

**COUNCIL ACTION FORM**

**SUBJECT: AWARD OF CONTRACT FOR TRANSIT ADVERTISING SERVICES TO HOUCK TRANSIT ADVERTISING OF SHOREVIEW, MINNESOTA**

**BACKGROUND:**

CyRide contracts with a private company for exclusive rights to sell advertising space on the inside and outside of its public transit buses. Revenue generated from this advertising is then divided between the two organizations. CyRide's existing contract provides the transit system with:

- 52% of the gross revenues generated from sales
- A minimum guarantee of \$104,000 (year 1), \$105,000 (year 2) and \$106,000 (years 3-5)

Revenues generated from this contract have provided CyRide with \$121,000 to \$161,000 annually. The current contract expires on June 30, 2017 (after three years and one, one-year extension). The Transit Board of Trustees directed staff to not exercise the final, one-year extension, but to instead rebid the contract.

CyRide distributed a Request for Proposal for Transit Advertising Services for a three-year period, with the possibility of two, one-year extensions, and received proposals from two firms – Houck Transit Advertising and Adsposure. The results of these bids are as follows:

<b>Firm</b>	<b>Percent of Gross Rev.</b>	<b>Yr. 1 Guarantee</b>	<b>Yr. 2 Guarantee</b>	<b>Year 3-5 Guarantee</b>	<b>Total 3 Year Revenue Guarantee</b>
Houck Transit Advertising	60.0%	\$250,000	\$265,000	\$280,000	\$795,000
Adsposure	55.5%	\$165,000	\$172,500	\$180,000	\$517,500

Based on these results, Houck Transit Advertising would generate more revenue for CyRide over the course of the original three-year contract, as well as the highest percent of gross revenue.

The Transit Board of Trustees approved a contract award to Houck Transit Advertising at its March 28, 2017 meeting.

### **ALTERNATIVES:**

1. Award a contract to Houck Transit Advertising of Shoreview, Minnesota for exclusive rights to sell advertising on CyRide buses for a three-year period, with the possibility of two, one-year extensions.
2. Reject the bids and extend the existing contract with Houck Transit Advertising of Shoreview, Minnesota for one additional year, exercising a one-year extension on CyRide's existing contract, and re-bid the contract next year.
3. Award a contract to Adsposure for exclusive rights to sell advertising on CyRide buses for a three-year period, with the possibility of two, one-year extensions.
4. Reject the bids and evaluate in-house transit advertising services.

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

Awarding a new contract to Houck Transit Advertising will maximize advertising sales revenue for CyRide. The firm is familiar with CyRide's buses and advertising policies and has provided a quality service to CyRide in the past.

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