

**COUNCIL ACTION FORM**

**SUBJECT: CYRIDE TRANSIT ADVERTISING CONTRACT**

**BACKGROUND:**

CyRide provides exclusive rights for a private business to sell advertising on the exterior and interior of CyRide buses. The current contract is with Houck Transit advertising and provides the transit system with the following revenues:

- 52% of the gross sales revenues
- A minimum guarantee of \$101,000 per year

Revenues generated from this contract have provided CyRide with \$101,000 to \$121,667 annually. The existing contract has benefited CyRide by providing valuable revenue with minimal effort, since the advertising firm is responsible for all aspects of the advertising process, including placing and removing advertising on the buses.

With expiration of the existing contract, CyRide distributed a Request for Proposal for Transit Advertising Services on April 1, 2013 and received proposals on May 3, 2013. One bid was received – from Houck Transit Advertising – with the following contract revenues negotiated:

- 52% of the gross sales revenues
- A minimum guarantee of \$104,000 in the first year, \$105,000 in the second year and \$106,000 in year three

**With this single bid, CyRide reviewed the revenues proposed and contacted other transit systems in Iowa to determine their revenue contract terms. Staff found that most systems are receiving 50% of gross sales revenues with no annual guarantee. Therefore, the terms of the Houck Transit Advertising proposal are competitive and favorable for CyRide.**

The key terms of this advertising contract are as follows:

1. **Advertising Space** –Establishes the parameters of the spaces available – exterior, interior, and their exclusivity.
2. **Term** – Three year agreement beginning July 1, 2013 with two annual extensions, if mutually agreed upon by both parties.
3. **Compensation** – 52% of gross sales or a minimum annual guarantee, whichever is greater, with payment by the 20<sup>th</sup> of the month.

4. **Termination** – Two termination clauses – one for convenience and the other for default with terms granting opportunity to cure the deficiency.
5. **Rights and Remedies** – Any claims or disputes will be settled by arbitration; and waiver of one remedy does not limit future breaches.
6. **CyRide Requested Changes** – CyRide has the ability, at any time, to request changes to the contract based on modifications to its advertising policies. Losses of revenue or additional expenses as a result of these changes will be negotiated between the two parties.
7. **Advertising Contractor Requested Changes** – Contractor will not be compensated for work outside of the scope of services; and a process is detailed regarding how both parties can resolve issues with requested changes.
8. **Communications** – Lists both parties' contact information and how notices will be relayed.
9. **Contract Documents** – Lists all the documents that are a part of the contract such as the Federal Transit Administration contract provisions, contractors proposal, etc.
10. **Authority** – Lists who should sign the contract as the official signatory.
11. **Ambiguities** – Indicates that there is no ambiguity in the contract as written and that both parties have read the contract.
12. **Force Majeure** – Indicates that, if unforeseen events such as natural disasters, acts of God, etc., occur, both parties may renegotiate the contract terms.

The Transit Board of Trustees approved contract award to Houck Transit Advertising at their May 9, 2013 meeting.

#### **ALTERNATIVES:**

1. Award this contract to Houck Transit Advertising of Saint Paul, Minnesota for exclusive rights to sell interior and exterior bus advertising on CyRide buses for a three year period with two annual extensions possible.
2. Reject the proposal from Houck Transit Advertising and rebid the services.

#### **MANAGER'S RECOMMENDED ACTION:**

Transit advertising contracts provide for significant operating revenues with minimal effort, thus allowing CyRide to focus on its core mission of providing quality transit services in the community. A review of similar contracts in other transit systems found that the proposed contract terms from Houck Transit Advertising were equal to or better than most.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby awarding this contract to Houck Transit Advertising for exclusive advertising rights on CyRide buses.