

To: Board of Directors

Date: 10/8/2019

From: Melody Reeb, Manager of Planning

Reviewed by: *Ref*

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 \$1,725,012 in advertising revenue over the three-year contract term, and an additional \$1,375,008 if the two one-year option terms are exercised.

Recommendation:

The MP&L Committee and staff recommend 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. The MP&L Committee and staff further recommend 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:

The MP&L Committee requests that the Board adopt Resolution No. 2020-09 authorizing the General Manager to enter into an agreement with Vector Media Holding Corp. for the purposes of providing bus advertising services.

RESOLUTION NO. 2020-09

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

* * *

**AUTHORIZING AWARD OF CONTRACT TO VECTOR MEDIA HOLDINGS CORP.
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;

WHEREAS, on July 23, 2019, 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;

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

WHEREAS, Option B is the form of advertising currently allowed on County Connection's fleet;

WHEREAS, on September 5, 2019, two proposals were received from the following firms, Vector Media Holdings Corp. and Lamar Transit, LLC;

WHEREAS, staff has evaluated the proposals in accordance with the criteria set forth in the RFP, and has recommended to the Marketing, Planning, & Legislative Committee that the contract be awarded to Vector Media Holdings Corp., the highest ranked firm;

WHEREAS, for Option A, under the percentage of gross revenues with a minimum annual guarantee pricing structure, the proposal submitted by Vector Media Holdings Corp. guarantees County Connection a minimum of \$1,575,012 in revenues over the three-year contract term, in annual payments of: Year 1 -\$500,004, Year 2- \$525,000, Year 3 - \$550,008, and two one-year option terms with minimum annual payments of Year 4 - \$575,004, Year 5- \$600,000;

WHEREAS, for Option B, under the percentage of gross revenues with a minimum annual guarantee pricing structure, the proposal submitted by Vector Media Holdings Corp. guarantees County Connection a minimum of \$1,725,012 in revenues over the three-year contract term, in annual payments of: Year 1 -\$525,000, Year 2- \$575,004, Year 3 - \$625,008, and two one-year option terms with minimum annual payments of Year 4 - \$675,000, Year 5- \$700,008;

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;

WHEREAS, the Marketing, Planning, & Legislative Committee further recommends award of the contract to Vector Media Holdings Corp. based upon its proposal for full coverage advertisements on no more than 20% of the fleet (Option B).

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 Vector Media Holdings Corp. for the purpose of providing bus advertising services to include full coverage ads on no more than 20% of the fleet, 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 \$1,725,012 over the base term of the contract; 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, at a total minimum compensation of \$675,000 for year four, and \$700,008 for year five, provided that such options are in the best interests of County Connection.

Regularly passed and adopted this 17th day of October 2019, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Candace Andersen, Chair, Board of Directors

ATTEST:

Lathina Hill, Clerk to the Board