

INTER OFFICE MEMO

To: Administration & Finance Committee

Date: 08/29/2022

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

Reviewed by: *RF*

SUBJECT: Bus Advertising Contract Extension

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 (Year 4 - \$675,000, Year 5 - \$700,000). 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. The Board subsequently approved Resolution Nos. 2021-023 and 2022-026, which extended the reduced revenue share through December 31, 2022—the end of the base term of the contract.

Contract Extension:

Despite the reduced compensation, the revenues remain higher than those that were proposed by the other vendor that responded to the original RFP in 2019. Thus, staff believe that rebidding the contract will not result in higher revenues. Vector Media has proposed a revised compensation structure for the two option years that reinstates the MAG but at a lower amount based on current market conditions. The MAG for the first option year will be \$337,500, which is 50% of the original contract amount. For the second year, it will be set to \$350,000 or 70% of the previous year's gross advertising revenue, whichever is greater. This is in addition to an increase in revenue share from 55% to 60% of actual billings per the original contract.

Financial Implications:

Advertising revenues will be reduced at most by 50% from the original contract amount through December 31, 2024. The reinstated MAG would provide a minimum of \$687,500 in revenue over the two-year extension term and is consistent with the adopted FY 2023 budget.

Recommendation:

Staff recommends a two-year extension of the current contract with Vector Media for bus advertising services with a revised compensation structure through December 31, 2024.

Action Requested:

Staff requests that the A&F Committee forward the proposed bus advertising contract extension to the Board for approval.

Attachments:

Attachment 1: Letter from Vector Media dated August 16, 2022

VECTOR MEDIA

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



August 16, 2022

County Connection
Attn: Melody Reebbs
2477 Arnold Industrial Way
Concord, CA 94520

Dear Melody:

Thank you again for your continued partnership with Vector Media. We are hopeful that we can continue our partnership for many years and appreciate your consideration of our proposal for the two option years available in our contract.

Our sales revenues are gaining momentum as we continue to climb out from the impact of the COVID-19 pandemic, as we are projected to have our best year under our agreement. As we discussed on our August 8th phone call, we would like to propose the following terms for the two option years, effective January 1, 2023.

January 1, 2023 - December 31, 2023:

Vector will pay the greater amount of the Minimum Annual Guarantee (MAG) or 60% of revenues. MAG will be set to \$337,500 and will be paid monthly.

January 1, 2024 - December 31, 2024:

Vector will pay the greater amount of the Minimum Annual Guarantee (MAG) or 60% of revenues. MAG will be set to the greater amount of \$350,000 or 70% of the previous year's gross advertising revenues, paid monthly.

For illustration purposes, if gross advertising sales in 2023 were to equal \$1,000,000, the MAG for 2024 would be set to \$700,000, paid monthly.

Please let me know if there are any questions or feedback you may have. Thank you again for the opportunity to continue working with County Connection.

Sincerely,

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

Logan Mayer
VP, Business Development & Strategic Partnerships

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