



# STAFF REPORT

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**DATE:** July 27, 2020

**TO:** Sacramento Regional Transit Board of Directors

**FROM:** Devra Selenis, VP, Communications and Partnerships

**SUBJ:** DELEGATING AUTHORITY TO THE GENERAL MANAGER TO: AMEND AND RESTATE THE AGREEMENT FOR LIGHT RAIL VEHICLE AND STATION ADVERTISING WITH LAMAR TRANSIT LLC; AND TEMPORARILY AMEND AND RESTATE THE AGREEMENT FOR BUS VEHICLE ADVERTISING WITH LAMAR TRANSIT LLC

RECOMMENDATION

Adopt the Attached Resolutions.

RESULT OF RECOMMENDED ACTION

The first recommended action will delegate authority to the General Manager/CEO to negotiate and restate the contract with Lamar Transit, LLC for interior and exterior light rail vehicle advertising adjusting the amount of the annual Guarantee (compensation) owed by Lamar Transit, LLC to SacRT based on a reduction in the number of light rail vehicles available for service for contract years four and five, and future option years.

The second recommended action will delegate authority to the General Manager/CEO to negotiate a temporary amendment to the contract with Lamar Transit, LLC for interior and exterior bus advertising due to the significant drop in advertising sales as a result of COVID-19.

FISCAL IMPACT

SacRT budgeted to receive advertising revenue for both bus and rail in FY21. Lamar has requested a one-year reprieve on the bus Minimum Annual Guarantee (MAG) and an adjustment to the light rail MAG based on number of available vehicles. SacRT is seeking authority for the General Manager/CEO to enter into an agreement in which the MAGs are reduced because of COVID-19 and vehicle availability.

The maximum annual revenue loss for bus and rail advertising is estimated at \$600,000 and \$500,000, respectively. The maximum loss would only be realized if the contracts were terminated. There will be an executive report out to the Board when the negotiations have been finalized.

DISCUSSION

With an aging fleet of light rail vehicles, many well past their useful life, the number of light rail vehicles out for service is impacting the terms and conditions of the agreement

with Lamar Transit, LLC for interior and exterior light rail vehicle advertising. The MAG was based on a formula using up to 85 light rail vehicles to determine the amount Lamar Transit, LLC would pay SacRT each contract year.

SacRT's light rail vehicle and station agreement with Lamar just entered the second half of the fourth year of a five-year contract period (18 months remaining). As SacRT's aging light rail fleet continues to require significant maintenance, Lamar Transit, LLC is struggling to balance advertiser commitments with having to cover the cost of rewrapping light rail trains that are often out of service for maintenance for more than 60 days at a time. As a result, Lamar Transit, LLC has asked SacRT to renegotiate the terms of the contract to: 1) reduce the number of available light rail vehicles for advertising from 85 down to the most reliable, of the current fleet; and 2) reduce the MAG based on the number of available light rail vehicles per the vehicle calculations in the contract for the remaining 18 months.

SacRT contracts with Lamar Transit, LLC for the sale of interior and exterior advertising on our light rail vehicles and buses. Lamar Transit, LLC, like so many businesses, has been significantly impacted as a result of the COVID-19 pandemic experiencing a drastic reduction in ad revenues due to the following:

- Active advertising contracts have been cancelled due to events and other social gathering restrictions or cancellations
- Suspended billing while businesses are closed and/or under government restrictions
- Renewing campaigns are stagnant with increasing attrition rates
- Revenue through new business development is virtually nonexistent
- Delinquent and non-payment of invoices for services rendered to advertising clients

SacRT has had a long-standing collaboration with Lamar Transit, LLC that has provided additional revenue for SacRT over the last four years, and helped improve SacRT's image by wrapping light rail trains instead of SacRT having to cover the cost of repainting the fleet. Staff recommends that the Board authorize the General Manager/CEO to enter into negotiations for both the bus and light rail advertising agreements with Lamar Transit, LLC to temporarily reduce the MAG for the bus contract and renegotiate the contract for light rail advertising.

RESOLUTION NO. 20-07-0073

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

July 27, 2020

**DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO NEGOTIATE  
AND RESTATE THE AGREEMENT FOR LIGHT RAIL VEHICLE AND STATION  
ADVERTISING WITH LAMAR TRANSIT LLC.**

WHEREAS, on December 6, 2016, Sacramento Regional Transit District (“SacRT”) and Lamar Transit, LLC (“Lamar”) entered into the Contract for Light Rail Vehicle and Station Advertising (“Agreement”) wherein SacRT agreed to provide to Lamar access up to 85 light rail vehicles for the purpose of installing ads on the exterior of the vehicles and Lamar agreed to pay SacRT a minimum annual guarantee (“MAG”) in the amount of \$600,000; and

WHEREAS, due to the aging state of SacRT’s light rail vehicle fleet, SacRT cannot guarantee Lamar, access to 85 light rail vehicles (LRV) on a regular and consistent basis; and

WHEREAS, Lamar is incurring unexpected costs in wrapping and re-wrapping LRVs in advertisements due to the consistent unavailability of LRVs; and

WHEREAS, Lamar has requested that SacRT agree to amend and restate the Agreement to reduce the number of LRVs available to Lamar Transit and reduce the minimum annual guarantee (MAG) commensurate with the reduction in available LRVs.

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

THAT, the Board hereby authorizes the General Manager/CEO to enter into negotiations with Lamar Transit, LLC to amend and restate the Contract for Light Rail Vehicle and Station Advertising to modify the number of available light rail vehicles and negotiate a reduction in the MAG paid annually to SacRT; and

THAT, the General Manager/CEO is hereby authorized to execute an Amended and Restated Contract for Light Rail Vehicle and Station Advertising upon completion of successful negotiations with Lamar Transit, LLC; and

THAT, the General Manager/CEO is hereby directed to provide the Board with a status report upon completion of negotiations and execution of the amended and restated Agreement between SacRT and Lamar Transit, LLC.

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STEVE HANSEN, Chair

A T T E S T:

HENRY LI, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary

RESOLUTION NO. 20-07-0074

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

July 27, 2020

**DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO NEGOTIATE A TEMPORARY AGREEMENT FOR BUS VEHICLE ADVERTISING WITH LAMAR TRANSIT LLC.**

WHEREAS, on July 10, 2017, Sacramento Regional Transit District ("SacRT") and Lamar Transit LLC ("Lamar") entered into a Contract for Bus Vehicle Advertising ("Agreement") whereby Lamar was to sell advertising space on the interior and exterior of SacRT's buses and Lamar agreed to pay SacRT an minimum annual guarantee (MAG) payment of \$500,000; and

WHEREAS, due to the COVID-19 pandemic, Lamar has been unable to sell ad space on SacRT's buses to businesses, organizations and other third parties due to the cancellation of events, the shutdown of businesses, and the general economic slow-down resulting from the COVID-19 pandemic; and

WHEREAS, Lamar has requested that SacRT agree to temporarily reduce or eliminate Lamar's contractual obligation to pay the MAG for the duration of the COVID-19 pandemic.

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

THAT, due to the COVID-19 pandemic, the Board hereby authorizes the General Manager/CEO to enter into negotiations to amend the Contract for Bus Vehicle Advertising between Sacramento Regional Transit District and Lamar Transit LLC whereby the parties agree to a temporary reduction of the MAG payment due and payable to SacRT of the Contract to an amount that the General Manager/CEO determines to be fair and equitable given the current circumstances; and

THAT, the General Manager/CEO is hereby authorized to execute the resulting Amendment to the Contract for Bus Vehicle Advertising upon completion of contract negotiations; and

THAT, the General Manager/CEO is hereby directed to provide the Board with a status report upon completion of negotiations and execution of the Amendment to the Contract for Bus Vehicle Advertising.

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STEVE HANSEN, Chair

A T T E S T:

HENRY LI, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary