

STAFF REPORT

SUBJECT: Bus Exterior Advertising Contract – Execute Option Year 2

FROM: Tony McCaulay, Director of Planning and Marketing

DATE: March 1, 2021

Action Requested

The Project & Services Committee recommends that the LAVTA Board authorize the Executive Director to execute the second option year of our contract with Lamar Transit Advertising for the sale and installation of exterior bus advertising and maintain the current 50 percent split of net advertising sales.

Background

LAVTA currently contracts with Lamar Transit Advertising for the sale of advertising on our buses. The initial three-year contract period expired on June 30, 2020. In October 2019, the LAVTA 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 saw a drastic reduction in ad revenues beginning in March 2020 due to the following:

- Active advertising contracts were cancelled due to events and other social gathering restrictions.
- Revenue through new business development was virtually nonexistent.
- Delinquent and non-payment of invoices for services rendered increased.

Discussion

As a result of the above, Lamar approached LAVTA in May 2020 and requested that our contract for the year starting July 1, 2020 be amended to strictly a 50% revenue split of net sales. Staff felt this was a reasonable request given the circumstances and the LAVTA Board approved this contract amendment in June 2020.

During the first seven months of the current contract year, net advertising sales have averaged just over \$10,000 per month. For the same seven-month period from July 2019 through January 2020 (pre-COVID), monthly net sales averaged just under \$24,000.

This is the final option year in the current contract with Lamar. Staff feels that exercising this option year with Lamar is in LAVTA’s best financial interest. A Request for Proposals would be issued in late 2021 or early 2022, with a new contract start date of July 1, 2022, when improvements in economic conditions as a result of COVID-19 mitigation efforts are likely to result in much better financial proposals to the next RFP.

Recommendation

The Project & Services Committee recommends that the LAVTA Board authorize the Executive Director to execute the second option year of our contract with Lamar Transit Advertising for the sale and installation of exterior bus advertising and maintain the current 50 percent split of net advertising sales.

Approved: _____