

STAFF REPORT

SUBJECT: Bus Exterior Advertising Contract

FROM: Tony McCaulay, Marketing Manager

DATE: June 5, 2017

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**Action Requested**

Staff recommends that a contract be executed with Lamar Transit Advertising for the sale and installation of exterior bus advertising. The contract is for three years beginning July 1, 2017. Lamar's proposal would provide annual revenue to LAVTA of 50 percent of net sales or a minimum annual guarantee of \$95,000, whichever is higher.

**Background**

LAVTA currently contracts with Lamar Transit Advertising for advertising on buses. The current contract expires on June 30, 2017.

A Request for Proposals (RFP) for bus exterior advertising was released on February 28, 2017 with proposals due on March 24. A single proposal was received from the current vendor Lamar. Staff did not feel it was in LAVTA's best interest to accept that proposal and after several efforts at negotiating alternative financial terms decided to reject the bid, reissue the RFP and solicit other vendors to submit proposals. Two additional vendors were added to the vendor list and the RFP was reissued on May 7, 2017 with proposals due on May 30, 2017.

**Discussion**

LAVTA again received only a single response to our second solicitation, from Lamar Transit Advertising. In the first RFP, the vehicle inventory available to proposers was limited to 50 percent of the fleet (30 vehicles). When the RFP was reissued, vendors were asked to propose three separate fleet availability scenarios, 50 percent of the fleet (30 vehicles), 75 percent of the fleet (42 vehicles) and 100 percent of the fleet (53 vehicles). The total LAVTA fleet will consist of 60 vehicles when the delivery of new buses is completed this year to replace the 300 series buses. Seven buses are not available for advertising because they are committed to be wrapped with Spare the Air messaging.

All options include a minimum annual guarantee and a percentage of net sales. The actual revenue to LAVTA is the higher of those two figures. Lamar's proposed percentage of net sales was the same (50%) for all three inventory scenarios. In addition, Lamar proposed a capacity incentive of \$2,500 in all three scenarios that would be paid when gross advertising revenue exceeds \$120,000 in any contract year. Lamar also proposed a \$5,000 per year production credit under each scenario which LAVTA can use for self-promotion on the buses.

The differences in revenue proposals was in the minimum annual guarantee (MAG), as shown below:

	<u>Vehicles Available</u>	<u>Minimum Annual Guarantee</u>
Option A	30	\$55,000
Option B	42	\$75,000
Option C	53	\$95,000

In order to maximize potential revenue to LAVTA, staff is recommending that the Board accept the proposal under Option C, making 100 percent of the fleet available for advertising with all advertisements to be below the windows and between the wheel wells of our buses.

**Recommendation**

Staff recommends that a contract be executed with Lamar Transit Advertising for the sale and installation of exterior bus advertising. The contract is for three years beginning July 1, 2017. Lamar’s proposal would provide annual revenue to LAVTA of 50 percent of net sales or a minimum annual guarantee of \$95,000, whichever is higher.

*Approved:* \_\_\_\_\_