

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
12	06/11/12	Open	Action	06/04/12

Subject: Awarding a Contract to Lamar Transit for Bus Advertising

ISSUE

Whether or not to conditionally award a contract to Lamar Obie Corporation for bus advertising.

RECOMMENDED ACTION

- A. Adopt Resolution No. 12-06-_____, Conditionally Awarding a Contract for Transit Vehicle Advertising to Lamar Obie Corporation; or
- B. Adopt Resolution No. 12-06-_____, Conditionally Awarding a Contract for Transit Vehicle Advertising with Full-Wrap Bus Advertising to Lamar Obie Corporation

FISCAL IMPACT

If the RT Board of Directors approves a contract for bus advertising without full-wrap advertising, the minimum license fees guaranteed (including the Annual Administrative Fee and Annual Paint Repair Fee) by Lamar Obie Corporation during a three-year period (July 1, 2012 through June 30, 2015) are \$1,305,000. Option Years 4 and 5 (July 1, 2015 through June 30, 2017) would generate an additional \$920,000. The minimum license fees guaranteed during a five-year period are \$2,225,000.

If the RT Board approves a contract for bus advertising including full-wrap advertising, the minimum license fees guaranteed (including the Annual Administrative Fee and Annual Paint Repair Fee) by Lamar Obie Corporation during a three-year period (July 1, 2012 through June 30, 2015) are \$1,435,000. Option Years 4 and 5 (July 1, 2015 through June 30, 2017) would generate an additional \$1,000,000. The minimum license fees guaranteed during a five-year period are \$2,435,000.

In addition, Lamar Obie Corporation will provide a \$150,000 media trade/production credit over the five-year term if the RT Board awards the Contract without full wraps or a \$500,000 media trade/production credit over the five-year term if the RT Board awards the Contract with the full wrap option.

Under the contract, RT is entitled to the Annual Administrative Fee and Annual Paint Repair Fee plus a minimum annual guarantee. If Lamar Obie Corporation's net advertising receipts exceed \$750,000, RT will receive 51 percent of net advertising receipts instead of the minimum annual guarantee.

RT expects to receive \$704,223 for the fourth and final year of the current contract with Clear Channel Outdoor.

Approved:

Presented:

Final 6/4/12

General Manager/CEO

Assistant General Manager of Marketing and Communications

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	Year 1 FY 2013	Year 2 FY 2014	Year 3 FY 2015	Years 1 - 3 TOTAL	OPTION Year 4 FY 2016	OPTION Year 5 FY 2017	Years 1 - 5 TOTAL
Bus – No Full-Wrap	\$425,000	\$435,000	\$445,000	\$1,305,000	\$455,000	\$465,000	\$2,225,000
Bus – With Full-Wrap	\$450,000	\$485,000	\$500,000	\$1,435,000	\$500,000	\$500,000	\$2,435,000
Additional Revenue – Difference With Full-Wrap	\$ 25,000	\$50,000	\$55,000	\$130,000	\$45,000	\$35,000	\$210,000

DISCUSSION

On February 13, 2012, the RT Board approved the release of a Request for Proposals (RFP) for transit vehicle advertising services. The RFP was released on March 19, 2012, and was sent to 10 advertising firms. A pre-proposal meeting was held on April 11, 2012 and proposals were due on April 19, 2012. Two firms submitted responsive proposals: Gateway Outdoor Advertising and Lamar Obie Corporation.

The qualifying criteria included the Proposer’s approach and methodology for implementing and maximizing revenue to RT (20 points), staffing and experience (20 points), and competitiveness of guaranteed revenue for RT (60 points). The Proposer’s total revenue is comprised of three components: Minimum Annual Guarantee (revenue), an Annual Administrative Fee, and an Annual Paint Repair Fee.

The Selection Committee consisted of: Alane Masui, Assistant General Manager of Marketing and Communications; Mark Lonergan, Chief Operating Officer; David Harbour, Acting Director of Bus Maintenance; Laura Forester Ham, Director of Accessible Services and Customer Advocacy; and Brent Bernegger, Director of Finance and Treasury.

The evaluation committee reviewed the proposals and determined Gateway Outdoor Advertising to have submitted the proposal most advantageous to RT. RT exercised its reservation of right to award without negotiations and on April 30, 2012, RT notified the proposers of its intent to recommend contract award to Gateway Outdoor Advertising.

Subsequently, Gateway Outdoor Advertising advised RT that it would not honor its proposal as submitted and requested to renegotiate the terms of its proposal. On May 10, 2012, RT sent a notice rescinding the intent to award the contract and stated its intent to negotiate with all proposers in the competitive range.

RT staff conducted negotiations with Gateway Outdoor Advertising on May 21, 2012 and Lamar Obie Corporation on May 22, 2012. RT concluded negotiations and requested revised

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proposals from both firms on May 24, 2012. Revised proposals were received and evaluated on May 30, 2012.

PROPOSED REVENUE		
Years 1 - 3 and OPTION Years 4 - 5	Lamar Obie Corporation	Gateway Outdoor Advertising
Bus – No Full-Wrap	\$2,225,000	\$1,425,000
Bus – With Full-Wrap	\$2,435,000	\$1,825,000

The RFP required proposers to offer a minimum annual guarantee of at least \$200,000, plus the \$200,000 annual administrative fee and \$25,000 paint repair fee (a minimum of \$425,000 per year or \$2,125,000 over the 5-year term of the contract). Gateway Outdoor Advertising’s revised proposal offered no minimum annual guarantee for the first two years. Consequently, Gateway’s revised proposal is non-responsive, leaving Lamar as the only responsive proposer.

RT notified the proposers of its intent to recommend contract award to Lamar Obie Corporation on June 1, 2012.

The RFP was structured such that Proposers were required to propose on bus advertising with a full-wrap option and bus advertising without a full-wrap option. Full-wrap advertising would cover the entire bus with the exception of the windshield and there would be no limit to the number of full-wraps in the bus fleet. The full-wrap option would increase the Minimum Annual Guarantee by \$25,000 in Year 1; \$50,000 in Year 2; \$55,000 in Year 3; \$45,000 in Option Year 4; and \$35,000 in Option Year 5. The additional guaranteed revenue for the full-wrap option during the length of the contract would be minimal, but full-wraps are an attractive product with the potential to increase sales.

In addition, it is expected that the active fleet size will increase as RT restores bus service through 2017; therefore, the expected revenue will increase.

In consideration of the minimal revenue increases for the full-wrap option during the length of the contract compared to the potential loss of brand identify, RT staff recommends that the RT Board award a contract for Transit Vehicle Advertising to Lamar Obie Corporation for bus advertising without full-wrap advertising for a three-year term, with an RT option to renew for two one-year periods. RT has the option to add full-wrap advertising for future years with 90 days’ advance written notice. The media trade/production credit proposed for the full-wrap option would increase the credit by \$350,000 during the contract years, but the type of advertising product(s), availability and market presence would need to be evaluated to determine the actual value to the District.

Because the 10-day protest period has not yet run, the contract must be awarded to Lamar conditionally.

RT staff will present advertising options for light rail train advertising to the RT Board in July.

RESOLUTION NO. 12-06-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

June 11, 2012

**CONDITIONALLY AWARDING A CONTRACT FOR TRANSIT VEHICLE
ADVERTISING TO LAMAR OBIE CORPORATION**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE
SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Contract for Transit Vehicle Advertising between Sacramento Regional Transit District, therein referred to as "RT," and Lamar Obie Corporation, therein referred to as "Advertiser," whereby RT grants a license to Advertiser to display advertising on RT buses and Advertiser agrees to pay RT an annual administrative fee and annual paint repair fee and either an annual minimum guarantee or 51 percent of its net advertising receipts (if net advertising receipts exceed \$750,000), plus a \$150,000 production credit, as further set forth therein, is hereby approved, on the condition that a protest is not timely filed.

THAT, the General Manager/CEO is hereby authorized and directed to execute said Contract.

BONNIE PANNELL, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary

RESOLUTION NO. 12-06-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

June 11, 2012

**CONDITIONALLY AWARDING A CONTRACT FOR TRANSIT VEHICLE
ADVERTISING WITH FULL-WRAP ADVERTISING TO LAMAR OBIE CORPORATION**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE
SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Contract for Transit Vehicle Advertising with Full-Wrap Advertising between Sacramento Regional Transit District, therein referred to as "RT," and Lamar Obie Corporation, therein referred to as "Advertiser," whereby RT grants a license to Advertiser to display advertising on RT buses and Advertiser agrees to pay RT an annual administrative fee and annual paint repair fee and either an annual minimum guarantee or 51 percent of its net advertising receipts (if net advertising receipts exceed \$750,000), plus a \$500,000 production credit, as further set forth therein, is hereby approved, on the condition that a protest is not timely filed.

THAT, the General Manager/CEO is hereby authorized and directed to execute said Contract.

BONNIE PANNELL, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary