



Legislation Details (With Text)

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REPORT TO THE CITY COUNCIL

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SUBJECT

Award a revenue contract for bus advertising services to Lamar Transit LLC for \$2,190,000 over five years (Bid Eval 9650)

RECOMMENDATION

Staff recommends Council approve the award of a five-year revenue contract to Lamar Transit LLC, for bus advertising services for a total minimum guaranteed revenue of \$2,190,000 over five years, with two optional one-year extensions for a total minimum guaranteed revenue of \$3,090,000 over seven years.

EXECUTIVE SUMMARY

The Department of Transportation/FAX has contracted for Bus Advertising Services since 2001.

Lamar Transit provides full-service placement and maintenance of advertisements, financial reporting, and customer relations on the FAX fleet on behalf of the Department. The current contract is with Lamar Transit and will expire on August 19, 2022. The revenue from the advertising contract is received directly by FAX and provides funding for transit operating services. Lamar Transit will guarantee FAX minimum revenue payments of \$430,000 per year in the first two years, \$440,000 in the third and fourth years, and \$450,000 in the fifth and optional sixth and seventh years of the contract for bus advertising services. All advertisements, before being placed on a bus, are subject to review and approval by the Director of Transportation or their designee.

BACKGROUND

In 1999, FAX staff was directed to evaluate bus advertising as a potential revenue source. From this evaluation, a determination was made to procure Exterior Bus Advertising.

Over the course of the last twelve years, the Department has received total revenues of more than \$5,000,000 from the bus advertising program. In FY2021, Lamar generated \$260,000 of revenue, and a similar amount is expected for FY2022.

A Notice Inviting Proposals was advertised in the Business Journal on May 20, 2022, and posted to the City's website via Planet Bids. The RFP was also advertised for three consecutive weeks starting on May 26, 2022, in Mass Transit magazine's online Transit Bid Tracker, a transit newsletter with national reach. Two builders' exchanges received the Notice Inviting Proposals, and the bid specifications were distributed to 34 prospective proposers. One sealed bid was received and opened at a public bid opening on June 14, 2022. Proposals are set to expire on October 12, 2022. Specifications included a request for a percentage of the Net Advertising Revenue and a minimum annual guarantee.

One bid proposal was received. The bid proposed the greater of either 57 percent of net advertising revenue for each year of the contract, or a minimal annual revenue guarantee of \$430,000 per year during years 1 and 2, \$440,000 during years 3 and 4, and \$450,000 during years 5, 6, and 7. The proposal included interior bus advertising as well as an annual production credit of \$12,500 to be redeemed by FAX for transit advertising produced by Lamar.

The Proposal Review Committee reviewed and evaluated the proposal based on the following criteria:

- City's projected revenue
- Past performance and experience
- Ability to meet the stated service requirements
- Conformance to terms and conditions
- Financial stability

The proposal submitted by Lamar Transit LLC, was the only response to the RFP. Lamar Transit is a publicly owned advertising company founded in 1902. They manage over 60 transit advertising programs across North America. They are the current contractors with FAX and have been since 2007. Other potential proposers cited lack of time to prepare a proposal and insufficient cash reserves to successfully compete with a national advertising company as a reason for not submitting bids.

The Council may award a revenue contract to Lamar Transit Advertising in the amount of \$2,190,000

for the total minimum guarantee for the five-year term of the contract. The annual revenue guarantees are as follows:

| | |
|-------------------------|--------------------|
| First Year | \$430,000 |
| Second Year | \$430,000 |
| Third Year | \$440,000 |
| Fourth Year | \$440,000 |
| Fifth Year | \$450,000 |
| Five Year Total | \$2,190,000 |
| Sixth Year | \$450,000 |
| Seventh Year | \$450,000 |
| Seven Year Total | \$3,090,000 |

In addition, Lamar Transit Advertising will prepay the contract revenue guarantee at the beginning of each contract year. The contract will be in effect for an initial period of five (5) years, with provisions for two (2) additional one-year extensions.

The Council may reject the proposal. If the proposal is rejected, the project will be rebid resulting in a delay of approximately one hundred eighty days (180), during which the existing bus advertising contract will expire.

Staff recommends award of a contract to Lamar Transit Advertising.

The Purchasing Division has approved this contract and recommends Council approval. The City Attorney has reviewed and approved as to form.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act (CEQA) Guidelines Section 15378, the award of this contract does not qualify as a project as defined by CEQA.

LOCAL PREFERENCE

This contract is exempt from Local Preference because the Department of Transportation's fleet of buses used for advertising are Federally funded. Fixed route and Handy Ride buses are included in the contract.

FISCAL IMPACT

This is a revenue contract and has no impact on the General Fund. Rejection of this contract may impact transit service levels, as the revenue generated provides support to transit operations. The Bus Advertising Services revenue is in the Department of Transportation's FY 2023 budget.

Attachment:
Bid Eval 9650