

**CITY OF WAUKESHA****Administration**

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Committee: Transit Commission	Date: 11/8/2018
Common Council Item Number: 18-1649	Date: 11/20/2018
Submitted By: Fred Abadi- Public Works	City Administrator Approval: Kevin Lahner, City Administrator KL
Finance Department Review: Rich Abbott, Finance Director RA	City Attorney's Office Review: Brian Running, City Attorney BER
Subject: Approval of Bus Advertising Sales Agreement with Houck Transit Advertising	

Details:

This item is to seek the approval of a new Bus Advertising Sales Agreement with Houck Transit Advertising to sell ads on and inside the Waukesha Metro buses and make revenue payments to the City for a share of the revenue generated from these activities.

The current agreement with Vector Media expires March 31, 2019 and the Transit Commission staff released a Request for Proposals. Two proposals were received and one from Vector Media, the incumbent, and one from Houck Transit Advertising. Both proposals were of high quality. The Evaluation Committee scored both proposals very close for technical capabilities but Houck scored higher for their revenue proposal and therefore had a better overall score in the initial evaluation. Both firms were then interviewed and Best and Final Revenue Offers were requested. Both firms scored very close again on the technical scores and Houck had even greater separation with a higher overall revenue proposal.

Bus Ad Revenue contracts are set up for a City to receive the higher of a monthly guarantee or 50%(or more) of the revenue collected per month. Over the course of the five years contract (including option years) Houck will guarantee \$36,600 more in revenue than Vector. For 2018, 9 of the 10 payments made by Vector have not exceed the guarantee level (currently is \$3,300/month). Vector has had lower sales for the past 18 months and has not seemed to be able to add many longer term contracts. For Vector to even breakeven with the payments guaranteed by Houck, Vector will need to collect \$87,700 in Year 1 and \$99,200 by Year 5. In Year 4 of the current Vector agreement, Vector collect \$82,447 and in Year 5 will likely collect the same or less.

Houck Transit Advertising specializes in smaller to medium Midwestern bus systems including 10 systems in Wisconsin. Houck has a solid reputation in the bus advertising sales market in Wisconsin and the Upper Midwest. They have laid out a very solid plan on how to transition current advertisers under Vector to them and also presented a detailed sales generation approach. In addition, Houck has expressed interest in additional advertising sales ventures such as advertising at the Transit Center which could lead to more revenue for the City. Given all of these factors, the Evaluation Committee recommends awarding the next Bus



Advertising Sales contract to Houck Transit Advertising effective April 1, 2019 for three years and two one year options.

Options & Alternatives:

The one option would be to award the contract to Vector, the incumbent, in hopes that Vector can have a highly successful 5 years and exceed the high guaranteed revenue from Houck. Vector will not likely not be able to sustain a high enough revenue level throughout the 5 year contract. In addition, Houck is expecting to exceed their guarantee payments in Year 2 which could lead to higher payments to the City in Years 2-5.

One alternative would be to bring the bus advertising sales back in house but would require allocating staff time to take back all of the duties required. This is not a favorable option as it would be an additional duty for a staff member who is not an expert in bus advertising sales like Houck (or Vector).

Financial Remarks:

The Houck proposal will pay the City a guaranteed \$45,600 in Year 1 of the contract or 50% of gross revenue collected whichever is higher. By Year 5, the guarantee payment will be \$51,600. After Year 1, Houck is projecting to exceed the guaranteed payments and is forecasting revenue payments to the City of \$49,200 in Year 2, \$54,000 in Year 3, \$60,000 in Year 4 and \$72,000 in Year 5. The revenue payments received from bus advertising sales offset City tax levy. The forecasted bus advertising revenue in the 2019 Transit Operating budget is \$45,000 which is right in line with the Houck Year 1 guaranteed revenue.

Executive Recommendation:

Recommend approval.