

STAFF REPORT

SUBJECT: Bus Exterior Advertising Contract – Amend Option Year 1 Terms

FROM: Tony McCaulay, Director of Planning and Marketing

DATE: June 1, 2020

Action Requested

Approve an amendment to the first option year of our contract with Lamar Transit Advertising for the sale and installation of exterior bus advertising to remove the minimum annual guarantee and maintain the 50 percent split of net sales.

Background

LAVTA currently contracts with Lamar Transit Advertising for the sale of advertising on our buses. The current contract expires on June 30, 2020. In October 2019, the Board approved exercising the first option year of the contract for July 1, 2020 through June 30, 2021, with Lamar providing annual revenue to LAVTA of 50 percent of net sales or a minimum annual guarantee of \$95,000, whichever is higher.

As a result of the COVID-19 pandemic, Lamar has seen a drastic reduction in ad revenues due to the following:

- Active advertising contracts have been cancelled due to events and other social gathering restrictions.
- Suspended billing while businesses are closed and/or under government restrictions.
- Renewing campaigns are stagnant with increasing attrition rates.
- Revenue through new business development is virtually nonexistent.
- Delinquent and non-payment of invoices for services rendered.

For the first eight months of the current contract year, Lamar averaged \$22,034 per month in gross sales. For the months of March and April, gross sales have averaged \$5,214. This same scenario is playing out at transit systems elsewhere and the agencies in Phoenix and Salt Lake City have both recently agreed to the same contract amendment proposed in this action.

Discussion

Lamar has approached LAVTA and requested that our contract for the year starting July 1 be amended to strictly a 50% revenue split of net sales. Staff feels this is a reasonable request in the current environment.

Recommendation

Approve an amendment to the first option year of our contract with Lamar Transit Advertising for the sale and installation of exterior bus advertising to remove the minimum annual guarantee and maintain the 50 percent split of net sales.

Approved: _____