

To: Marketing, Planning, & Legislative Committee

Date: July 24, 2013

From: Mary Burdick, Sr. Manager of Marketing

Reviewed by:

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### **SUBJECT: Exterior Bus Advertising**

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#### **Summary of Issues:**

Last month the Committee discussed exterior bus advertising formats and revenue. The Committee was interested in exploring the cost of eliminating large size ads. Staff reported that currently approximately \$200,000 of the total \$535,000 revenue was due to full wraps, full sides, and full back ads. After reviewing all ad formats the Committee selected other large formats that cover the windows that they would like to see removed. At the meeting the Committee and staff developed a strategy whereby a request for proposal would be issued for smaller format advertising only, then they could present a choice to the Board; a) stay with the current contract and exercise the one year option; or b) go with a new contract.

Since the meeting the General Manager has decided that it would be preferable to get Board direction prior to going out to bid.

Another element of the advertising contract is the fact that Tri Delta Transit and WestCAT are also parties to the current agreement. If County Connection wants to change the terms, and get out of the current agreement it will affect the other agencies.

#### **Financial Implication:**

County Connection currently receives a minimum annual guarantee (MAG) of \$535,000 a year, and if the final option year is exercised, the MAG increases to \$545,000 in 2014. If large format advertising is eliminated the revenue loss is estimated to be \$200,000. The revenue loss estimate is based on the amount of sales currently for the full wraps, full sides, and full backs. It does not account for the revenue from other large formats (Kongs, Empress, etc.) and it does not account for revenue that could be obtained if the large ads were replaced by small format ads. The only way to get a firm number would be to go out to bid. For discussion purposes the \$200,000 estimate is reasonable.

#### **Staff Recommendation:**

Obtain Board direction regarding elimination of large format advertising and the resulting loss revenue estimated to be \$200,000.