

# Staff Report



Community Services Department

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**REPORT TO:** Community and Infrastructure Services Committee

**DATE OF MEETING:** June 5, 2023

**SUBMITTED BY:** Bob Cheyne, Director, 519-741-2200 ext. 7689

**PREPARED BY:** Jeremy Dueck, Manager, 519-741-2200 ext. 5264

**WARD(S) INVOLVED:** ALL

**DATE OF REPORT:** April 15, 2023

**REPORT NO.:** CSD-2023-233

**SUBJECT:** Execution of Talent, Suite, and Sponsorship Agreements at The Aud

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## RECOMMENDATION:

That the Manager of The Aud be authorized to execute talent offer sheets and talent purchase agreements, suite lease and rental agreements, as well as sponsorship agreements at The Aud in accordance with the approval parameters set out in CSD-2023-233; said agreements to be to the satisfaction of the City Solicitor; and further

That the Director of Sport be authorized to execute sponsorship agreements, pertaining to The Aud, in accordance with the approval parameters set out in CSD-2023-233; said agreements to be to the satisfaction of the City Solicitor.

## REPORT HIGHLIGHTS:

- The purpose of this report is to provide delegated authority to staff to execute key business agreements between The Aud and a variety of external stakeholders.
- Assigning the Manager of The Aud (or a designate) with authority to sign these key business agreements would: improve The Aud's ability to secure more live entertainment, improve business operations and revenue generating opportunities, provide transparency and accountability, and align with standard operating procedures and industry best practices.

## BACKGROUND:

In 2023, staff reviewed business practices at The Aud to identify opportunities to increase revenue generation (including attracting more live entertainment to the facility), improve business operations, and improve the customer experience for external stakeholders – all of which would benefit the municipality and the community as a whole.

## **REPORT:**

Based on those reviews, staff have identified three areas where delegating authority to staff to sign business agreements would achieve the objectives stated above:

1. Suite Lease and Suite Rental Agreements
2. Talent Purchase Agreements
3. Sponsorship Agreements (related to The Aud)

### **1. Suite Lease and Suite Rental Agreements**

City staff are responsible for selling and overseeing the administration of 26 luxury suites at The Aud. The Aud leases most suites for single or multi-year agreements and rents the remaining suites on a per-event basis. Staff's goal is to maximize suite revenue while fulfilling the expectations outlined in the suite agreements.

The current suite lease and rental agreements are not efficient because the Manager of The Aud does not have the delegated authority to execute nor make even minor changes to the terms and conditions (e.g., setting the amount of time a client must vacate the suite after a special event, establishing the minimum number of tickets that must be purchased, etc.).

Providing staff with delegated authority to execute suite lease/rental agreements will allow for expedited changes to be made to those agreements which will decrease service time and improve customer satisfaction – increasing the chances of repeat customers. All agreements would continue to be subject to review by Legal, as appropriate.

### **2. Talent Purchase Agreements**

From time to time, The Aud has opportunities to purchase live entertainment/shows directly from an agency on its own or in cooperation with a third-party promoter. The process for purchasing a show usually consists of two steps:

- i. submitting a "talent offer sheet" to the agent and then
- ii. signing a talent purchase agreement after the agent accepts the talent offer (the terms of the talent purchase agreement align with the talent offer sheet).

Talent agencies consider the talent offer sheet to be a binding proposal. The talent offer sheet outlines the basic financial deal points. The talent purchase agreement adds additional terms and conditions, such as the technical/production rider.

Currently, staff do not have a clearly defined process for responding to these opportunities, nor do they have the delegated authority to sign the talent offer sheet and/or talent purchase agreements – both of which are legally binding agreements. As a result, staff are unable to act quickly to purchase these show opportunities when they arise. This inability to move quickly to sign these talent offers and agreements has meant that in the past The Aud has missed out on some show opportunities.

The delegated authority recommended would be exercised upon the approval set out below:

The Manager of The Aud would only execute the talent offer sheet and subsequently execute the talent purchase agreement upon receipt of approval from one of the following persons based on the risk value of the show (i.e. The artist guarantee):

ARTIST GUARANTEE	APPROVAL
Less than \$150K CDN	Director of Sport
Greater than \$150K CDN	DCAO or CAO

The Aud Manager and Auditorium staff will complete a pro forma to assess the breakeven point for ticket sales and ancillary revenue generation opportunities with each talent purchase. Using the artist guarantee as the risk value is a worst-case scenario – if zero tickets are sold.

When The Aud decides to solely purchase talent or purchase talent as part of a co-promotion with a third-party promoter, staff will use the artist’s performance history as a measure of future success (i.e., targeting breakeven or better). The Manager would confirm the findings of that research with the Director of Sport or DCAO/CAO when seeking their approvals.

### 3. Sponsorship Agreements

In 2016, Council approved the City’s Municipal Sponsorship Policy (GOV-COR-2000) which grants the CAO or DCAO the delegated authority to enter into agreements for amounts up to \$125,000 for the term of the agreement, subject to the satisfaction of the City Solicitor. City Council approval is required for any agreement that is in excess of \$125,000 for the term of the agreement; in excess of 10 years in duration; includes the naming rights for an entire complex; or does not satisfy the provisions of the Municipal Sponsorship Policy.

The operational challenge with the current delegation of authority is that the CAO and DCAO are being tasked with signing off on sponsorship agreements worth lesser amounts (e.g., Sponsorship agreements worth \$5,000) which can add additional time to the process of securing a sponsorship agreement. This is happening because the Council-approved sponsorship policy did not speak to agreements worth lower values.

The delegated authority recommended would be exercised upon the approval set out below:

APPROVAL AND EXECUTION	VALUE OF SPONSORSHIP AGREEMENT PERTAINING TO The Aud
Manager of The Aud	Less than \$50,000 for the term, less than 10 years in duration and not for naming rights of an entire complex
Director of Sport	Less than \$125,000 for the term, less than 10 years in duration and not for naming rights of an entire complex
City Council City’s Municipal Sponsorship Policy (GOV-COR-2000)	Greater than \$125,000 for the term, longer than 10 years, and naming an entire complex

	All Agreements to the satisfaction of the City Solicitor

This is consistent with the City’s overall sponsorship policy and approval authorities.

Updating this delegation of authority will allow for sponsorship agreements pertaining to The Aud to be expedited, creating a better customer experience through efficient business operations. All sponsorship agreements will continue to abide by the City’s overall Sponsorship Policy and will be subject to review by Legal, as appropriate.

**STRATEGIC PLAN ALIGNMENT:**

The recommendation outlined in this report supports the achievement of the City’s strategic vision through the delivery of core service.

**FINANCIAL IMPLICATIONS:**

Approving these delegated authority recommendations will allow The Aud to achieve greater operational efficiency and provide a clearer path to purchase more shows – creating a business environment to generate more revenue from ticket sales and ancillary revenues (e.g., Food & beverage commission, paid parking, merchandise, sponsorships, etc.). Being an active participant in the talent purchase community will also make Kitchener a more attractive market for promoters and talent agents. If promoters and agents know that a venue is willing to take on or share in the financial risk of a show, then they are more likely to come to Kitchener.

The financial risks of solely purchasing a show or buying cooperatively with a promoter include event cancellation, low ticket sales, and negative publicity. The direct financial liability of cancelling a show is outlined in the offer sheet and talent purchase agreement with the agent (i.e., The “artist guarantee”).

**COMMUNITY ENGAGEMENT:**

INFORM – This report has been posted to the City’s website with the agenda in advance of the council / committee meeting.

**APPROVED BY:** MICHAEL MAY, DEPUTY CHIEF ADMINISTRATIVE OFFICER