

SUBJECT: Approval of a revision to a resolution of the marketing services contracts to add \$800,000 in contingency to the contracts for option years 2 and 3.

FISCAL IMPACT: No fiscal impact.

EXPLANATION OF STRATEGIC ALIGNMENT: The marketing contracts support CapMetro's Marketing & Communications Department in significant efforts to educate and inform the community, as well as market CapMetro's services to attract and retain riders.

BUSINESS CASE:

The action requested is within the CapMetro budget that was approved by the CapMetro Board of Directors and is not a request for additional funding. This action is to approve the agency's authority to allocate more funding to a board-approved contract.

In 2020 CapMetro received approval from the Board of Directors for marketing services contracts with two vendors in an amount not-to-exceed \$10,307,259 for one base year and three option years.

Since the 2020 approval, there has been significant activity with the contracts as well as the use of these contracts for campaigns in support of unanticipated agency needs. Examples of these services include:

- CapMetro operator, mechanic and administrative recruitment efforts.
- Fare structure educational and engagement efforts.
- Community education efforts for Leander during consideration of their participation in CapMetro's service area.

CapMetro's Marketing & Communications Department has absorbed these unanticipated project costs to date but has begun to use contingency funding midway through option year 1. Included in the FY 23 budget are multiple significant projects that will require an additional level of service from these contracts, including:

- Fare Capping & Amp
- MetroRapid Planning
- Capmetro.org and project.com refresh
- Continued recruitment efforts for People & Culture
- CapMetro Police Department education and recruitment.

Another trend that is affecting the contracts is the increase in inflation. Although labor rates are locked in this task order contract, there has been an increase in the costs of media, bus wraps, printing and the labor rates of subcontractors. Inflation in 2021 was at 6.2% and rose to 8.2% as of September 2022. Annual increases for this contract only factored in an approximate 3% increase per year.

With approximately \$2,600,000 in projects from multiple departments expected in FY 23, there is currently funding in the contract option year 2 to cover \$2,447,424, which stretches three months beyond the end of FY 23 into FY 24. Given the requirements expected in the yet unbudgeted first quarter of FY 24, the increasing rise in inflation and the expectation of additional projects that may

require these funds, the request is to add \$800,000 million in contingency funding to meet the needs of the authority.

	Board approved totals for the year	Task Order totals to date	Anticipated Expense in remainder of Option Year 1	Total	Difference
Base year and option year 1	\$4,546,672	\$4,897,905.46	\$110,000	\$5,007,905	(\$461,233.46)
Option Year 2	\$2,376,140			\$2,600,000	(\$223,860.00)
Option Year 3	\$2,447,424			\$3,300,000	(\$852,576.00)
Total above annual contract amount					(\$1,537,669.46)
Contingency in original contract				\$937,023	(\$600,646.46)
Proposed addition to contingency funding				\$800,000	\$199,354

For reference:

- Base Year: December 23, 2020-Dec. 22, 2021
- Option Year 1: December 23, 2021-Dec. 22, 2022
- Option Year 2: December 23, 2022-Dec. 22, 2023
- Option Year 3: December 23, 2023-Dec. 22, 2024