

Minutes

RTA Organizational, Services and Performance Monitoring Committee Meeting

10:08 a.m., December 1, 2020

Committee Members: Lucas (Chair), Bibb, Serrano, Weiss

Other members: Joyce, McCall, Moss, Pellot

Not present: Byrne, Clough

Also Present: Becker, Benford, Birdsong, Bitto, Capek, Catalusci, Dangelo, Fields, Freilich, Garofoli, Gautam, Johnson, Kirkland, Laule, Lincoln, Lively, McGervey, Orlando, Schipper, Tarka, Young

Rev. Lucas called the meeting to order 10:08 a.m. The secretary called the roll and reported that four (4) committee members were present. This meeting was conducted by teleconference for members of the Board in accordance with Sub. H.B. 404 of the 133rd General Assembly, passed on November 19, 2020, House Bill 197 of the 133rd General Assembly, signed by the Governor of the State of Ohio on March 27, 2020 and the March 9, 2020 order of the Governor of the State of Ohio declaring a public health emergency. The meeting was live-streamed on RTA's Facebook page (www.facebook.com/rideRTA) for staff and members of the public.

Proposed Change Order – Lamar Transit

Steve Bitto, Director of Marketing & Communications gave the presentation. This is a proposed change over to our transit advertising sales contract. This is a revenue generating contract that was awarded by the Board in November 2016. Lamar was designated the primary sales agent to sell traditional advertisement media that's available on the buses, trains and major passenger facilities. This was a five-year contract. It had a three-year base, with two one-year options. Both options were exercised back in August 2019. For the right to sell our advertising, Lamar agreed to pay us sales commission of 62.5% of total sales. In the contract, it was specified a minimum annual guarantee (MAG) that they would have to pay us regardless of sales.

In year one, Lamar paid us \$1,150,000. Each of the four payments were made and then totaled in advance of the contract year. We receive the money before they sold anything. In 2017 and 2018, they were successful; \$1.5 million sold in 2017, which increased \$1.75 million in 2018. They took a step back in 2019. One was related to national buys. Lamar has similar relationships with other transit authorities across the country where it gives them the ability to bundle assets from markets across the country and sell them to national advertisers. In 2019, Cleveland lost about \$200,000 worth of sales by not being included in some of these buys. Additionally in 2019, there was push back from the community regarding the posting of alcohol related advertising in neighborhoods in the close proximity to schools. These ads were removed as a result of this. The Authority made the decision that it would be better to eliminate alcohol related ads from the system completely. In 2020, a substantial loss of sales was due to the COVID pandemic.

In the first two years of the contract the commission rate compared to the minimum annual guarantee (MAG) was \$190,000. It widens to \$500,000 in 2019 and was over a \$900,000 gap in 2020. Due to the pandemic and the significant impact on their ability to sell advertising on transit, Lamar came to RTA and other transit partners around the country to seek financial relief in the form of a reduced MAG. The negotiations team was led by Raj Gautam, Deputy General Manager of Finance and Administrations. Dawn Tarka (Legal), Ashley Ensign (Procurement) and John Togher (Accounting) were also on the team. The initial proposal was to eliminate the maximum all together. They would be paying on a monthly basis based on sales. They looked at actual sales in 2020. They saw the

potential for recovery going into 2021 so they would use that sales level to determine the MAG. They also agreed to provide some relief to Lamar by not requirement them to fill that \$500,000 up front but allowing them to make 12 monthly installments of \$43,600. At the end of 2021, they will look at total sales, thinking they will exceed the sales required to support the MAG, so they will pay us additional commissions.

The revised MAG to the transit contract is \$523,000 and will require total sales of \$837,000 to support the MAG. At the end of the year they will look at total sales and for every dollar it exceeds the \$837,000, RTA will receive 62.5 cents. There is a like agreement with Lamar to sell advertisement to be posted in our shelters. It specifies that this year's MAG is \$151,000. They are paying that in full, in advance per the contract. They will look at these sales at the end of the year. If it exceeds \$242,000, we'll get 62.5 cents sold over that amount. Staff requests that the Organizational, Services & Performance Monitoring Committee recommend to the Board of Trustees the approval of the proposed Change Order to Contract No. 2016-099, Transit Advertising Sales, with Lamar Transit LLC.

Mayor Weiss asked if 2021 is the last year of the contract. Steve confirmed. They will go out mid-year with the RFP from sales agents for the next contract.

It was moved by Mr. Serrano, seconded by Mr. Bibb to move to the full Board Meeting.

The meeting was adjourned at 10:21 a.m.



Floun'say R. Caver, Ph.D.
Interim Secretary/Treasurer



Theresa A. Burrage
Executive Secretary