

STAFF REPORT

DATE: December 13, 2021
TO: Sacramento Regional Transit Board of Directors
FROM: Laura Ham, VP, Planning and Engineering
SUBJ: APPROVING THE SECOND AMENDMENT TO THE CONTRACT FOR BUS SHELTER AND BENCH ACQUISITION, INSTALLATION AND MAINTENANCE, AND ADVERTISING SERVICES WITH CLEAR CHANNEL OUTDOOR TO INCLUDE SHELTERS AND BENCHES WITHIN THE CITY OF ELK GROVE AND EXERCISE THE OPTION YEARS 11-15

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

The contract with Clear Channel Outdoor (Clear Channel) will be amended to expand current bus shelter and bench acquisition, installation and maintenance, and advertising services to transit stops within the City of Elk Grove in exchange for Sacramento Regional Transit District (SacRT) foregoing the annual guarantee/revenue share amounts. The option years will also be exercised to extend the Contract for an additional five years.

FISCAL IMPACT

Currently, Clear Channel provides bus stop shelter and bench acquisition, installation and maintenance services to SacRT. Clear Channel also pays SacRT a \$60,000 annual Administrative Fee and an advertising revenue share of the greater of: (a) 15% gross/total advertising dollars or (b) a specified annual guarantee amount.

As a condition of agreeing to provide services within the City of Elk Grove, Clear Channel has requested that the annual guarantee/revenue share payments be eliminated for the remaining term of the Contract including extension option years. The annual guarantee for this Contract for years six through 10 is \$100,000 per year; in years 11 through 15, the annual guarantee would increase from \$103,000 to \$115,927 per year over the 5-year period.

Clear Channel provided a cost analysis to SacRT documenting that its anticipated costs to service the City of Elk Grove will exceed the specified annual guarantee amounts. Staff does not anticipate that percentage advertising revenue guarantee would exceed the fixed annual guarantee amounts. Therefore, the anticipated lost revenue is based on the annual guarantee amounts. While this lost revenue will be approximately \$1 million for

the remaining term of the Contract, including the option years, the revised Contract terms place all risk of increased labor and materials costs on Clear Channel; in no event will SacRT have out of pocket costs for these services. The alternative would be for SacRT to solicit a new contract for these services in the City of Elk Grove. Since Clear Channel has efficiencies from the equipment and material already on hand to service SacRT's existing inventory, Staff anticipates that any other contractor would be more expensive. Because SacRT has contracted out bus shelter and bench maintenance services since the 1990s, SacRT does not have internal staff that could provide these services in lieu of a contractor.

DISCUSSION

SacRT and Clear Channel entered into a Contract in 2015 for Clear Channel to provide SacRT with bus shelter and bench acquisition, installation and maintenance, at no cost to SacRT. Clear Channel provides these services using the revenue obtained from shelter and bench advertising. The Contract includes an administrative fee of \$60,000 paid to SacRT, as well as a minimum annual guarantee or 15% of revenues, whichever is greater. The contract has provisions for the expansion of Contractor's service and advertising rights to new service areas but allows Clear Channel to request an equitable adjustment in the Contract terms to account for new costs incurred as a result of the expansion.

When SacRT annexed the City of Elk Grove effective July 1, 2021, SacRT assumed ownership of the bus shelter and bus inventory within the City of Elk Grove. In response to the request from SacRT to extend the existing Contract to the new service area, Clear Channel requested that the annual guarantee/revenue share be eliminated for the remaining Contract term and that SacRT agree to early exercise of the five option years (extending the Contract out to 2030; SacRT will continue to have the right to terminate early for convenience or breach).

Clear Channel provided SacRT with yearly cost details for servicing the additional Elk Grove inventory:

Clear Channel Costs:

- Additional Truck: \$40,000
- Gas/Vehicle maintenance: \$15,600
- Additional one head count: \$114,410
- Additional Capex costs:
 - Ad/Map/back glass, diffusers: \$15,000
- **Total additional cost year 1: \$185,010**
- **Total additional cost years 2+: \$145,010 (plus inflation)**

By agreeing to merely forego the annual guarantee/revenue share payments for the remaining Contract term, SacRT eliminates the cost risk associated with maintenance of the new inventory and will benefit from consistent service across the entire shelter and bus inventory from a single contractor.

RESOLUTION NO. 21-12-0143

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

December 13, 2021

APPROVING THE SECOND AMENDMENT TO THE CONTRACT FOR BUS SHELTER AND BENCH ACQUISITION, INSTALLATION AND MAINTENANCE, AND ADVERTISING SERVICES WITH CLEAR CHANNEL OUTDOOR TO INCLUDE SHELTERS AND BENCHES WITHIN THE CITY OF ELK GROVE AND EXERCISE THE OPTION YEARS 11-15

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

THAT, the Second Amendment to the Contract for Bus Shelter and Bench Acquisition, Installation and Maintenance, and Advertising Services by and between the Sacramento Regional Transit District (therein "SacRT") and Clear Channel Outdoor (therein "Contractor") whereby SacRT agrees to eliminate the revenue share/annual guarantee payments for the remaining Contract term in consideration for Contractor assuming responsibility for shelter and bench inventory within the City of Elk Grove and SacRT exercising the option to extend the Contract for an additional 5 years, to July 16, 2030, is hereby approved.

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

STEVE MILLER, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Tabetha Smith, Assistant Secretary