
City of Kelowna

MEMORANDUM

DATE: November 15, 2006
FILE: 8501-06
TO: City Manager
FROM: Financial Planning Manager
RE: Transit Bus Advertising Contract

RECOMMENDATION:

THAT Council approve the granting of exclusive permission and rights for the sale of advertising on regional transit buses to Lamar Transit Advertising Canada Limited for the period from January 1, 2007 to December 31, 2011;

AND THAT the Mayor and City Clerk be authorized to sign the transit bus advertising agreement with Lamar Transit Advertising Canada Limited.

BACKGROUND:

The City of Kelowna issued a Request for Proposals for Transit Advertising on Buses on July 18, 2006.

The transit advertising franchise includes advertising rights to the following:

- Inside and outside advertising on 50 in-service buses (48 full size conventional buses and 2 smaller community buses) and 4 spare buses including frame and vinyl advertising products (base proposal includes 1 full bus vinyl, 5 full driver side vinyl and 25 full back vinyl),

There was only one proposal received by the closing date of August 11, 2006, from Lamar Transit Advertising. Lamar assumed the current transit bus, bench and shelter advertising contract when they merged with Obie Media Corporation in 2005.

Lamar Advertising has the contract for the BC Transit fleet of buses in other BC communities and also for TransLink. They are a highly qualified contractor with significant experience and success in operating advertising franchises. They have strong operating, marketing and business plans along with the financial resources and staff required to operate an effective advertising service.

Their operating plan includes retaining a local sales office with a District Sales Manager based in Kelowna. They have an aggressive local sales program, a regional client/agency sales program and a strong national sales program. Their focus and

current majority of their business comes from local sales through small and medium size businesses.

The contract is for a five year term. Based on the current inventory of buses the guaranteed minimum return to the local transit partners is \$480,000 over the complete term of this contract. The guaranteed minimum amount can be supplemented based on the gross advertising revenues generated by Lamar Advertising. The local partners will receive 35% of the gross advertising revenues (less commissions and production charges) or the minimum annual guarantee, whichever is greater for the first three years of the term. Over the final two years the local partners will receive 40% of the net revenues over a threshold amount. This could generate an additional \$50,000 over the five year term if their revenue projections are realized. Expansion potential and the use of innovative new product lines could also increase the return over the contract term.

The current contract for advertising rights is with Lamar and will expire December 31, 2006. The five-year minimum amount on that contract is \$398,000 with an opportunity for additional revenue sharing. The local partners received an additional \$8,234 from 2005 sales and there is the potential for additional revenue sharing in 2006.

Advertising revenues from the buses are shared between the three local transit partners based on the transit revenue sharing splits. The City of Kelowna bus advertising revenues are used for improvements to the City's transit amenities including upgrading of bus stops to meet accessibility standards, the purchase of new shelters and benches, and other changes made to increase ridership on the transit system.

Transit shelter and benches advertising has been split from the bus contract for the next five year term. A recommendation on the shelters and benches advertising agreement will be brought to Council in December.

Keith Grayston, CGA

Approved for inclusion

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Paul Macklem, CMA
Director of Financial Services

cc. Transportation Manager

PM/KG