

To: Marketing, Planning & Legislative Committee

Date: 9/24/2019

From: Melody Reeb, Manager of Planning

Reviewed by: *W.C.*

SUBJECT: Bus Advertising Contract

Background:

County Connection currently contracts with Lamar Transit Advertising for bus advertising services. The contract began on January 1, 2015 and included three years plus two option years. Both option years were executed, and the current contract will expire on December 31, 2019.

The contract includes exterior advertising, including full coverage ads on up to 20% of the fleet, and interior advertising. Compensation is based on a percentage of gross revenues with a minimum annual guarantee, whichever is greater. In this final year, County Connection will receive 62% of revenue or the minimum annual guarantee of \$595,000. To date, revenues have never exceeded the minimum guarantee threshold.

RFP Process:

Staff released a Request for Proposals for a new contract on July 23, 2019. Bid notices were published in the local newspaper and sent to ten firms. Two proposals were received by the deadline of September 5, 2019 from Lamar and Vector Media. Both proposals met the minimum standards set forth in the RFP and were subsequently evaluated by staff based on the following criteria:

| | |
|---|-------------|
| Background, experience and financial stability of firm; proposed key personnel and staffing | 20% |
| Proposed quality control program | 20% |
| Detailed work plan | 20% |
| Proposed revenues | 40% |
| Total | 100% |

Proposed Revenues:

Proposers were asked to provide pricing for two ad space coverage options, as well as two payment pricing structures—a fixed annual guarantee and a share of gross revenue with a

minimum monthly guarantee. A summary of proposed revenues is shown below. In both proposals, the two pricing structures would result in the same overall guarantee amount.

| Contract Year | Lamar | | Vector Media | |
|---|------------------------|-----------------------------------|------------------------|-----------------------------------|
| | Fixed Annual Guarantee | % of Gross with Monthly Guarantee | Fixed Annual Guarantee | % of Gross with Monthly Guarantee |
| <i>Option A: Ads below the windows only</i> | | | | |
| Base Year 1 | \$100,000 | 45% / \$8,333 | \$500,000 | 55% / \$41,667 |
| Base Year 2 | \$110,000 | 45% / \$9,167 | \$525,000 | 55% / \$43,750 |
| Base Year 3 | \$120,000 | 45% / \$10,000 | \$550,000 | 55% / \$45,834 |
| Option Year 1 | \$130,000 | 45% / \$10,833 | \$575,000 | 60% / \$47,917 |
| Option Year 2 | \$140,000 | 45% / \$11,667 | \$600,000 | 60% / \$50,000 |
| <i>Option B: Full wrap coverage on up to 20% of the fleet</i> | | | | |
| Base Year 1 | \$160,000 | 55% / \$13,333 | \$525,000 | 55% / \$43,750 |
| Base Year 2 | \$180,000 | 55% / \$15,000 | \$575,000 | 55% / \$47,917 |
| Base Year 3 | \$200,000 | 55% / \$16,667 | \$625,000 | 55% / \$52,084 |
| Option Year 1 | \$220,000 | 55% / \$18,333 | \$675,000 | 60% / \$56,250 |
| Option Year 2 | \$240,000 | 55% / \$20,000 | \$700,000 | 60% / \$58,334 |

While the two proposals scored similarly in the first three evaluation criteria, Vector Media scored significantly higher in terms of proposed revenues, which are about three times higher than Lamar’s and more in line with the current contract. However, Vector Media’s proposed guaranteed revenue for the first base year are still about 12% lower than the revenue that County Connection will receive this year. Eliminating full coverage ads would further reduce guaranteed revenue by at least another 5%.

Financial Implications:

Award of the contract to the recommended proposer, Vector Media, would provide a minimum of \$1,725,000 in advertising revenue over the three-year contract term, and an additional \$1,375,000 if the two one-year option terms are exercised.

Recommendation:

Staff recommends that a contract for bus advertising services be awarded to Vector Media Holding Corp. commencing January 1, 2020, for three years with two one-year options. Staff further recommends that the contract continue to allow full coverage ads on no more than

20% of the fleet and that revenues paid to County Connection are based on a percentage share of gross revenue with a minimum guarantee.

Action Requested:

Staff requests that the MP&L Committee forward this item to the Board for approval.