

To: Board of Directors

Date: July 3, 2014

From: Anne Muzzini, Director of Planning and Marketing

Reviewed by:

Subject: Bus Advertising Contract

Background:

County Connection contracts with Lamar Transit Advertising for bus advertising services. The current contract includes revenue guarantees for both County Connection and Tri Delta Transit. In this final year County Connection will receive 55% of revenue or the minimum annual guarantee of \$545,000. To date the revenues have never exceed the minimum guarantee threshold. The contract expires December 31, 2014.

The MP&L Committee has previously discussed the pros and cons of a joint contract with Tri Delta and WestCat as well as options for ad coverage. They directed staff to test the market to see what the cost would be to go it alone, and to limit the amount of full coverage ads. In April staff released a Request for Proposals based solely on the County Connection service area, and asked bidders to present two separate compensation proposals. One was a compensation structure for ads that fit below the window, and the other was for full coverage ads on no more than 20% of the fleet. In both options no advertising in the headliner space above the windows is allowed due to branding elements that will be located in this space.

Current Ad Coverage

In 2013, as part of a 2 For 1 special sponsored by Lamar Transit, full side and full wrap ads were included in the promotion, which lead to a large portion of the fleet being covered on at least one side. This raised concern among staff and the Board.

This year Lamar has agreed to monitor the amount of full coverage advertising even though no limits are placed in the current contract. The May activity report shows 22 placements that extend partially or fully into the side windows, which exceeds 20% by only one bus (103 buses available for ads).

RFP Process

Bid notices were sent to eight firms; four requested complete bid packages; and Lamar Transit Advertising was the only firm to submit a proposal.

Lamar's Proposal:

In addition to two ad space coverage options, bidders were asked to give us to payment pricing structures; a fixed guarantee, or a share of the gross with a minimum guarantee. The current contract is based upon a share of the gross with a minimum guarantee.

Option A – Ads below the windows only

Fixed Annual Guarantee	Percentage of Gross/with min. guarantee
Yr. 1 \$500,000	55%/\$475,000
Yr. 2 \$505,000	55%/\$480,000
Yr. 3 \$510,000	55%/\$485,000
Yr. 4 (Optional) \$515,000	55%/\$490,000
Yr. 5 (Optional) \$520,000	55%/\$495,000

We would lose between \$45,000 and \$70,000 compared to our current revenue for limiting ad space below the windows.

Option B – Full wrap coverage on up to 20% of the fleet

Fixed Annual Guarantee	Percentage of Gross/with min guarantee
Yr. 1 \$600,000	62%/\$575,000
Yr. 2 \$605,000	62%/\$580,000
Yr. 3 \$610,000	62%/\$585,000
Yr. 4 (Optional) \$615,000	62%/\$590,000
Yr. 5 (Optional) \$620,000	62%/\$595,000

Under this option we would see an increase of between \$30,000 and \$55,000 over our current revenue. This indicates that we will not lose money if we go it alone.

Recommendation

The MP&L Committee recommends to the Board the following:

- 1) That we go it alone as opposed to a joint contract with other operators to avoid disagreements about revenue split and maximize revenues.
- 2) That we use the “percentage of Gross with a minimum guarantee” type payment method to better track sales and optimize potential ad revenues.
- 3) That we limit advertising to the space below the windows even though it will reduce the amount of revenue by an estimated \$70,000.

RESOLUTION NO. 2015-001

BOARD OF DIRECTORS, CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATE OF CALIFORNIA

* * *

AUTHORIZING AWARD OF CONTRACT TO LAMAR TRANSIT, LLC
TO PROVIDE BUS ADVERTISING SERVICES

WHEREAS, the County of Contra Costa and the Cities of Clayton, Concord, Lafayette, Martinez, Orinda, Pleasant Hill, San Ramon, and Walnut Creek, and the Towns of Danville and Moraga (hereinafter “member jurisdictions”), have formed the Central Contra Costa Transit Authority (County Connection), a joint exercise of powers agency created under California Government Code Sections 6500, *et seq.*, to provide coordinated and integrated public transportation services within the area of such member jurisdictions; and

WHEREAS, in April 2014, County Connection released a Request For Proposals (RFP) for Bus Advertising Services, for the provision of interior and exterior bus advertising for the fleet and service area of County Connection; and

WHEREAS, the RFP asked proposers to present two separate advertising space coverage proposals, consisting of ads that fit below the bus windows only (first alternative), and full coverage ads on no more than 20% of the fleet (second alternative), priced as a fixed annual guarantee, or alternatively as a percentage of gross revenues with a minimum annual guarantee ; and

WHEREAS, on June 4, 2014, one proposal was received, from Lamar Transit, LLC; and

WHEREAS, Lamar Transit, LLC has been providing bus advertising service to County Connection since 2009 under a contract that has included advertising services for the Eastern Contra Costa Transit Authority (Tri Delta Transit) and the Western Contra Costa Transit Authority (WESTCAT), and staff has found the performance of Lamar Transit, LLC to be satisfactory and professional; and

WHEREAS, staff has evaluated the proposal in accordance with the criteria set forth in the Request For Proposals, and has recommended to the Marketing, Planning, & Legislative Committee that the contract be awarded to Lamar Transit, LLC; and

WHEREAS, staff's analysis of the two pricing structures found a decrease of between \$45,000 to \$70,000 compared to current revenue for the first alternative, and an increase of between \$30,000 to \$55,000 compared to current revenue for the second alternative; and

WHEREAS, for the first alternative, under the percentage of gross revenues with a minimum annual guarantee pricing structure, the proposal submitted by Lamar Transit, LLC guarantees County Connection a minimum of \$1.44 million dollars in revenues over the three-year contract term, in annual payments of: Year 1 -\$475,000, Year 2- \$480,000, Year 3 - \$485,000, and two one-year option terms with minimum annual payments of Year 4 -\$490,000, Year 5- \$495,000; and

WHEREAS, the Marketing, Planning & Legislative Committee recommends adopting the pricing structure based upon a percentage of gross revenues and a minimum annual guarantee, in order to better track sales and optimize the potential for advertising revenues; and

WHEREAS, after giving careful consideration to staff's analysis, and weighing the importance of raising revenue with the value of identifying County Connection buses with public transportation service, the Marketing, Planning, & Legislative Committee recommends award of the contract to Lamar Transit, LLC. based upon its proposal for advertising space below the bus windows only, as a reasonable and appropriate approach for both generating revenue and promoting public transit.

NOW, THEREFORE, BE IT RESOLVED that the Central Contra Costa Transit Authority Board of Directors hereby authorizes and directs the General Manager, or his designee, to execute and deliver a three-year contract in a form approved by Legal Counsel, with Lamar Transit, LLC for the purpose of providing bus advertising services for advertising below the bus windows only, for which County Connection will be paid based upon a percentage of gross revenues and a minimum annual guarantee, for a total minimum compensation of \$1,440,000; and

BE IT FURTHER RESOLVED that the Central Contra Costa Transit Authority Board of Directors hereby authorizes the General Manager, or his designee, to exercise up to two additional one-year option terms, provided that such options are in the best interests of County Connection.

Regularly passed and adopted this 17th day of July, 2014, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Bob Simmons, Chair, Board of Directors

ATTEST:

Lathina Hill, Clerk to the Board