



STAFF REPORT

DATE: July 26, 2021
TO: Sacramento Regional Transit Board of Directors
FROM: Devra Selenis, VP, Communications and Partnerships
SUBJ: APPROVING THE SECOND AMENDMENT TO THE CONTRACT FOR BUS VEHICLE ADVERTISING WITH LAMAR TRANSIT LLC

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

The recommended action will reduce the Annual Guarantee received by SacRT for interior and exterior bus advertising from \$625,000 to \$350,000 because of lingering impacts that the COVID-19 pandemic has had on advertising sales.

FISCAL IMPACT

The reduced revenues for Fiscal Year 2022 would be a maximum of \$275,000. The fiscal impact may be less if revenues rebound and SacRT receives a revenue guarantee reconciliation payment from Lamar at the end of the Fiscal Year. This reduction in revenue was forecast by staff during the FY 22 budget process and is already included in the FY 2022 Operating Budget.

DISCUSSION

SacRT contracts with Lamar Transit, LLC (Lamar) for the sale of interior and exterior advertising on our light rail vehicles and buses. For each Contract Year, which align with SacRT's fiscal years, Lamar is obligated to make an Annual Guarantee payment to SacRT at the beginning of the year and then subsequently perform a year-end calculation to determine if the "Revenue Share" payment (55% of net revenues) is higher than the Annual Guarantee, in which case Lamar pays SacRT for the differential between the two amounts.

Lamar, like so many businesses, continues to be significantly impacted by the COVID-19 pandemic, experiencing a drastic reduction in ad revenues. In years prior to the pandemic, Lamar was realizing gross revenues of approximately \$1 million per Contract Year and was able to make the Annual Guarantee payment while maintaining profitability and, in some years, made additional Revenue Share payments to SacRT.

Lamar has communicated to SacRT that, based on current forecasted sales for the remaining Contract term, the requirement to pay the specified Contract Year 5 Annual

Guarantee of \$625,000 would require Lamar to operate at a loss (expenses would exceed gross revenue).

Lamar has requested a reduction to \$350,000. The requested Annual Guarantee reduction for Contract Year 5 is not as drastic as what was requested and agreed to last year, which reduced the Annual Guarantee to \$189,491.64. The \$350,000 amount is consistent with an estimated 55% revenue share. In addition, SacRT will continue to receive a Revenue Share “true up” payment at the end of the year if sales rebound more than expected.

SacRT has had a long-standing collaboration with Lamar that has provided additional revenue for SacRT over the last four years. As the Sacramento region moves toward recovery, ad sales revenue is expected to get back on track. Staff recommends that the Board approve the Second Amendment reducing the Contract Year 5 Annual Guarantee from \$625,000 to \$350,000.

RESOLUTION NO. 21-07-0083

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

July 26, 2021

APPROVING THE SECOND AMENDMENT TO THE CONTRACT FOR BUS VEHICLE ADVERTISING WITH LAMAR TRANSIT LLC

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

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 a minimum annual guarantee (MAG) payment of \$625,000 for Contract Year 5; and

WHEREAS, due to the COVID-19 pandemic, Lamar has experienced a slow sales recovery for the demand of ad space on SacRT's buses; and

WHEREAS, Lamar has requested that SacRT agree to temporarily reduce or eliminate Lamar's contractual obligation to pay the Contract Year 5 MAG.

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

THAT, due to lingering impacts from the COVID-19 pandemic, the Second Amendment to the Contract for Bus Vehicle Advertising between Sacramento Regional Transit District and Lamar Transit LLC whereby the parties agree to a reduction of the Contract Year 5 MAG payment due and payable to SacRT of the Contract from \$625,000 to \$350,000, is hereby approved; and

THAT, the Board Chair and General Manager/CEO are hereby authorized and directed to execute the foregoing Second Amendment.

STEVE MILLER, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Tabetha Smith, Assistant Secretary