Corporate Report

R1745

COUNCIL DATE: Feb. 1, 1999

REGULAR COUNCIL

TO: Mayor & Council  DATE: January 26, 1999

FROM: Acting General Manager, Engineering  FILE: 3201-001

SUBJECT: Award of Contract for Installation and Maintenance of Bus Shelters with Advertising Faces

RECOMMENDATION

1. That Council accept MediaCom's proposal for the maintenance and installation of bus shelters, which would provide revenue sharing to the City of Surrey in the amount of $5.015 million as a minimum guarantee over a ten (10) year period.

2. That the Engineering Department be authorized to prepare a contract with the successful proponent based on their proposal.

INTENT

To obtain approval to prepare and award a contract for the maintenance, installation and revenue sharing for bus shelters with advertising faces with the successful proponent to the RFP.

BACKGROUND

Currently, two advertising companies, Pattison and MediaCom, operate and maintain bus shelters in Surrey. Operation and maintenance costs of the shelters are off-set by advertising revenue. Pattison's contract with Surrey has just expired and provided for 119 bus shelters. MediaCom's contract expires in 2008, and provides for 75 bus shelters.

Since a new contract is required to continue to operate the shelters, previously provided by Pattison, there is an opportunity to improve revenue sharing and to increase the number of bus shelters. To this end a Request for Proposals (RFP) was called for the installation and maintenance of bus shelters with advertising faces. Three companies requested RFP packages, of which the Pattison Group and MediaCom submitted proposals.
The RFP proposal requests sharing of revenues from the advertising faces. The RFP also includes the use of up to 10% of the advertising space by the City for non-profit purposes.

DISCUSSION OF PROPOSALS

**MediaCom**

MediaCom's proposal included two options as follows:

**Option 1 - 5 Year Contract**

Under option 1 MediaCom would take over the 109 bus shelter sites previously occupied by Pattison. The current contract for the 75 MediaCom shelters would remain unchanged. Under this option MediaCom offers the City 38% of advertising revenues with a minimum guarantee of $1.34 million. MediaCom estimated that the 38% revenue share could earn the City $2.0 million over 5 years with their proposed addition of 25 bus shelters over this same period.

**Option 2 - 10 Year Contract**

Under option 2 a new contract would be structured to include the 109 bus shelter sites previously occupied by Pattison plus roll in the 75 existing MediaCom shelters covered under their current contract.

MediaCom offers 30% of revenue with a guaranteed minimum of $5.015 million over the 10-year period. MediaCom estimates that the 30% share could earn the City up to $6.1 million based on their projected revenues.

It is noted that under this scenario, MediaCom would have exclusive rights to install transit shelters with advertising in Surrey for the next 10 years.

**Pattison Group**

**Option 1: 5-year Contract**

The Pattison Group proposal offers a 5 year contract with 33% advertising revenue sharing and a minimum guarantee of $1.50 million. This proposal also includes the installation of 100 additional bus shelters with the possibility of an additional 50 shelters if the advertising market will support it over the 5 year period. The Pattison Group estimates that the 33% revenue sharing could earn Surrey $1.65 million over five years.

**Option 2: 10-Year Contract**

Based on a 10-year contract, Pattison offers the same 33% revenue sharing with a minimum guarantee of $4.025 million over the 10-year period. Pattison estimates that the City could earn up to $4.261 million based on their projected revenues.

It should be noted that under this scenario, both MediaCom and Pattison would continue to operate transit shelters in Surrey.
Evaluation

Both the proposals received offer considerable benefits to the City and are very competitive with one another. A review of the proposals indicates that MediaCom's 10-year proposed best meets the interests of the City in that:

1. MediaCom has the highest minimum guarantee of $5.015 million in revenue sharing to the City.

2. MediaCom has the highest projected revenues estimated at $6.138 over the next 10 years.

In addition to the above, MediaCom will install 200 new shelters (some with or without ad caissons) spread out over the 10-year period. Pattison also offered a similar number of shelters, all with ad caissons. Subject to Council's approval, a contract may be prepared for MediaCom's signature, to include details similar to their existing contract.

Long Term Outlook

At the end of the 10-year term, the number of shelters in Surrey will increase from 184 shelters to 384 shelters. This will provide a needed service to transit patrons, and is consistent with Surrey's vision under our Transportation Plan to improve transit service through new routes and new bus stops, as well as extending the frequency of service.

1999 Budget Requirement from Sustainable Sources

During the 1999 budget process, Council directed staff to explore sustainable revenue sources, or expenditure reductions, to replace the $1.5 million 1999 budget allocation from reserves. Over 1999 staff will be bringing forward recommendations as to such sustainable revenue sources or expenditure reductions. This bus shelter advertising revenue is the first of these initiatives. It will generate almost $400,000 in 1999 and increase thereafter.

CONCLUSION

The proposal offered by MediaCom is an excellent opportunity for the City of Surrey to gain $5.015 million in revenues for the advertising of bus shelters in Surrey. At the same time, transit patrons will benefit by the installation of up to 200 new transit shelters over the next 10 years. Having reviewed the proposals in detail, MediaCom offers the best proposal for the City of Surrey.

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