

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
6	05/11/15	Open	Action	05/05/15

Subject: Approving the First Amendment to the Contract for Transit Vehicle Advertising with Lamar-Obie Corporation

ISSUE

Whether or not to approve the First Amendment to the Contract for Transit Vehicle Advertising with Lamar-Obie Corporation.

RECOMMENDED ACTION

Adopt Resolution No. 15-05-_____, Approving the First Amendment to the Contract for Transit Vehicle Advertising with Lamar-Obie Corporation.

FISCAL IMPACT

Approval of Option Year 1 would provide a Minimum Annual Guarantee of \$230,000, an Annual Administrative Fee of \$200,000 and an Annual Paint Repair Fee of \$25,000, for a Total Annual License Fee of \$455,000. Expanded product offerings would increase the Minimum Annual Guarantee by \$50,000 for a Total Annual License Fee of \$505,000.

Approval of Option Year 2 would provide a Minimum Annual Guarantee of \$240,000, an Annual Administrative Fee of \$200,000 and an Annual Paint Repair Fee of \$25,000, for a Total Annual License Fee of \$465,000. Expanded product offerings would increase the Minimum Annual Guarantee by \$50,000 for a Total Annual License Fee of \$515,000.

DISCUSSION

On June 25, 2012, the Regional Transit (RT) Board of Directors approved a three-year Contract with Lamar-Obie Corporation (Lamar) to provide interior and exterior advertising on transit vehicles (buses). The third year of the Contract ends on June 30, 2015. The Contract included a unilateral RT option to renew for two one-year periods. To exercise its option for the first option year, RT is required to provide written notice of its intent to exercise the option to Lamar, no later than 45 calendar days prior to the end of the initial three-year Contract term, subject to ultimate approval by the RT Board of Directors. Upon approval of the RT Board of Directors, RT will provide written notice to Lamar no later than May 15, 2015. RT and Lamar will execute an amendment to extend the term of the Contract and increase the total consideration.

RT can also exercise its option for both the first and second option years simultaneously, which will ensure a smooth transition as RT accepts 96 new Gillig BRT-Plus buses (1500 series) and retires buses from the aging 2300 series and 2400 series fleet. During the current Contract Year 3, RT received 30 new buses. RT will receive 66 new buses during Contract Year 4 (2015 – 2016) and Contract Year 5 (2016 – 2017).

Approved:

Presented:

Final 05/06/15

General Manager/CEO

AGM of Marketing and Communications

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The Minimum Annual Guarantee for Contract Year 4 will increase by \$10,000 over Contract Year 3 for a Total Annual License Fee of \$455,000. The Minimum Annual Guarantee for Contract Year 5 will increase by \$20,000 over Contract Year 3 for a Total Annual License Fee of \$465,000.

RT authorized Lamar to commence an experimental advertising program to determine the market viability of four additional products not included in the original agreement: Super Sides, Super Wraps, Full Backs and Headline displays (attachment 1). Formally authorizing Lamar to continue with these expanded product offerings will increase the Minimum Annual Guarantee by \$50,000 for Contract Year 4 and \$50,000 for Contract Year 5. In addition, Lamar will provide payment of \$62,500 for Contract Year 1 (partial year) and Contract Year 2; and \$50,000 for Contract Year 3. With the approval of two consecutive options years and expanded product offerings, the Contract will generate an additional \$242,500 in guaranteed revenue.

Lamar has demonstrated the ability to generate revenue above the net sales agreement, resulting in additional payments to RT. There is the potential to increase revenue based on projected advertising sales.

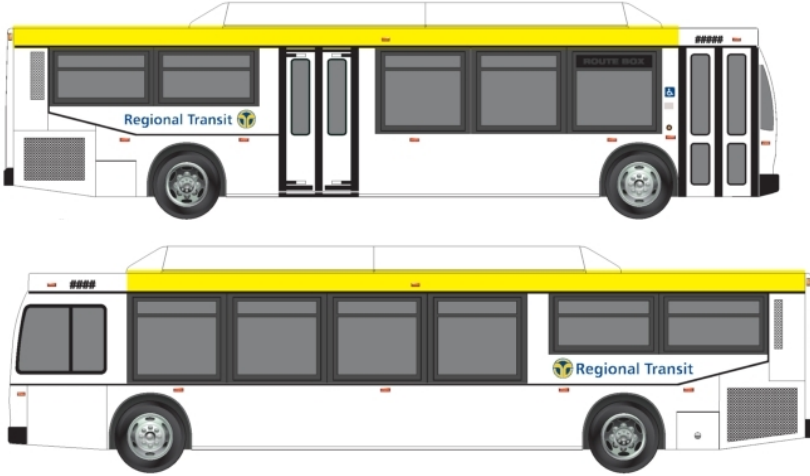
Lamar will continue to provide an annual \$5,000 production credit and annual \$25,000 media credit per the contract. In addition, Lamar will provide four light rail vehicle wraps in Contract Year 4 and four light rail vehicle wraps in Contract Year 5 in the RT branding or for promotional purposes. The value of production and installation of the light rail vehicle wraps is approximately \$128,000 (approximately \$16,000 per light rail vehicle).

Staff recommends that the Board approve the option of a fourth year and fifth year, and execute the First Amendment to extend the term of the contract with Lamar for transit vehicle advertising.

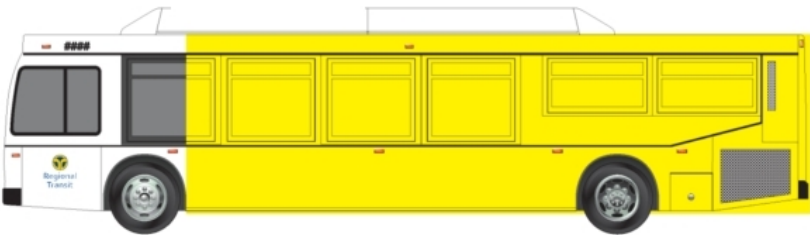
Attachment 1

Expanded Product Offerings

Headliners



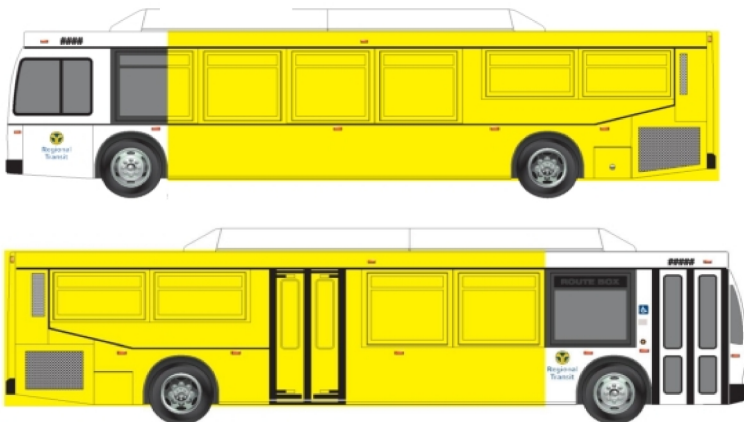
Super Side



Full Back



Super Wrap



RESOLUTION NO. 15-05-_____

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

May 11, 2015

**APPROVING THE FIRST AMENDMENT TO THE 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, the First Amendment to the Contract between Sacramento Regional Transit District, therein referred to as "RT," and Lamar-Obie Corporation, therein referred to as "Contractor," whereby RT exercises its option to extend the contract for a fourth year and fifth year, is hereby approved.

THAT, the Chair and General Manager/CEO are hereby authorized and directed to execute said amendment.

JAY SCHENIRER, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary