

To: Administration & Finance Committee

Date: 03/24/2022

From: Melody Reeb, Director of Planning, Marketing, & Innovation

Reviewed by:

Ref

SUBJECT: Bus Advertising Third Amendment

Background:

In January 2020, County Connection entered into an agreement with Vector Media to provide bus advertising services. The agreement established minimum annual guarantees (MAG) as follows: Year 1 - \$525,000, Year 2 - \$575,004, Year 3 - \$625,008, plus two additional one-year option terms. Prior to COVID-19, Vector Media was submitting monthly payments of \$43,750 per the agreement.

Ad sales plummeted in early 2020 due to the Shelter-in-Place orders imposed throughout the region, and later across the nation. In October 2020, the Board approved Resolution No. 2021-012, adjusting the compensation structure to a revenue share of fifty-five percent (55%) of actual monthly billings rather than the previously agreed upon MAG. In April 2021, the Board approved Resolution No. 2021-023, which extended the reduced revenue share through December 31, 2021.

Extension Request:

Vector Media has contacted County Connection staff requesting another extension of the reduced revenue share from January 1, 2022 through December 31, 2022. Vector has been providing the agreed upon monthly sales report, and although billings have been increasing over the last few months, staff recognizes that returning to the original MAG would pose additional financial hardships for Vector. The requested extension would go until the end of the initial three-year contract, after which County Connection can exercise one of the two one-year options or release a Request for Proposals (RFP) for a new contract.

Financial Implications:

Advertising revenues will be reduced through December 31, 2022. Over the past six months, County Connection's revenue share based on the modified structure has been about half of the MAG.

Recommendation:

Staff recommends that the A&F Committee approve an amendment to the contract with Vector Media to extend the revised compensation structure of 55% of gross revenue with no MAG through December 31, 2022.

Action Requested:

Staff requests that the A&F Committee forward the proposed amendment to the Board for approval.

Attachments:

Attachment 1: Letter from Vector Media dated March 2, 2022

VECTOR MEDIA

560 Lexington Avenue
New York, NY 10022
www.vectormedia.com



March 2, 2022

County Connection
Attn: Ruby Horta
2477 Arnold Industrial Way
Concord, CA 94520

Dear Ruby:

Thank you again for your continued partnership with Vector Media.

Unfortunately, transit advertising revenues across the country continue to be well below pre-COVID levels despite best efforts. In fact, the most recent data published by the Outdoor Advertising Association of America (“OAAA”) reported that transit advertising nationwide was still down 61% in Q2/2021 vs Q2/2019, with large metropolitan cities and their surrounding areas like NYC, Los Angeles, Chicago and San Francisco being most impacted.

Despite our best intentions to return to the monthly guaranteed amount, we are requesting an extension of our revenue share agreement whereby we pay County Connection 55% of monthly billings from January 1, 2022 through December 31, 2022. We will continue to provide you with monthly sales revenue reports so that you are aware of revenues booked and potential revenues moving forward.

Once again, we greatly appreciate your understanding and patience as we hope to see progress as the year goes on. Please let me know when a convenient time would be to discuss as we strive to continue to be as transparent as possible.

Sincerely,

A handwritten signature in black ink that reads "Logan Mayer".

Logan Mayer
VP, Business Development & Strategic Partnerships