



May 17, 2018

To: Legislative and Communications Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Amendment to Agreement for Bus Advertising Revenue Program

Overview

On June 22, 2015, the Orange County Transportation Authority Board of Directors approved an agreement with Outfront Media Group, LLC, to sell, place, and maintain advertisements on its fleet of fixed-route and ACCESS vehicles. An amendment to the existing contract is necessary to exercise the first option term of the agreement.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Agreement No. C-5-3076 between the Orange County Transportation Authority and Outfront Media Group, LLC, to exercise the first option term of the agreement, with a minimum guarantee of revenue to the Orange County Transportation Authority in the amount of \$8,000,000, or 70 percent of gross advertising sales revenue, whichever is greater.

Discussion

The Orange County Transportation Authority (OCTA) has historically contracted with an outside bus advertising sales firm to sell, place, and maintain advertisements on the interior and exterior of its transit vehicles. On June 22, 2015, OCTA's Board of Director's (Board) approved Agreement No. C-5-3076 with Outfront Media Group, LLC (Outfront) to provide outdoor bus advertising services. This revenue-generating agreement with Outfront provides OCTA with an annual minimum revenue guarantee, or 70 percent of the gross revenue received by Outfront, whichever is greater. The gross revenue is the total advertising revenue minus advertising agency commission.

The minimum guarantee for each contract year is outlined below:

	Contract Term	Time Period	Minimum Guarantee
Initial Term	Year 1	September 1, 2015 to August 31, 2016	\$4,000,000
	Year 2	September 1, 2016 to August 31, 2017	\$4,000,000
	Year 3	September 1, 2017 to August 31, 2018	\$4,000,000
First Option Term	Year 4	September 1, 2018 to August 31, 2019	\$4,000,000
	Year 5	September 1, 2019 to August 31, 2020	\$4,000,000
Second Option Term	Year 6	September 1, 2020 to August 31, 2021	\$4,000,000
	Year 7	September 1, 2021 to August 31, 2022	\$4,000,000
		Total:	\$28,000,000

Bus advertising provides considerable revenue for OCTA to support its bus operations. The slow recovery of the economic downturn since 2008 and the increase in digital media advertising has significantly impacted outdoor advertising sales nationwide. With the annual minimum guarantee provision, OCTA's best financial interest has been, and will continue to be, protected.

To date, OCTA has either received the annual minimum guarantee or 70 percent of the gross revenue received by Outfront, whichever was greater, during the initial term of the agreement, as demonstrated in Attachment A.

Procurement Approach

This procurement was originally handled in accordance with OCTA's Board-approved policies and procedures for professional and technical services. The original agreement was awarded on a competitive basis and includes a three-year initial term and two, two-year option terms, with anticipated revenues in the amount of \$28,000,000. The initial term of the agreement expires on August 31, 2018, requiring the first option term to be exercised, which extends the term through August 31, 2020.

Outfront has performed in accordance with the provisions in the agreement and has provided OCTA revenue payments. In addition, Outfront has provided excellent customer service and timely payments for the bus advertising revenue program during the initial term of the agreement. Exercising the first, two-year option term will allow OCTA to continue receiving bus advertising revenue to support bus operations.

Fiscal Impact

Bus advertising provides a critical source of revenue to the Orange County Transit District Fund. This revenue helps to fund bus operations. Funds received from exercising the first option term will be realized in fiscal years 2018-2019 through 2019-2020.

Summary

Staff recommends the Board authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Agreement No. C-5-3076 with Outfront Media Group, LLC, to exercise the first option term effective September 1, 2018 through August 31, 2020, with a minimum guarantee of revenue to the Orange County Transportation Authority in the amount of \$8,000,000, or 70 percent of gross advertising sales revenue, whichever is greater.

Attachments

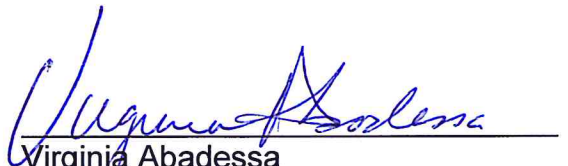
- A. Outfront Media, LLC, Performance September 2015 - March 2018
- B. Outfront Media, LLC, Agreement No. C-5-3076 Fact Sheet

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