

Committee of the Whole (1) Report

DATE: Tuesday, February 7, 2023

WARD(S): ALL

TITLE: DIGITAL BILLBOARD REVENUE PROGRAM

FROM:

Nick Spensieri, City Manager

ACTION: DECISION

Purpose

Economic Development (ED) is providing this report to update Council on the success of the first phase of the Digital Billboard Revenue Project; the plan for Phase 2; and to seek approval for Phase 3 which will include a Request for Information (RFI) for new locations and a plan to monetize existing digital billboard assets.

Report Highlights

- Phase 1 was a success with a guaranteed amount of \$6,075,000 in revenue over 15 years for three (3) double-sided digital billboards that went live in January 2022.
- The Digital Billboard Revenue Program is entering Phase 2 which includes Council-directed public consultation for the four (4) additional sites.
- Staff is seeking authority to explore Phase 3 to identify new locations by way of issuing a Request for Information (RFI) to the industry and monetizing existing assets.

Recommendations

1. THAT, Staff report the results of Phase 2 public consultation no later than Q4 2023;
2. THAT, Council direct staff to issue an RFI for Phase 3 to explore new digital billboard locations that generate revenue; and
3. THAT, Council direct staff to explore the feasibility of renegotiating existing digital sign agreements where possible to modernize digital sign infrastructure by adopting a revenue-sharing advertising program.

Background

ED supports City-Wide alternative revenue generation.

In 2022 alone, the revenue-generating programs within the Strategic Economic Initiatives business unit focused on three priority areas; city-wide grant support, revenue-generating asset development, and internal program development.

Examples include:

- \$6,075,000 over 15 years generated from Phase 1 of the digital billboard revenue program
- \$8,589,880 generated from 20 successful grant applications
- \$16,569,270 in potential funding from 12 grants pending decision
- \$82,500 generated for Canada Soccer's 2022 Toyota National Championships
- \$150,000+ generated from the Grow with Vaughan horticulture sponsorship program

Phase 1: in 2019, Council approved three Digital Billboards that went live on January 1, 2022, with a minimum of \$405,000 in annual revenue for 15 years.

The sites that began operation in January 2022 are:

- Joint Operations Centre, 2800 Rutherford Road
- Highway 7 and Keele Street
- Bathurst Street and Queen Filomena Drive

Initially, funds are being used to reimburse the City's innovation reserve, scheduled for completion by 2026.

Phase 2: in 2019, four additional sites were approved by Council subject to public consultation and the success of the first three sites.

The four sites approved by Council for public consultation are:

1. **Maple Reservoir Park, 10588 Keele St:** Entrance to the parking lot for the soccer fields southwest of Keele St. and Teston Rd. (Appendix A)
2. **Al Palladini Community Centre, 9201 Islington Ave:** Rutherford entrance to the community centre east of Islington Ave. (Appendix B)
3. **Rainbow Creek Park, 5450 Highway 7:** Entrance to the parking lot for soccer fields north side of Highway 7, east of Parkfield Court. (Appendix C)

4. **Bathurst District Park, 101 Westmount Blvd:** West of Bathurst adjacent to the baseball diamond north of New Westminster Drive. (Appendix D)

The Office of Communications and Economic Development (OCED), inclusive of ED and Community and Stakeholder Engagement is undertaking public consultation in 2023 led by a third-party engagement consultant. The consultation is based on thorough stakeholder mapping for each location.

The approach to public consultation is based on thorough stakeholder mapping for each location and will include outreach to Members of Council, internal City departments, local area businesses and residents, other stakeholders, including York Region and York Regional Police, technical/industry experts, and local ratepayer associations.

The project team will retain a third-party engagement consultant to carry out the consultation process and develop a report detailing the input and insights collected.

Previous Reports/Authority

Nov. 19, 2013, [Marketing Partnerships Strategy & Implementation Plan](#)

Feb. 21, 2017, [Corporate Partnerships Update](#)

May 7, 2018, [Billboard Revenue Potential](#)

Mar. 19, 2019, [Billboard Revenue Potential Update](#)

June 8, 2021, [Billboard Revenue Update](#)

[Sign By-law 140-2018 \(PDF\)](#) (as amended) and [Sign By-law 079-2019 \(PDF\)](#)

Analysis and Options

Phase 2: The four sites being considered subject to public consultation have the potential to generate an additional \$9,000,000 in unencumbered revenue over the next 15 years.

Given the annual vehicular and pedestrian traffic counts at each location and Phase 1 precedent with pricing, staff anticipate an estimated of up to \$150,000/year in revenue for each location identified for public consultation in Phase 2. This would mean a potential of an additional \$600,000/year approximately for 15 years if all four sites are approved thereby producing at least \$9M in revenue for the term to be used for city programs and services.

Subject to public consultation, staff will seek Council approval no later than Q4 2023 to implement the additional four sites through a public Request for Proposals (RFP). The sites are expected to enter operation in 2025.

Note: In all cases, the vendor will be required to direct signage to road traffic and away from Vaughan residential property.

Phase 3: exploring future opportunities is recommended and will include: (a) researching additional revenue-generating digital billboard locations and (b) the potential to monetize the City's existing inventory.

Simultaneously, as staff works with the public consultation consultant in Phase 2, staff will undertake a two-pronged approach to Phase 3 by issuing an RFI for new locations and investigating the possibility of renegotiating existing agreements to include revenue share.

Staff will begin to look at additional sites for future consideration in partnership with the Procurement Services Department by way of an RFI with industry stakeholders. The request for information will allow the industry to share information and feedback on any specific site locations within the parameters of the City's Sign By-Law on city-owned land for consideration. Feedback provided will be used to develop a pre-vetted list that will then be able to be brought to Council later for consideration to further expand the city's digital billboard inventory.

Staff will also explore the potential to monetize existing inventory by converting digital signs on city property into digital billboard will advertising that creates an additional revenue stream, create efficiencies, and avoid oversaturation in the marketplace.

Financial Impact

At Committee of the Whole (2) on June 8, 2021, under Council direction, Phase 1 revenue from the Digital Billboard Project was allocated to reimburse the Innovation Reserve from which the office was founded in Economic Development, less the annual operating costs of one full time employee (FTE). In 2016, \$917,246 was drawn from the City's Corporate Innovation Fund to create the Municipal Partnership Office. By 2026, the total to be reimbursed to the Innovation Fund will be \$1,008,971 with interest.

Phase 1 revenue of \$405,000/year from the digital billboard project was allocated to reimburse the innovation reserve, less the annual operating costs of one FTE. The innovation reserve payback schedule in Table 1 shows that the investment will be repaid by 2026. Any commissions earned from advertising sales will be utilized to accelerate the reimbursement of the reserve freeing up funding for other city initiatives prior to 2026.

Once the repayment is made, a minimum of 50% of the guaranteed Phase 1 digital billboard revenue plus 100% of commissions will be allocated based on the annual business planning and budget process, whereby service and infrastructure priorities shall be recommended by staff for Council's consideration and approval.

During the 2022-2026 period, any commissions earned from advertising sales will be utilized to accelerate the reimbursement of the reserve freeing up funding for other city initiatives prior to 2026.

From Phase 1, a minimum of \$200,000 of unencumbered revenue will be available post-2026 once the Innovation Reserve is reimbursed with interest.

In Phase 2, the city will benefit from a projected revenue of up to \$600,000 plus commissions. There are no additional expenditures expected with the implementation of phase 2 of the project. Therefore, all the revenues plus any commissions will be available to fund city initiatives and alleviate pressure on the tax base. Table 2 below provides a summary of the financial forecast assuming the implementation of phases 1 and 2 of the digital billboard project.

Table 1: Innovation Reserve Payback Schedule

	2022	2023	2024	2025	2026
Beginning Balance	30,504	254,956	474,495	690,683	903,452
Deposit to Reserve	224,452	219,539	216,188	212,769	105,519
Ending Balance	254,956	474,495	690,683	903,452	1,008,971

Table 2: Municipal Partnership Office Revenue and Expenditures (2022-2026)

	2022	2023	2024	2025	2026
	Approved Budget	Proposed Budget	Plan	Plan	Plan
Revenue					
Partnerships	76,500	76,500	76,500	76,500	76,500
Advertising (Digital Billboards)	405,000	405,000	405,000	1,005,000	1,005,000
Transfer Sponsorship to Department	(61,200)	(61,200)	(61,200)	(61,200)	(61,200)
Total Revenue	420,300	420,300	420,300	1,020,300	1,020,300
Expenditures					
Labour	162,648	167,561	170,912	174,331	177,817
Other Expenses	33,200	33,200	33,200	33,200	33,200
Transfer to Innovation Reserve	224,452	219,539	216,188	212,769	105,519
Total Expenditures	420,300	420,300	420,300	420,300	316,536
Surplus available for City Initiatives	-	-	-	600,000	703,764

*Financial forecast excludes digital billboard commissions as amounts are not guaranteed and variable and assumes Phase 2 enters operation in 2025

Broader Regional Impacts/Considerations

As York Region has jurisdiction over regional roads, they will be consulted in the industry consultation phase as it relates to the location of the four sites in Phase 2. In addition, the road construction requirements shall be part of the approval process during

the implementation phase of the work. However the Region of York respects local municipal decisions to place advertising signs on City property.

Conclusion

Phase 1 of the Digital Billboard Program was a huge success with the City's first land lease agreement for out-of-home advertising on city property. This innovative approach to municipal revenue sourcing will bring in an additional \$6,075,000 in alternative revenue.

Phase 2 has the potential to generate at least another \$9,000,000 in non-taxation revenue to help Council manage ongoing financial pressures. The strategic benefits of expanding the digital billboard program include increased communication tools to add new ways to share information on City services, programs, and announcements (including emergency notifications) with the public; and increasing revenues that shall be allocated to investments in City services and the infrastructure priorities of Council.

Phase 3 will entail an exploratory exercise whereby staff will issue an RFI to industry stakeholders on the feasibility of additional locations for digital billboards that will be brought back to Council for review and approval. Additionally, staff will also investigate the opportunity to monetize existing inventory to create efficiencies and avoid oversaturation in the marketplace.

For more information, please contact Cristina Prinzo, Program Manager Municipal Partnerships and Corporate Initiatives, ext. 8187.

Attachments

1. Appendix A: Digital Billboard Site Location – Maple Reservoir Park
2. Appendix B: Digital Billboard Site Location – Al Palladini Community Centre
3. Appendix C: Digital Billboard Site Location – Rainbow Creek Park
4. Appendix D: Digital Billboard Site Location – Jean Augustine District Park

Prepared by

Cristina Prinzo, Program Manager Municipal Partnerships and Corporate Initiatives
Raphael Costa, Director, Economic Development

Approved by

A handwritten signature in black ink, appearing to read 'Nick Spensieri', with a long horizontal line extending to the right.

Nick Spensieri, City Manager