

TRANSPORTATION COMMITTEE REPORT relative to proposed Second Amendment to Contract No. C-129151 with Outfront Media LLC (Outfront Media) for transit vehicle advertising.

Recommendation for Council action:

AUTHORIZE the General Manager, Los Angeles Department of Transportation (LADOT), or designee, to execute the Second Amendment to Contract No. C-129151 with Outfront Media for transit vehicle advertising services, to:

- a. Extend the term of the Contract for a sixth year through September 30, 2024 with the option to extend on a month-to-month basis for a period not to exceed six additional months from the end of March 2025.
- b. Approve the adjustment of the compensation rate to pay the City a 60 percent share of the net revenue earned by Outfront Media from the sale of advertising during the proposed term extension.
- c. Update the City's Standard Provisions for City Contract (Rev 10/21 [v.4]), and contracting language as required by Ordinance of all City contracts, and incorporation of Attachments and Exhibits as detailed in the June 14, 2024 City Administrative Officer (CAO) report, attached to the Council file.

Fiscal Impact Statement: The CAO reports that there is no General Fund impact associated with this proposed contract amendment. Execution of the proposed amendment will result in a 60 percent share of the net revenue earned by the Contractor from the sale of advertising from October 1, 2023 through March 31, 2025. Revenue generated through this contract is deposited into the City's Proposition A Local Transit Assistance Fund which supports City transit services. The contract includes a ratification clause to apply the rates in the amendment for services provided to the City in the period prior to the execution of the extension.

Financial Policies Statement: The CAO reports that the recommendation contained in the June 14, 2024 CAO report, attached to the Council file, complies with the City Financial Policies. There is no cost to the City for the proposed contract amendment and the contract agreement provides for revenue to the City.

Community Impact Statement: None submitted.

TIME LIMIT FILE – AUGUST 19, 2024

(LAST DAY FOR COUNCIL ACTION – AUGUST 16, 2024)

Summary:

On July 31, 2024, your Committee considered a June 14, 2024 CAO report relative to proposed Second Amendment to Contract No. C-129151 with Outfront Media for transit vehicle advertising. According to the CAO, the LADOT is requesting approval to execute a Second Amendment to Contract No. C-129151 with Outfront Media for transit vehicle advertising services, to:

- Extend the term of the Contract through September 30, 2024 with the option to extend on a month-to-month basis for a period not to exceed six additional months, for a total term through the end of March 2025.
- Approve the adjustment of the compensation rate to pay the City a 60 percent share of the net revenue earned by the Contractor from the sale of advertising during the proposed term extension.
- Update the City's Standard Provisions for City Contracts (Rev 9/22) [v.1], and contracting language as required by ordinance of all City contracts, and incorporation of the Attachments and Exhibits.

In March 2017, following a Request for Proposals (RFP) process, Council authorized the LADOT to execute a contract with Outfront Media for a five-year term for the provision of transit vehicle advertising Services (Council File No. 11-2007). This contract expired on March 31, 2022.

In April 2022, the LADOT executed the First Amendment to the contract, which extended the contract term for an additional year, with an option to extend on a month-to-month basis for no more than six additional months through September 30, 2023. On December 19, 2023, the LADOT released a new Request for Proposals (RFP) to procure advertising services. The deadline for responses to the RFP was in February 2024. LADOT is currently evaluating the RFP submissions.

On April 8, 2024, LADOT submitted a request to the Mayor to extend the contract that expired September 30, 2023. The LADOT states that they require an extension of the expired contract to prevent an interruption in revenue generation from advertising services and that Outfront Media has been working for the City without a contract since October 1, 2023.

The COVID-19 pandemic significantly impacted demand for advertising services on transit vehicles, and in 2020 and 2021, LADOT waived the minimum annual guarantee originally included in this agreement as a result. The prior agreement stipulated that the contractor pay the City a minimum annual guarantee of \$950,000 or 60 percent of revenues whichever one is higher. While revenue has increased since the pandemic drop, Outfront Media Group indicates that they are still experiencing lower demand in major sectors they historically received interest from. The LADOT reports that the advertising revenue generated is only 70 percent of what was collected prior to COVID-19. As a result, LADOT recommends waiving the minimum annual guarantee for the remainder of the Agreement and will only require deposit of the 60 percent net revenue

share. After further consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the recommendation contained in the CAO report. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

Transportation Committee

COUNCILMEMBER VOTE

HUTT: YES

PARK: YES

HERMANDEZ: YES

DE LEON: YES

RAMAN: ABSENT

ARL

7/31/24

-NOT OFFICIAL UNTIL COUNCIL ACTS-