue to City	City receives 65% of revenue	City does not receive share of revenue	City receives 75% of Visit Berkeley's 25% of gross revenue; or the excess above $100,000	City receives 100% of revenue	City receives 100% of revenue with 75% of revenue deposited in General Fund and 25% to special districts where kiosks are installed	City receives 100% of revenue	City does not receive share of revenue

(1) Defined as the total revenue earned from the sale of advertisements on the IKE Kiosks, less out-of-pocket costs and expenses incurred by IKE.
(2) Defined as the total revenue earned by IKE in connection with the sale of advertisements on the Kiosks.
(3) During the following 4 years, City's MAG equates to an additional $787,080 for a total of $937,080.

Keyser Marston Associates, Inc.
February 21, 2023; ema

TABLE 2

CASH FLOW PROJECTION, YEARS 1-15 (1)
IKE/DSDP CITY WAYFINDING PROPOSAL
CITY OF SAN DIEGO

		Initial Term										Renewal Term				
	Year:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
I. Gross Revenue	3.0% (2)	$4,586,400	$5,398,848	$6,533,956	$6,729,974	$6,931,874	$7,139,830	$7,354,025	$7,574,646	$7,801,885	$8,035,941	$8,277,020	$8,525,330	$8,781,090	$9,044,523	$9,315,859
II. (Less) Expenses																
Sales and Management	12.5% (3)	($573,300)	($674,856)	($816,744)	($841,247)	($866,484)	($892,479)	($919,253)	($946,831)	($975,236)	($1,004,493)	($1,034,627)	($1,065,666)	($1,097,636)	($1,130,565)	($1,164,482)
Electricity	3.0%	($60,000)	($61,800)	($63,654)	($65,564)	($67,531)	($69,556)	($71,643)	($73,792)	($76,006)	($78,286)	($80,635)	($83,054)	($85,546)	($88,112)	($90,755)
Data	3.0%	($36,000)	($37,080)	($38,192)	($39,338)	($40,518)	($41,734)	($42,986)	($44,275)	($45,604)	($46,972)	($48,381)	($49,832)	($51,327)	($52,867)	($54,453)
Property Insurance	3.0%	($26,250)	($27,038)	($27,849)	($28,684)	($29,545)	($30,431)	($31,344)	($32,284)	($33,253)	($34,250)	($35,278)	($36,336)	($37,426)	($38,549)	($39,705)
Media Liability Insurance	3.0% (2)	($7,694)	($9,056)	($10,961)	($11,289)	($11,628)	($11,977)	($12,336)	($12,706)	($13,088)	($13,480)	($13,885)	($14,301)	($14,730)	($15,172)	($15,627)
Personal Property Taxes	---	($61,740)	($55,566)	($49,392)	($43,218)	($37,044)	($30,870)	($24,696)	($18,522)	($12,348)	($6,174)	($27,658)	($24,892)	($22,126)	($19,360)	($16,595)
Depreciation	0.0%	($525,000)	($525,000)	($525,000)	($525,000)	($525,000)	($525,000)	($525,000)	($525,000)	($525,000)	($525,000)	($235,185)	($235,185)	($235,185)	($235,185)	($235,185)
Maintenance	3.0%	($192,000)	($197,760)	($203,693)	($209,804)	($216,098)	($222,581)	($229,258)	($236,136)	($243,220)	($250,516)	($258,032)	($265,773)	($273,746)	($281,958)	($192,000)
Total Expenses		($1,481,984)	($1,588,156)	($1,735,485)	($1,764,144)	($1,793,847)	($1,824,628)	($1,856,516)	($1,889,547)	($1,923,754)	($1,959,172)	($1,733,681)	($1,775,040)	($1,817,723)	($1,861,770)	($1,808,804)
III. Net Revenue		$3,104,416	$3,810,692	$4,798,471	$4,965,831	$5,138,026	$5,315,202	$5,497,509	$5,685,099	$5,878,131	$6,076,770	$6,543,339	$6,750,290	$6,963,367	$7,182,753	$7,507,055
IV. Share of Net Revenue to City/DSDP																
45.0% of Net Revenue		$1,396,987	$1,714,811	$2,159,312	$2,234,624	$2,312,112	$2,391,841	$2,473,879	$2,558,294	$2,645,159	$2,734,546	$2,944,502	$3,037,631	$3,133,515	$3,232,239	$3,378,175

(1) Per IKE/DSDP Proposal, dated October 21, 2022. Reflects 45% of Net Revenues scenario.
(2) Reflects escalation factor beginning in Year 4.
(3) Revised per IKE data request response, dated January 12, 2023.

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PER IKE / DSDP

TABLE 3

CALCULATION OF PUBLIC BENEFIT REVENUE, YEARS 1-15
IKE/DSDP CITY WAYFINDING PROPOSAL
CITY OF SAN DIEGO

		Initial Term										Renewal Term				
	Year:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
I. Calculation of Public Benefit Revenue, Greater of A or B:																
A. Minimum Annual Guarantee (MAG)																
Per Operational Kiosk (1)		$16,000	$18,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$22,000	$22,000	$22,000	$22,000	$22,000
Total Potential MAG		$800,000	$900,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,100,000	$1,100,000	$1,100,000	$1,100,000	$1,100,000
B. Share of Net Revenue to City/DSDP		$1,396,987	$1,714,811	$2,159,312	$2,234,624	$2,312,112	$2,391,841	$2,473,879	$2,558,294	$2,645,159	$2,734,546	$2,944,502	$3,037,631	$3,133,515	$3,232,239	$3,378,175
C. Total Public Benefit Revenue to City and DSDP		$1,396,987	$1,714,811	$2,159,312	$2,234,624	$2,312,112	$2,391,841	$2,473,879	$2,558,294	$2,645,159	$2,734,546	$2,944,502	$3,037,631	$3,133,515	$3,232,239	$3,378,175
II. Distribution of Public Benefit Revenue																
A. Share to DSDP	35%	$488,946	$600,184	$755,759	$782,118	$809,239	$837,144	$865,858	$895,403	$925,806	$957,091	$1,030,576	$1,063,171	$1,096,730	$1,131,284	$1,182,361
B. Share to City	65%	$908,042	$1,114,627	$1,403,553	$1,452,505	$1,502,873	$1,554,697	$1,608,021	$1,662,891	$1,719,353	$1,777,455	$1,913,927	$1,974,460	$2,036,785	$2,100,955	$2,195,814

Value of Revenue to City, Years 1-10	
Cumulative Total	$14,704,000
Net Present Value in Year 0 (2)	$9,269,000

Value of Revenue to City, Years 1-15	
Cumulative Total	$24,926,000
Net Present Value in Year 0 (2)	$12,812,000

(1) Assumes 50 operational kiosks per year, starting in Year 1.
(2) Discounted at 8.5%.

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