

STAFF REPORT

DATE: November 18, 2024
TO: Sacramento Regional Transit Board of Directors
FROM: Devra Selenis, VP, Communications and Partnerships
SUBJ: DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO AWARD AND EXECUTE A CONTRACT FOR LIGHT RAIL VEHICLE AND STATION ADVERTISING WITH LAMAR TRANSIT, LLC.

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

As a result of the proposed action, Lamar Transit, LLC (“Lamar”) may receive an exclusive 34-month license with two optional years to place advertisements and public service announcements on the interior and exterior of SacRT light rail trains and stations to generate revenue that will be shared between SacRT and Lamar. The current light rail vehicle advertising contract will expire on December 5, 2024.

FISCAL IMPACT

Under the proposal submitted by Lamar, SacRT will be paid, on an annual basis, the greater of: (a) a 50% net revenue share; or (2) a Minimum Annual Guarantee (MAG) of \$130,000 for Years 1 and 2, \$117,500 for Year 3, which is a partial year (December 6, 2026 to October 31, 2027), and \$130,000 for Option Years 4 and 5.

As consideration for SacRT’s waiver of the obligation to provide a performance bond or Irrevocable Letter of Credit, Lamar will pay the full MAG to SacRT at the start of each Contract year, which reduces SacRT’s risk of a performance default by Lamar.

DISCUSSION

Light rail vehicle and station advertising revenue contributes to SacRT’s Operating Budget each fiscal year, and it is in the best interest of SacRT to award an exclusive advertising license to a highly-qualified professional and experienced transit advertising firm to ensure that stable funding continues.

SacRT staff released a Request for Proposal (RFP) on October 4, 2024, via PlanetBids, identifying the category codes pertaining to the solicitation. There were 108 firms notified of the contracting opportunity, with proposals due on November 1, 2024. The scope of

the RFP provided the exclusive right to place advertising on: (1) the interior and exterior of 30 SacRT legacy low-floor light rail trains; and (2) light rail stations located throughout SacRT's service area, for a 34-month term, with two 1-year Option Years. To be considered responsive, proposers were required to include a Minimum Annual Guarantee (MAG) per year.

SacRT currently has a bus advertising contract with Lamar that expires October 31, 2027. During the solicitation for that contract, SacRT received feedback from several local and national bus and light rail advertising firms indicating that they would prefer to propose on solicitations that included both bus and light rail. Those two contract expiration dates are not currently aligned. The reason for the proposed 34-month term for light rail advertising is to align the two contracts and complete a combined solicitation in 2027. Staff believes aligning the contracts will provide more responsive proposals in the future by encouraging more competition.

The expiring light rail advertising contract, as amended, included the exclusive right to advertise on 45 vehicles operating on the Gold, Blue, and Green lines. The new low-floor trains, which will operate only on the Gold and Green lines until all Blue Line stations are converted, are not included in the list of available vehicles for exterior advertising at this time due to the manufacturer paint warranty. As a result, the license under this agreement only includes the ability to place advertisements on 30 of the legacy trains operating exclusively on the Blue Line.

SacRT only received one responsive proposal, from Lamar, which was evaluated using criteria established in the RFP, including description of advertising program methodology; advertising program staffing qualifications and experience; and proposed revenue to SacRT.

After a thorough evaluation and financial review, Lamar was ranked with a score of 192 out of 200 points possible.

Under the expiring contract, SacRT received a MAG of \$264,705.88 this year for the placement of advertising on 45 vehicles and all SacRT light rail stations. The new proposed MAG is significantly lower on a per-vehicle basis, which may reflect both the smaller reach of the new contract (Blue Line vs. all three lines) and overall changes to the out-of-home advertising market. Staff nonetheless believes it is in SacRT's best interest to continue the advertising relationship with Lamar. If revenues exceed Lamar's projections, SacRT will receive a revenue share percentage.

Lamar proposed a number of exceptions as part of its submission. Staff is still working on negotiating acceptable contract terms with Lamar and, as a result, has not yet issued a Notice of Intent to Award the contract. Given that the existing contract will expire prior to the next Board meeting, Staff is requesting a delegation of authority to the General Manager/CEO to award and execute the contract upon conclusion of negotiations.

RESOLUTION NO. 2024-11-116

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

November 18, 2024

DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO AWARD AND EXECUTE A CONTRACT FOR LIGHT RAIL VEHICLE AND STATION ADVERTISING WITH LAMAR TRANSIT, LLC.

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

THAT, authority is hereby delegated to the General Manager/CEO to award and execute a Contract for Light Rail Vehicle and Station Advertising between Sacramento Regional Transit District, therein referred to as "SacRT," and Lamar Transit, LLC, therein referred to as "Contractor," whereby Contractor is awarded an exclusive 34-month license to place advertisements and public service announcements on the exterior and interior of 30 SacRT light rail vehicles and light rail stations to generate revenue to be shared between SacRT and Contractor with Contractor committed, on an annual basis, to pay either a Minimum Annual Guarantee amount or 50% revenue share, whichever is greater, upon successful completion of Contract negotiations, if no protests are timely received after issuance of a Notice of Intent to Award.

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Tabetha Smith, Assistant Secretary