



CITY OF HAMILTON
PUBLIC WORKS DEPARTMENT
Transportation Division

TO:	Chair and Members Public Works Committee
COMMITTEE DATE:	March 17, 2014
SUBJECT/REPORT NO:	HSR Bus Advertising - Contract Extension (PW08125a) - (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Andy McLaughlin (905) 546-2424, Extension 1809
SUBMITTED BY:	Gerry Davis, CMA General Manager Public Works Department
SIGNATURE:	

RECOMMENDATION

- (a) That the General Manager of Public Works be authorized and directed to enter into negotiations with a single source, 1333988 Ontario Inc. (StreetSeen Media), for a 21-month extension of the existing HSR bus advertising licence agreement, expiring on March 31, 2014, resulting in a revised expiry date of December 31, 2015;
- (b) That the licence agreement extension document be in a form satisfactory to the City Solicitor and that it incorporate the provisions contained within the revised City of Hamilton Commercial Advertising and Sponsorship Policy (Report PW08060) approved by City Council on June 11, 2008, (Public Works Committee Report 08-010).

EXECUTIVE SUMMARY

On November 12, 2008, Council approved Item 3 of Public Works Committee Report PW08-017, containing a recommendation for staff to enter into a licence agreement with 1333988 Ontario Inc. operating as StreetSeen Media. The licence agreement granted StreetSeen Media the exclusive rights and privileges to sell and display advertising on the exterior and interior of HSR buses, in exchange for an annual minimum guaranteed payment, or 60% of Net Revenue, whichever is greater. For the 2013 contract year, HSR received a minimum annual guaranteed payment of \$425,000. This licence agreement expires on March 31, 2014.

In June, 2013 the City of Hamilton received an unsolicited proposal from StreetSeen Media requesting a renewal of the existing licence agreement for an additional five (5) years (April 1, 2014 to March 31, 2019). The renewal would incorporate a 3.5% increase in the minimum annual guaranteed revenue, or +\$15,000 per year. Total

guaranteed revenue over the five-year proposal would amount to \$2,200,000, or 60% of Net Revenue, whichever is greater.

Pattison Outdoor and Corus Entertainment have both expressed an interest in submitting proposals, should a bus advertising RFP be issued by the City.

In December, 2013 Enterprise Management and Revenue Generation Division, Corporate Services Department approached StreetSeen Media and requested that they provide a proposal for a 21-month extension to the existing bus advertising agreement. An extension of the existing bus advertising contract, such that it expires on December 31, 2015, would permit time for an evaluation by City staff through an RFP process regarding the interest of other vendors to provide these services to the City of Hamilton beyond 2015.

In response to the City's December 2013 request, StreetSeen Media has proposed a 21-month extension to the existing contract, such that it would expire on December 31, 2015. StreetSeen Media proposes to increase revenue at a rate equal to their June 2013 unsolicited proposal.

Alternatives for Consideration - See Page 4

FINANCIAL - STAFFING - LEGAL IMPLICATIONS

Financial: The existing bus advertising licence agreement, which expires on March 31, 2014, provides a minimum five year guaranteed total revenue of \$2,125,000, or \$425,000 per year. The 21-month contract extension proposal submitted by StreetSeen Media would result in minimum guaranteed total revenue of \$770,000 over the 21-month period, representing a 3.5% revenue increase, compared to existing annual guaranteed total revenue.

Staffing: N/A

Legal: HSR will consult with Legal Services to generate a suitable licence agreement extension document.

HISTORICAL BACKGROUND

In 2013, Enterprise Management and Revenue Generation Division, Corporate Services Department, had expressed an interest in supporting the Public Works Department by taking on the responsibility for management of the City's Advertising Contracts, as part of an enhanced work plan within their mandate. The bus advertising licence agreement is considered a suitable candidate for incorporation into their future undertakings. Other contracts subject to possible inclusion in their work plan include the bus shelter advertising contract, bus bench advertising, billboard advertising and street furniture program advertising.

Planning for this new initiative will be completed in 2014. Should the bus advertising contract be selected for this program, an extension of the existing licence agreement until the end of 2015 will allow for an orderly takeover of bus advertising responsibilities, commencing in 2016. As such, Enterprise Management and Revenue Generation

Division are satisfied with HSR continuing to manage an extension of the existing licence agreement until December 31, 2015.

In addition, Public Works' Street Furniture Working Group is presently working towards the creation of a co-ordinated approach to advertising contracts, such that enhanced revenue and high quality standards, including re-defined street furniture placement guidelines, can be attained. The current transit shelter advertising licence agreement expires on December 31, 2015. This timing allows for its possible incorporation into a street furniture revitalization program presently being developed by the Group. In order to provide additional options for City administered advertising contract co-ordination, an extension in the end date of the bus advertising contract will align with the expiration dates of select City of Hamilton advertising licence agreements.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Purchasing Policy 11: When a single source for the supply of a particular Good and/or Service is being recommended because it is more cost effective or beneficial for the City. A Policy 11 was not prepared in advance of receipt of the 21-month contract extension proposal.

City of Hamilton Commercial Advertising and Sponsorship Policy, June 2008. StreetSeen Media has fulfilled all policy requirements and conditions during the term of the previous licence agreement.

RELEVANT CONSULTATION

Corporate Services Department: Enterprise Management and Revenue Generation Division

Public Works Department, Corporate Assets & Strategic Planning Division

ANALYSIS AND RATIONALE FOR RECOMMENDATION

StreetSeen Media have conducted business with Hamilton Street Railway in a mutually co-operative and professional manner since 2004. StreetSeen Media have honoured their contractual obligations in terms of providing the HSR and the City with the use of any unsold advertising space free of charge. Public Health Services has been using bus advertising on a continuing basis to promote a range of programs from "I'm Worth the Wait" (sexual health) to "Get the Lead Out" (lead pipe awareness). Other municipal divisions (Traffic and Special Supports) have also taken advantage of bus advertising opportunities, which will continue during the contract extension. StreetSeen Media embraces the latest in bus advertising products and concentrates on creating custom advertising campaigns for local businesses to successfully deliver their messages to consumers, helping to grow the local economy.

Predictable advertising revenues help ensure that the Transportation Division can effectively manage annual budget challenges. A contract extension will allow a continuation of the revenue stream that helps to minimize potential increases in either transit fares or transit levy, resulting from operating cost increases in the transit program.

By extending the contract to December 31, 2015, staff will be able to determine if bus advertising should be contained within a co-ordinated approach to revenue maximization for City programs being developed by the Enterprise Management and Revenue Generation Division. Should this approach not be considered feasible, HSR can continue being responsible for bus advertising and work with the Procurement Section to issue a bus advertising RFP for the period after December 31, 2015. In either case, other interested bus advertising contractors can have an opportunity to submit proposals for a suitable licence agreement commencing in 2016.

ALTERNATIVES FOR CONSIDERATION

Allow the existing bus advertising licence agreement to terminate as of March 31, 2014, and remove all bus advertising from the transit fleet. Concurrently, prepare and issue a Bus Advertising RFP to obtain bids from interested transit advertising companies. This would result in a revenue loss from the termination date of the existing contract until the effective date of a new licence agreement, awarded as a result of the RFP process.

ALIGNMENT TO THE 2012 - 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

- 1.4 Improve the City's transportation system to support multi-modal mobility and encourage inter-regional connections.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

APPENDICES AND SCHEDULES ATTACHED

None