



CITY OF WAUKESHA

Administration

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Committee: Transit Commission	Date: 9/17/2020
Common Council Item Number: 20-1130	Date: 10/6/2020
Submitted By: Fred Abadi- Public Works	City Administrator Approval: Kevin Lahner, City Administrator KL
Finance Department Review: Bridget Souffrant, Finance Director BS	City Attorney's Office Review: Brian Running, City Attorney
Subject: Approval of Amendment 1 of the Bus Advertising Sales Agreement with Houck Transit Advertising Inc.	

Details:
 This item is to seek the approval to amend the Bus Advertising Sales Agreement with Houck Transit Advertising. The agreement currently is for Houck to pay the City the greater of a guarantee of \$3,900/month or 50% of the revenue collected from bus advertising sales. Due to COVID-19, Houck is projecting at least a 25% decrease in ad sales revenue for 2020 as advertisers are cutting back on marketing spending. Outdoor Advertising sales as an industry has decreased 40-50% in 2020. Currently Houck is projecting losses of roughly \$2,000/month on the City's contract with the guarantee in place until later in the 4th quarter (November/December). Due to these challenges, Houck is requesting the City to waive the guarantee payment of \$3,900/month and instead split the revenue 50% from July through December 2020. Houck originally asked for an amendment to go through June 2021 but is willing to agree to shorten the amendment by six months to get through what they project to be the worst portion of the pandemic for advertising sales. They are requesting all of their clients with guaranteed payments make amendments to keep their staff employed and to maintain all of their existing transit contracts.

Payments would return to the greater of the guarantee \$3,900/month or 50% of bus ad sales collection in 2021.

Options & Alternatives:
 The alternative is to reject the requested amendment and receive the full guarantee payments for the balance of 2020. This alternative potentially risks the bus advertising sales program with Houck if Houck's losses as a company are so great that they request to exit their contract with the City. This would likely lead to less revenue in the long term for the City as it would likely lead to a 3 – 4 months of receiving no advertising revenue and the guaranteed payments with a new vendor would likely be substantially less throughout the life of the contract. Assuming 4 months without advertising revenue of a minimum of \$2,000/month plus an estimated decrease of guaranteed revenue of at least \$1,000/month for 3 years (remaining term of current contract), switching vendors would likely lead to a net reduction of advertising revenue of at least \$28,000 over the next 3 and ½ year left on the contract term. It is very likely that another vendor may not even be willing to offer a first year guarantee given the market conditions which would lead to even less revenue by switching vendors. Last, there would likely only be one vendor that would propose as there are not a lot of firms that sale bus ads for smaller transit systems.



Financial Remarks:

The proposed amendment would result in a reduction of bus advertising revenue of approximately \$12,000 for 2020 for the Transit Commission. CARES Act funds can be used to offset the lost of revenue.

Executive Recommendation:

Recommend approval.