



STAFF REPORT

DATE: May 9, 2022
TO: Sacramento Regional Transit Board of Directors
FROM: Devra Selenis, VP, Communications and Partnerships
SUBJ: APPROVING THE THIRD AMENDMENT TO THE CONTRACT FOR BUS VEHICLE ADVERTISING WITH LAMAR TRANSIT, LLC

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

The proposed action will approve the Third Amendment to the contract for bus vehicle advertising with Lamar Transit, LLC. The Third Amendment would extend the Contract for a three-month period, allowing SacRT additional time to evaluate options for the next competitive bus vehicle advertising solicitation.

FISCAL IMPACT

SacRT has had a long-standing collaboration with Lamar Transit, LLC that has provided additional revenue for SacRT over the last five years. In 2020 and 2021, the Board approved amendments to the Contract in which the minimum Annual Guarantee amounts were reduced as a result of the economic impacts of the COVID-19 pandemic, while SacRT retained the right to obtain 55% net revenue, if that amount exceeded the Annual Guarantee.

This Third Amendment (three-month extension) to the Contract with Lamar Transit, LLC, would have the same financial terms as the Second Amendment for Bus Vehicle Advertising, providing additional revenue to SacRT for a three-month period as follows:

- SacRT to receive a pre-payment of \$87,500 (one-fourth of the \$350,000 Annual Guarantee amount negotiated for Year 5)
- 55% revenue share payment if net revenues are higher than the Annual Guarantee

At the end of the three-month period, Lamar Transit, LLC will issue a true-up payment if revenue exceeds the \$87,500 prepayment using the 55% revenue share calculation.

DISCUSSION

In March 2017, SacRT released a Request for Proposals for Bus Vehicle Advertising for SacRT's then-current fleet of 181 40-foot buses. The solicitation provided an opportunity for proposers to receive an exclusive five-year license to place advertisements and public

services announcements on the interior and exterior of the buses to generate advertising revenue to be shared between SacRT and the successful proposer (with SacRT to receive the higher of a Minimum Annual Guarantee amount of net advertising revenues). In July 2017, SacRT awarded a five-year contract to Lamar Transit, LLC for a term to expire on June 30, 2022.

Throughout the pandemic, Lamar has been a cooperative partner in continuing to work with SacRT to maximize advertising revenues, though there was a significant decline in advertising revenues over the last two contract years as a result of businesses reducing advertising budgets. The parties adjusted the Annual Guarantee amount from \$625,000 to \$350,000 revenue share through amendment and adoption by the SacRT Board of Directors (Resolution No. 21-07-0083) to reflect that force majeure event.

With year two of the pandemic closed, and businesses starting to return to normal, it is SacRT's hope that advertising revenue will rise. By extending the contract with Lamar Transit, LLC for three months, it will help maximize advertising revenues prior to the next solicitation to get the best proposals. In addition, over the last several years and continuing to the present, SacRT has added new and diversified buses to its fleet, as well as retiring others. These fleet changes, along with other factors, including the discussion about limiting coverage of the windows due to safety and maintenance concerns, will affect the contours of SacRT's next bus advertising contract. At present time, SacRT is also engaged in a re-branding effort that may result in the creation of a new livery for its bus and light rail vehicles, which may also impact future advertising locations and opportunities.

Because of these significant adjustments, the scope of the next bus advertising contract will require a considerable modification before a new competitive solicitation is released, allowing SacRT to select the best advertising partner to work with over the next five-year term. Due to the time required to carry out that work and conduct a competitive solicitation, there is insufficient time to complete that process before the existing contract expires. The three-month extension with Lamar, to September 30, 2022, should provide sufficient time to have a new contract in place.

RESOLUTION NO. 2022-05-042

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

May 9, 2022

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

WHEREAS, on July 10, 2017, the Sacramento Regional Transit District (“SacRT”) and Lamar Transit, LLC (“Lamar”) entered into a five-year term for Bus Vehicle Advertising (“Contract”) whereby Lamar was to sell advertising space on the interior and exterior of SacRT’s buses; and

WHEREAS, due to the need to modify the scope of SacRT’s next bus advertising solicitation, a new contract will not be in place prior to expiration of the Contract on June 30, 2022; and

WHEREAS, to avoid a lapse in advertising and consequent loss of revenue, it is in the best interest of SacRT to extend the Contract for a three-month period.

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

THAT, the Third Amendment to the Contract for Bus Vehicle Advertising by and between the Sacramento Regional Transit District (therein “RT”) and Lamar Transit, LLC (therein “Advertiser”) whereby the term is extended by three-months through September 30, 2022, and Advertiser agrees to provide revenues to SacRT on the same terms as set forth in the Second Amendment, is hereby approved.

THAT, the SacRT Chair and General Manager/CEO are hereby authorized to execute the Third Amendment.

STEVE MILLER, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Tabetha Smith, Assistant Secretary