

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
14	06/25/12	Open	Action	06/20/12

Subject: Whether to repeal Resolution No. 12-06-0085 and delegate authority to the General Manager/CEO to approve a Contract for Transit Vehicle Advertising with Lamar Obie Corporation

ISSUE

Whether to repeal Resolution No. 12-06-0085 and delegate authority to the General Manager/CEO to approve a Contract for Transit Vehicle Advertising with Lamar Obie Corporation

RECOMMENDED ACTION

Adopt Resolution 12-06-_____, Repealing Resolution No. 12-06-0085 and Delegating Authority to the General Manager/CEO to Approve a Contract for Transit Vehicle Advertising with Lamar Obie Corporation.

FISCAL IMPACT

The revised methodology would affect payments only if revenues exceed expectations. The adopted budget assumes payment based on the minimum annual guarantee.

DISCUSSION

At the June 11, 2012 Board meeting, the Board adopted Resolution 12-06-0085, Conditionally Awarding a Contract for Transit Vehicle Advertising to Lamar Obie Corporation. When the contract was sent to Lamar Obie Corporation for execution, it became clear that the parties had a different understanding of the revenue sharing portion of the contract.

Specifically, RT believed that Lamar Obie Corporation agreed to share 51% of all of the net advertising revenues once revenues exceeded a threshold of \$750,000 (for example, at the \$751,000 in net revenues, RT would receive \$383,010 in revenues in lieu of the \$200,000 minimum annual guarantee). This is the understanding that was presented to the Board in the Issue Paper for the June 11, 2012 Board meeting.

Lamar Obie Corporation believed that the parties agreed that only revenue in excess of the \$750,000 would be shared, and only if the revenue share exceeded the minimum annual guarantee. Based on the minimum annual guarantee of \$200,000, Lamar Obie Corporation's net revenues would need to reach approximately \$1,150,000 before RT would receive any more than the \$200,000 minimum annual guarantee.

After discussions, RT staff reached a tentative agreement with Lamar Obie Corporation that would provide for both a minimum annual guarantee and revenue sharing when revenues exceed \$750,000. RT staff does not believe that any higher revenue can be achieved by re-soliciting proposals.

Approved:


General Manager/CEO

Presented:


Assistant General Manager of Marketing and Communications

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Because the current contract with Clear Channel Outdoor expires on June 30, 2012, it is important to have a replacement vendor poised to take over transit vehicle advertising on July 1, 2012.

The minimum annual guarantee would not be affected by these changes, nor would the \$200,000 annual administrative fee and \$25,000 paint repair fee. RT would receive, at minimum, the following amounts:

	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
Minimum Annual Guarantee	\$200,000	\$210,000	\$220,000	\$630,000	\$230,000	\$240,000	\$1,100,000
Administrative Fee	\$200,000	\$200,000	\$200,000	\$600,000	\$200,000	\$200,000	\$1,000,000
Paint Repair Fee	\$25,000	\$25,000	\$25,000	\$75,000	\$25,000	\$25,000	\$125,000
Total:	\$425,000	\$435,000	\$445,000	\$1,305,000	\$455,000	\$465,000	\$2,225,000

RT staff is requesting that the Board delegate authority to the General Manager/CEO to approve a contract for transit vehicle advertising with Lamar Obie Corporation that provides for a minimum annual guarantee of the amounts specified above and which may include some form of revenue sharing.

RESOLUTION NO. 12-06-_____

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

June 25, 2012

**REPEALING RESOLUTION NO. 12-06-0085 AND DELEGATING AUTHORITY TO
THE GENERAL MANAGER/CEO TO APPROVE A CONTRACT FOR TRANSIT
VEHICLE ADVERTISING WITH LAMAR OBIE CORPORATION**

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

THAT, Resolution No. 12-06-0085 is hereby repealed.

THAT, it is in the best interest of the Sacramento Regional Transit District to negotiate with Lamar Obie Corporation, the only responsive proposer under RFP No.: 2012008, for a transit vehicle advertising contract.

THAT, the General Manager/CEO is hereby authorized to approve a Contract for Transit Vehicle Advertising with Lamar Obie Corporation, provided that any such Contract guarantees that the Sacramento Regional Transit District will receive at least \$1,305,000 in revenue over the three-year initial term of the Contract and may also include some form of revenue sharing.

BONNIE PANNELL, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary