
City of Kelowna

MEMORANDUM

DATE: January 17, 2007
FILE: 8501-06
TO: City Manager
FROM: Financial Planning Manager
RE: Transit Shelter & Bench Advertising Contract

RECOMMENDATION:

THAT Council approve the granting of exclusive permission and rights for the sale of advertising on transit shelters and benches to Pattison Outdoor Advertising for the period from February 1, 2007 to December 31, 2011, with an option to re-new for an additional five years;

AND THAT the Mayor and City Clerk be authorized to sign the transit shelters and benches advertising agreement with Pattison Outdoor Advertising.

BACKGROUND:

The City of Kelowna issued a Request for Proposals for Transit Advertising on Shelters and Benches on August 3, 2006.

The advertising franchise includes advertising rights to the following:

- 23 Bus Shelters totaling 40 advertising faces
- 54 benches with ad backs and 65 benches with plank backs that could be made available for advertising

There was only one proposal received by the closing date of August 25, 2006, from Pattison Outdoor Advertising. Pattison Outdoor are Canada's largest Out of Home advertising company. Some discussion has occurred with Pattison Outdoor staff in regards to their RFP response and further negotiations will be undertaken to arrive at an acceptable agreement.

Apart from other types of outdoor advertising, Pattison Outdoor has the advertising for transit in the cities of Calgary, Edmonton, Winnipeg, Ottawa and Moncton. They also manage the advertising on transit shelters in several BC municipalities including Burnaby, Chilliwack, Delta, Kamloops, Nanaimo, North Vancouver, Prince George and Victoria. 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.

Pattison takes a full service approach in supporting sales; they offer production co-ordination, creative services, research and mapping to meet client needs. Their focus is on products and services to meet the requirements of local, regional and national advertisers. If they are the successful proponent, a sales office will be opened and staffed in Kelowna.

The contract is for a five year term with an option for a further five year term. Based on their business plan and the current inventory of advertising product the guaranteed minimum return to the City will be \$60,000 over the first five years. The guaranteed minimum amount is anticipated to be exceeded based on the gross advertising revenues generated by Pattison Outdoor Advertising. The City will receive 30% of the gross advertising revenues (less commissions and production charges) which is estimated at \$181,000 over the first five years. Expansion potential and the use of innovative new product lines could also increase the return over the contract term.

The previous contract for advertising rights was with Lamar Transit Advertising and expired on December 31, 2006. Maintenance of the shelters and benches was an issue with the previous contract and for this contract the City's Transportation Division will be responsible for garbage collection, snow removal and facility repairs (including graffiti clean-up). This will allow for a more immediate response to complaints and maintenance requirements.

Advertising revenues from the shelters and benches is for the City of Kelowna only and will be used for maintenance of the bus stops along with improvements to the City's transit amenities (the purchase of new shelters and benches, and other changes made to increase ridership on the transit system).

Keith Grayston, CGA

Approved for inclusion

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Paul Macklem, CMA
Director of Financial Services

cc. Transportation Manager

PM/KG