



CITY OF HAMILTON
PUBLIC WORKS DEPARTMENT
Transit Division

TO:	Chair and Members Public Works Committee
COMMITTEE DATE:	September 8, 2016
SUBJECT/REPORT NO:	Transit Passenger Shelter Agreement Extension (PW15071a) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Christine Lee-Morrison Manager, Transit Strategy and Infrastructure (905) 546-2424, Extension 6390
SUBMITTED BY:	Gerry Davis, CPA, CMA Strategic Advisor City Manager's Office
SIGNATURE:	

RECOMMENDATION

- (a) That the General Manager of Public Works be authorized and directed to enter into negotiations with a single source, Outfront Media, for a month to month extension (to a maximum of 12 months) of the existing Hamilton Street Railway (HSR) Transit Passenger Shelter Agreement, expiring on December 31, 2016, resulting in a revised expiry date of no later than December 31, 2017 with a minimum termination notice of 60 days;
- (b) That the General Manager of Public Works or designate be authorized and directed to execute all necessary documents to implement subsection (a), in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

The purpose of this report is to obtain Council approval to extend the existing Transit Passenger Shelter Agreement with Outfront Media, in order to provide additional time to pursue a high quality Request for Proposals (RFP) process that allows for the opportunity to evaluate best practices, the market's interest, and service improvements to enhance the shelter program moving forward, in keeping with the goal of HSR to improve the customer experience. The Agreement was executed on February 15, 2002 for a term expiring on December 31, 2015, as amended on October 1, 2010. In October 2015, Council approved an extension to the agreement, on a month to month basis for a maximum of 12 months up to December 31, 2016. This report proposes a further month to month extension for up to one year to December 31, 2017.

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Outfront Media have conducted business with HSR in a mutually co-operative and professional manner since 2002. They have honoured their contractual obligations in terms of providing HSR with annual revenue and basic installation and maintenance of transit passenger shelters. Extending the existing contract will bridge the gap with regards to maintenance and revenue while the RFP process is carried out.

Alternatives for Consideration – See Page 4

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The 2010 Transit Passenger Shelter Amending Agreement, which expired on December 31, 2015, and extended on a month to month basis in 2016, provided 25% of net revenue generated paid monthly for the calendar years of 2011 to 2016. The revenue this generated for the city in the past four years is as follows:

2011	\$183,359
2012	\$186,726
2013	\$159,633
2014	\$186,116
2015	\$171,993

The contract extension detailed within would continue to provide the City with 25% of net revenue generated paid monthly until the termination of the agreement.

Staffing: N/A

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

HISTORICAL BACKGROUND

In June 2001, Committee of the Whole authorized the General Manager of Transportation, Operations and Environment or his designate to negotiate and enter into an amendment to the existing contract between the City of Hamilton and Mediacom Inc. (renamed to Viacom Outdoor Canada Inc.) regarding the sale of advertising on transit shelters and the replacement and maintenance of the bus shelter capital program (report TOE01061). The agreement, acceptable to Legal Services, was executed on February 15, 2002 for a term expiring on December 31, 2015. The agreement granted Viacom the exclusive right to sell advertising space and to post and exhibit advertisements or advertising material in transit shelters within the City. In exchange the City would receive a portion of net revenue generated (with an annual minimum guaranteed payment to the City of \$275,000 - \$375,000), and the installation, design, and maintenance of transit shelters.

This agreement was amended on October 1, 2010 as approved by Council on September 20, 2010 as per report TOE01061b. This amendment was to address concerns from the proponent with regards to revenue generation. Although the 2002

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agreement was beneficial to the City, CBS Outdoor Advertising (previously Viacom and Mediacom, and currently Outfront Media) had stated that they were experiencing successive years of losses due to declining sales and rising maintenance costs. They agreed to a negotiated amendment as an alternative to outright cancellation. The amended agreement reduced the City's annual revenue generation, including elimination of a guaranteed minimum payment, and transferred responsibility of specific glass pane vandalism maintenance and replacement to the City.

In October 2015, Council approved report PW15071 to extend the Transit Passenger Shelter Agreement with Outfront Media, on a month to month basis for a maximum of 12 months up to December 31, 2016. The contract extension gave staff the time to evaluate the condition of the existing shelter inventory as well as explore industry best practices and innovative solutions prior to releasing a Request for Proposals (RFP). The extended Agreement secured the same revenue and maintenance provisions of the original 2010 Agreement.

Since late 2015, the Transit Strategy and Infrastructure Section, responsible for the Transit Passenger Shelter Agreement, experienced significant staff vacancies for an extended period of time. The lack of staffing resources resulted in the inability to properly prepare a formal RFP for release to the industry in advance of the December 31, 2016 contract expiry.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Procurement Policy – Section 4.11 – (1)(c) where a City Contract has expired or will shortly expire and unforeseeable circumstances have caused a delay in issuing a new RFP or RFT so that a Contract extension is required (contract extension).

Procurement Policy – Section 4.11 – (1)(b) 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 (single source).

A Policy 11 was not prepared in advance of the contract extension proposal.

RELEVANT CONSULTATION

The following City Departments / Divisions have been consulted on the Transit Passenger Shelter Agreement Extension:

- Corporate Services Department: Procurement
- Corporate Services Department: Revenue Generation

The final form of the Transit Passenger Shelter Agreement Extension is required to be acceptable to the City Solicitor and must 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).

Outfront Media has been contacted regarding this proposed extension and are agreeable.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Outfront Media have conducted business with HSR in a mutually co-operative and professional manner since 2002. They have honoured their contractual obligations in terms of providing HSR with annual revenue and basic installation and maintenance of transit passenger shelters.

Notwithstanding, the HSR has started to re-evaluate the priorities of the shelter capital program to better align with customer experience service improvement goals. These include, but are not limited to: needed improvements to ongoing maintenance such as vandalism repair and garbage removal, streamlining the aesthetics of the entire shelter inventory into a standardized design, and improving the passenger perception of HSR. Through the current Integrated Mobility Branding and Marketing Strategy project, it has been indicated on numerous occasions that the cleanliness and aesthetics of the HSR shelters are a major barrier for potential and current users of the system. Therefore, it is suggested that HSR investigate and implement improved maintenance and design solutions as part of future contract agreements.

Extending the existing contract with Outfront Media provides additional time to gather information on best practices and innovative solutions that could be applied to the next transit shelter agreement. In addition, the extension will allow for existing revenue generation and maintenance to continue while improvements to the next transit shelter agreement are explored. Releasing an RFP to coincide with the existing termination date of December 31, 2016 would limit the opportunities to better understand the changing landscape of transit shelter agreements in the municipal market.

Overall, the contract extension would allow for the opportunity to evaluate best practices, the market's interest, and service improvements to enhance the shelter program moving forward. This is in keeping with the direction to improve the HSR customer experience.

ALTERNATIVES FOR CONSIDERATION

The alternative to the recommendation in this report is to allow the Transit Passenger Shelter Amending Agreement to terminate as of December 31, 2016, and assume ownership and day to day operational responsibilities related to all 628 shelters (under the current Agreement all shelters and ancillary components are owned by Outfront Media for the term of the Agreement).

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.

It would also result in a gap in the ongoing maintenance of existing shelters that would need to be assumed by the City; as well as a reduced timeframe in which to evaluate

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best practices and opportunities for the enhancement of the shelter program and customer experience to be included in the RFP.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

None