

November 20, 2019

To: Members
Priorities and Planning Committee

Re: Sponsorship, Naming Rights & Advertising Program

RECOMMENDATION

**RECOMMENDATION OF THE PRIORITIES AND PLANNING COMMITTEE
- OCTOBER 23, 2019**

1. That the development of a Sponsorship, Naming Rights & Advertising Program be considered during the 2020 budget process.
2. That this report be forwarded to the November 25, 2019 City Council meeting for approval.

PRIORITIES AND PLANNING COMMITTEE - OCTOBER 23, 2019

Brent Barootes, representing Partnership Group – Sponsorship Specialists, addressed the Committee.

The Committee adopted following resolution:

1. That the development of a Sponsorship, Naming Rights & Advertising Program be considered during the 2020 budget process;
2. That this report be forwarded to the public Priorities and Planning Committee meeting on November 20, 2019 and the November 25, 2019 City Council meeting for approval.

Mayor Michael Fougere (Chairperson); and Councillors: Lori Bresciani, Sharron Bryce, John Findura, Jerry Flegel, Bob Hawkins, Jason Mancinelli, Joel Murray, Mike O'Donnell, Andrew Stevens, Barbara Young were present during consideration of this report by the Priorities and Planning Committee.

The Priorities and Planning Committee, at its PRIVATE meeting held on October 23, 2019, considered the following report from the Administration:

RECOMMENDATION

1. That the development of a Sponsorship, Naming Rights & Advertising Program be considered during the 2020 budget process;

2. That this report be forwarded to the November 25, 2019 City Council meeting for approval.

CONCLUSION

The implementation of a Sponsorship, Naming Rights and Advertising Program and Policy will allow the City of Regina to evaluate incoming naming rights and sponsorship opportunities on a consistent basis with the ability to generate additional revenue. There is a growing acceptance of naming rights and sponsorship in our community and for many other municipalities. Policy development and a process for allocating resources is required to take advantage of this opportunity.

With the completion of the inventory asset valuation and a sample policy by the Partnership Group – Sponsorship Specialists®, the City has taken steps necessary to begin building a corporate Sponsorship, Naming Rights and Advertising Program. Next steps are to request operating budget of \$125,000 in 2020 and, if approved, proceed to develop a Program based on an internal sales strategy. Over the first five years of the Program, the consultant projected the City will net \$3.65 million of new revenue.

BACKGROUND

Naming rights and sponsorship agreements have the potential to foster partnerships and generate revenue; however, the City of Regina (City) has no formal policy or process for evaluating and entering into sponsorship, naming rights or advertising agreements. In December 2017, the City issued a Request for Proposals for Naming Rights and Sponsorship Consulting Services and the contract was awarded to the Partnership Group – Sponsorship Specialists®. The consultant was engaged to:

- Undertake a sponsorship review
- Conduct an inventory analysis of City owned assets that could be marketed for sponsorship, naming rights and advertising including marketing activations
- Develop a sponsorship, naming rights and advertising program
- Recommend a business model (sales strategy) for the City to deliver a sponsorship, naming rights and advertising program

The Partnership Group – Sponsorship Specialists® completed this work based on industry standards, benchmarking with other municipalities and local business intelligence. Final deliverables were submitted to the City on May 22, 2019.

DISCUSSION

The Partnership Group – Sponsorship Specialists® has developed a list of almost 2000 unique City assets that can be marketed for the purposes of selling sponsorship, naming rights and/or advertising. The Executive Overview of the consultant's report is included in Appendix A. City assets are valued at approximately \$8.4 million. Approximately 28 percent or \$1.8 million of the

value is attributable goodwill with the remaining \$6.4 million to physical assets which provide opportunities for the City to sell sponsorships, naming rights and/or advertising. The consultant has provided five recommendations which when implemented are expected to result in an annual gross revenue of \$2.2 million for the City. The annual gross revenue of \$2.2 million is not expected to be fully achieved for three to four years.

Consultant Recommendation 1: Sponsorship, Naming Rights & Advertising Policy

A sponsorship, naming rights and advertising policy is needed. The Partnership Group – Sponsorship Specialists® provided a sample policy (Appendix B) based on their experience and expertise. Municipalities including Calgary, Edmonton, Saskatoon and Vancouver have City Council approved policies that guide Administration by providing concrete direction and written support for a Sponsorship, Naming Rights & Advertising Program.

The draft policy, if adopted by Council, will allow the City to establish city-wide protocol for sponsorship, naming rights and advertising with principles and conditions for pursuing agreements. The policy clearly lays out definitions, scope, guiding principles, requirements, sponsorship/advertising criteria, restrictions, and procedures for delegation of authority, accountability, documentation, evaluation and review. The policy restricts sponsorship, naming rights and advertising to be pursued with companies or organizations that compromise the City's reputation or contradict any law or City bylaw. Specific restrictions are in place for companies or organizations:

- Whose business is derived from the sale or production of tobacco
- Whose business is derived from the sale or production of cannabis
- Whose business is derived from pornography or sexual services
- Who promote or sell alcohol or potentially other addictive substances at venues geared primarily to children or youth
- Whose business is derived from armaments and weapons manufacturing or other unsafe products or sale of such weapons excluding recreational firearms
- Who are not in good standing with the City (i.e. currently in violation of a bylaw or under litigation)
- Discriminate by way of race, religion or sex in employment, marketing or advertising practices

The policy dictates that Council approval is needed for any sponsorship which involves the naming or renaming of a City asset garnering annual revenue over \$125,000, building overall naming rights, as well as entering into a sponsorship or advertising agreement that exceeds the delegated authority outlined in the policy. It is typical for sponsorship or advertising agreements to “bundle” which is combining several assets or benefits from the City's asset inventory to meet the needs of a particular sponsor. The bundle and any fulfillment requirements are documented in an agreement and sold to a company or organization. Sponsorship, naming rights and advertising programs use a tiered revenue level format. This provides companies and organizations to enter into agreements with the City based on their annual spend amount. The tiers and delegated authority to enter into agreements, as recommended by The Partnership Group – Sponsorship Specialists® is outlined below.

Tier	Company or Organization Annual Spend	City Administration Delegated Authority
1	\$185,000 +	City Council
2	\$125,000 to \$185,000	City Manager
3	\$75,000 - \$125,000	Executive Director, Citizen Experience, Innovation and Performance
4	\$35,000 - \$75,000	Director, Citizen Experience
5	\$15,000 - \$35,000	Program Staff, Citizen Experience

The Administration recommends proceeding with the development of a Sponsorship, Naming Rights & Advertising Program based on Appendix A and Appendix B of this report. Administration anticipates the policy will result in changes to the *Administration Bylaw, No. 2003-69*.

Consultant Recommendation 2: Five Year Sales Strategy

Two sales strategies were explored by The Partnership Group – Sponsorship Specialists®: the first is an internal approach which sees the City building its own Sponsorship Team. The second is outsourcing the sales. A brief description of each strategy is provided below.

Internal Sales Approach: Establish a City Sponsorship Team

The internal sales approach consists of a three-person work unit being established to reach and maintain an annual revenue opportunity of \$2.2 million (includes a new indoor aquatic facility). The team is expected to grow over time depending on the revenue generated and positions will only be added as revenue targets are met.

The team is planned to reside in the Citizen Experience, Innovation & Performance Division under the leadership of the Director, Citizen Experience. The program is to be initiated with one position in 2020 with additional positions being requested as needed. It is expected that no revenue will be generated in the first year and minimal revenue will be secured in the second year. This is based on the understanding that sponsorship development is relationship based and the common timeframe from prospect identification to closing is 18 to 22 months. The expected results over five years include:

Dates	Activities
Q4 2019	<ul style="list-style-type: none"> Seek Council Approval to Proceed with Policy & Program Development through the 2020 budget process
Q1 2020	<ul style="list-style-type: none"> Hire Sponsorship Position (1 FTE)
Q2/Q3 2020	<ul style="list-style-type: none"> Develop Program including Contracts, Marketing Materials & Prospects Develop Plan & Strategy for Supporting Existing Sponsorship & Partnership Agreements Seek Council Approval on Sponsorship, Naming Rights & Advertising Policy
Q4 2020 (Year 1)	<ul style="list-style-type: none"> Develop Plan & Strategy for Potential Incremental Revenue Opportunities within City Departments Prospect List includes:

Dates	Activities
	<ul style="list-style-type: none"> ○ 25 Leads ○ 10 Active ○ 5 Engaged ● Report to City Council
Q4 2021 (Year 2)	<ul style="list-style-type: none"> ● 40 Proposals Presented ● 5 Closed Agreements ● New or Incremental Revenue Target \$500,000 ● Report to City Council ● Add one additional FTE if Revenue Target is Met
Q4 2022 (Year 3)	<ul style="list-style-type: none"> ● 120 Proposal Presented ● 35 Closed Agreements ● New or Incremental Revenue Target \$1,000,000 ● Report to City Council ● Add one additional FTE if Revenue Target is Met
Q4 2023 (Year 4)	<ul style="list-style-type: none"> ● 60 Proposals Presented ● 36 Closed Agreements ● New or Incremental Revenue Target \$750,000 ● 27 Contract Renewals Resulting in Revenue Renewal of \$750,000 ● Report to City Council
Q4 2024 (Year 5)	<ul style="list-style-type: none"> ● 60 Proposals Presented ● 36 Closed Agreements ● New or Incremental Revenue Target \$750,000 ● 48 Contract Renewals Resulting in Revenue Renewal of \$1,200,000 ● Report to City Council

If the City achieves the revenue targets in the table, the City will generate a net revenue of \$3.65 million over five years. This projection factors both staff and fulfillment costs (updating signs, hosting events, publications and on-line materials, etc.) associated with closed agreements.

External Sales Approach: Outsource

The external sales approach involves the City of Regina contracting a third-party agency to sell sponsorship and advertising on the City’s behalf. Based on local business intelligence the most viable method is to work with an existing property in the marketplace who would buy the City’s asset inventory in return for a guaranteed annual revenue. The Partnership Group – Sponsorship Specialists® assessed this option and determined there is no viable business case for the City to proceed with this approach.

Although the City’s operational role and costs would be minimized, the fulfillment costs would still be incurred, and the City does not control the relationship with prospective partners and sponsors entering into agreements with respect to City of Regina assets. The revenue projection for this approach is a net income of \$3.55 million over the five-year term. Although this is about the same revenue as the internal sales approach, the consultant applied the same escalation methods for years five to ten and there is a significant

difference in revenue. At the end of ten years, the external sales approach is projected to yield a total new revenue to the City of \$5.5 million while an internal sales approach is expected to reach \$10.3 million.

The Partnership Group – Sponsorship Specialists® recommends the City implement the internal sales approach for the following reasons:

- Considering budget projections for the first ten years, the internal sales approach will yield a net revenue of almost double the external sales approach.
- Contractual obligations and professional relationships are maintained internally within the City versus a third party.
- Collaboration is centralized between the sales process and fulfillment delivery.
- A cohesive continuity between existing departmental contracts and new opportunities.
- As the Corporate program grows, matures and delivers success it can work to assist or manage other sponsorship/advertising agreements including those governing transit assets and ballpark/arena advertising.
- Collaboration with City partners is maintained.
- Collaboration and sponsorship capacity building is developed with local community groups and non-profits.

The Administration recommends proceeding with the development of a Sponsorship, Naming Rights & Advertising Program and Policy using an internal sales approach as described in this report.

Consultant Recommendation 3: Staffing Levels to Support Implementation of Sales Strategy

The Partnership Group – Sponsorship Specialists® stresses that the appropriate staffing levels are required to deliver on either the internal or external sales approach. Proceeding with an internal sales approach enables the City to have direct control over staffing assigned to the sales strategy.

The 2020 budget is expected to include a request to fund one full time staff person to develop a Sponsorship, Naming Rights & Advertising Program. If this budget request is supported by City Council, the Administration will hire and once onboarded, the staff person will develop the Program and then bring the Policy forward to Council for consideration.

Consultant Recommendation 4: Culture of Sponsorship

To be successful, The Partnership Group – Sponsorship Specialists® highlights the need to develop a “holistic sponsorship program” and states:

With “sponsors” there is a desire to support one another’s objectives through sponsorship partnerships that have more relevance, more meaning and more authenticity over longer terms. We believe that one of the overarching keys to a sound sponsorship program however rests with your ability to “discover” what the corporate prospects business objectives are at any level of support, paired with your ability to provide business solutions to those objectives.”

A holistic program includes:

- Strong foundation of assets
- Opportunity for brand integration
- Research about potential partners
- Sponsorship development in concert with your marketing plan
- Sponsorship acquisition strategy
- Staff capacity and skill sets
- Defined policy and objectives

Consultant Recommendation 5: Social and Digital Media Strategy

Social media and digital assets are leveraged in building sponsorship and advertising agreements. The consultant team assessed the City's current social and digital capability. The assessment is consistent with the Administration's own assessment: we do not have a strong foundation and our current use of social media is based on "pushing" messages, as opposed to "engaging" citizens and partners. The Partnership Group – Sponsorship Specialists® have advised "To maximize sponsorship dollars this has to shift to a more engaged audience on this vital platform. We would highly encourage the City of Regina to look to improve their digital and social media integrations".

The Administration is keenly aware of the opportunities to be leveraged by implementing a social and digital media strategy to begin to bridge citizen expectations related to 24/7 service. The new Regina.ca launched this year as the foundation for this work and the Citizen Experience team is currently working on a strategy to leverage social and digital media platforms including Twitter, Facebook, LinkedIn and Instagram. This is important as citizen expectations are changing with the continued evolution of social media channels which are replacing traditional channels including print and cable television.

RECOMMENDATION IMPLICATIONS

Financial Implications

Over the first five years, revenue and expenses will vary from year to year until the program is fully established. Budget projections suggest the City will generate net revenue in excess of \$3.65 million over the first five-years using the internal sales approach. Longer-term budget projections indicate that by the end of ten years, the City will generate net revenue of almost \$10.3 million through an internal program. Expenses for 2020 are budgeted at \$125,000 and are expected to increase incrementally as revenue targets are achieved. It is projected that by the end of the second year of the program, revenues will exceed expenses and the program will become self-sustaining.

Revenue generated by the City for sponsorship, naming rights and advertising will be centralized and not the responsibility of specific departments. Funds received for sponsorship, naming rights and advertising are to be credited to a specific sponsorship account that will be part of general revenue and allocated through the budget process. The revenue will not be allocated to a specific area or asset as sponsorship agreements include assets from multiple touch points across the City.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

One of the community priorities in the Official Community Plan is to achieve long-term financial viability which includes searching for new ways to generate revenue to ensure that the City has the financial resources to meet residents' needs now and in the future. The information in this report highlights an opportunity to develop a new revenue stream.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

A formal communications strategy will be developed to launch the Program at the time the Policy is considered by Council, as well as ongoing communications tactics.

DELEGATED AUTHORITY

None with respect to this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jim Nicol', written in a cursive style.

Jim Nicol
City Clerk