

# Staff Report



Development Services Department

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**REPORT TO:** Finance and Corporate Services Committee

**DATE OF MEETING:** October 30, 2023

**SUBMITTED BY:** Brian Bennett, Manager Business Development, 519-741-2200 ext. 7230

**PREPARED BY:** Dylan Matthews, Program & Policy Advisor, 519-741-2200 ext. 7367

**WARD(S) INVOLVED:** Ward(s) All

**DATE OF REPORT:** September 1, 2023

**REPORT NO.:** DSD-2023-375

**SUBJECT:** Municipal Sponsorship Review

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## RECOMMENDATION:

That the amended Sponsorship Strategy as outlined in DSD-2023-375 be approved; and,

That the amended revenue allocation outlined in the attached policy GOV-COR-2000-Municipal Sponsorship be approved; and further,

That the updated Sponsorship Asset Inventory attached to DSD-2023-375 be approved for future sponsorship opportunities under the approval criteria outlined.

## REPORT HIGHLIGHTS:

The purpose of this report is to update and re-introduce the City of Kitchener's Sponsorship Strategy with the following changes:

- Update the Municipal Sponsorship Policy GOV-COR-2000 to establish a consistent approach to revenue allocation of sponsorship funding.
- Update an expanded inventory of approved sponsorable assets.
- This report supports A Vibrant Economy and a Caring Community.

## BACKGROUND:

On June 6<sup>th</sup>, 2016, in support of the City's Municipal Partnership Program (MPP, a program that looks at advertising and sponsorship opportunities for revenue generation), Council approved a formal Municipal Sponsorship Policy and a Municipal Sponsorship Asset Inventory. The asset inventory outlined City-owned facilities, City-run programs and events for potential sponsorship including naming opportunities.

In April 2016, the Office of Strategic Partnerships (OSP) was created and introduced to the Corporation. This unit was created to provide support and advice to staff across the Corporation and is responsible for establishing a variety of policies, guidelines, training and materials to support the City's increased and more focused approach to identifying, costing and selling sponsorship and advertising opportunities.

MPP Objectives include:

- Ensure that the MPP operates within the constructs of City ethics and policies, namely: Policy I-211 Municipal Advertising, Policy I-212 Municipal Website, GOV-COR-2000 Municipal Sponsorship, Policy I-475 Naming/Renaming – Corporate Facilities.
- Encourage a culture of partnership creation, awareness & development within City of Kitchener Departments/Divisions/Units.
- Identify new assets as opportunities for partnership agreements.
- Establish a simplified and consistent approach to sponsorship revenue allocation across the Corporation.

In 2018, the OSP moved from the Community Services Department to Corporate Communications. Given that prospective sponsorships are likely to come from the local business community, the OSP moved to Business Development within Economic Development in 2022.

## **REPORT:**

Since 2016, the City established an approach to municipal sponsorship. During previous budget discussions, City Council has identified sponsorships as an opportunity to increase funding to enhance or expand various programs and initiatives. However, achieving sponsorships requires a dedicated approach that aligns with both current staff resources and the sponsorship practices of donors/partners/corporations. Much of this work was paused as a result of the pandemic. However, as our community has now emerged from the pandemic, and given global changes in corporate giving, it is an opportune time to review the City's Municipal Sponsorship Program.

### Policy Review

In reviewing the current program, GOV-COR-2000 was reviewed to ensure that each policy provides an appropriate framework for sponsorship and advertising at the City of Kitchener that safeguard the City assets and protect the City's reputation, as well as create an environment that encourages collaboration and sponsorship agreements. Staff reviewed over 25 Canadian municipal sponsorship policies to identify best practices, issues or processes not currently considered. Policies were compared with regards to principles and conditions, exclusions, criteria for agreement, delegation of authority, revenue disbursement, and factors relating to equity, diversity, and inclusion.

Based on the review, Staff concluded that the current policy is comprehensive in its wording to address any changes in Federal and Provincial laws, Municipal By-laws, or Canadian Code of Advertising Standards. Current wording has consistent language with

regards to principles and conditions in comparison to other municipalities and allows for flexibility with regards to administration and operation.

Proposed changes to the current policy include simplifying and establishing a consistent approach to revenue allocation of sponsorship funding, defining an updated inventory of City of Kitchener Assets available for sponsorship opportunities, and rebranding the program.

### Re-inventory of Assets

Municipal Assets are facilities, vehicles, equipment, programs, services, publications, websites, and events owned and operated by the City of Kitchener. This includes assets owned and operated by the City's Enterprises. Given the evolving nature of the City's programs and services, the master inventory will continue to evolve as new opportunities continually come on stream and others are removed from the inventory for administrative, operational or policy reasons. In addition, the function of the inventory will evolve as the City increases the level of sophistication of its sponsorship coordination efforts. An updated and preapproved asset inventory will allow staff to respond quickly to potential partnership opportunities for sponsorship and minimize the risk of losing a partner due to delays in the approval process. In conjunction with the parameters specified in the sponsorship policy, staff will have the tools required to develop marketing materials, proposals, and ultimately execute on sponsorship agreements.

Staff undertook a review of all assets (facilities, programs, events) available for sponsorship to create an expanded inventory of assets by Division. The database now includes naming right opportunities for facilities, naming rights within a facility, programs, events, and advertising.

Over time, staff would expand the database of assets to facilitate sponsor matching by updating and gathering additional information:

- Identify a value based on the audience and marketing opportunity, such as cause marketing categories or demographics;
- Gather valuation information such as number of views – foot traffic, vehicle traffic, attendance, web presence;
- User demographics (ex: profile of those who use the facility/program/service); and,
- A digital inventory of assets (ex: photographs for proposal purposes).

In assessing assets, staff assessed the viability of advertising in the municipal right-of-way. Altering regulated traffic signage would not meet Ontario Traffic Manual requirements. This is in part due to the increased risk of safety issues and associated liability. Accordingly, staff would not recommend pursuing opportunities that would alter regulated traffic signage or traffic calming signage within the public right-of-way, or the placement of new signage in any location that may be a visual distraction.

### Understanding of the Current Sponsorship Environment

In response to budgetary pressures, municipalities across Canada have taken a more formalized approach to seeking sponsorship as means to generating non-tax-based

revenues. Through the development of formalized policies, and the use of either dedicated internal staff or external sales consultants, sponsorship of municipal assets by both local businesses and corporations has been reactivated since Covid however remains challenging. Very few municipalities have been successful in generating ongoing revenue streams through sponsorships. As such, sponsorship revenues should not be relied upon to support annual operating budgets.

From the sponsor's perspective, most major corporations use a highly targeted and specific approach to sponsorships. For example, a financial institution may identify a theme (music, environment, entrepreneurship, etc.), as well as target demographics (ex: youth, women, etc.). Their willingness to contribute to a municipal program or asset will be subject to alignment to their core values. While some companies may still seek out opportunities for marketing-based sponsorship (ex: logos on building or in lobbies), most are seeking purpose-driven sponsorship opportunities.

### Recommended Improvements to the City's Approach to Sponsorship

In both formal group forums and informal discussions with municipalities taking an active approach to sponsorship, as well as best practices recommended by sponsorship consulting firms, key themes arise in implementing a successful sponsorship program: an all-hands approach to relationship development including Mayor, Council, and staff across the Corporation; utilizing social media channels to proactively market opportunities as well as celebrate sponsors; and, on-going support of the sponsorship process and sponsor relationship. The following outlines measures to address a proactive approach to supporting sponsorship at the City of Kitchener:

#### 1) Relationship Development

The City's current practice to date has been to respond to in-bound inquiries around sponsorship opportunities and support of internal staff actively involved in a sponsorship opportunity. Given the current state of corporate sponsorships, it is recommended that a proactive approach is taken, focused on relationship development in order to build capacity for both inbound and outbound exploration of sponsorship opportunities with businesses.

To do so, Economic Development staff, the Corporate Leadership Team (CLT), Mayor, Council, Divisional leaders and key staff members (ex: the Manager of the Aud) would actively assist and share accountability in identifying potential partners and referring candidates to Business Development. Subsequently, Business Development staff would engage with prospective sponsors to understand their corporate philanthropic interests. Rather than trying to "sell" City-initiated opportunities, staff would play the role of match-maker by presenting sponsorship opportunities across the organization that align with the impact the businesses wants to make in the community. For example, a company may identify an interest in supporting STEAM based programs. Staff would then look for opportunities within Community Centres for programs that could be supported through a sponsorship.

#### 2) Communications and Marketing

To support the identification of potential partners, staff would execute a plan to increase awareness and pro-actively attract sponsorship to identified priority assets. This could include:

- Rebrand and relaunch the Office of Strategic Partnership (OSP), Municipal Partnership Program (MPP), to a new, simpler title (ex: *Sponsor Kitchener*);
- Build and create internal and external awareness; and,
- Identify high priority assets, develop marketing material, and proactively promote opportunities on social media.

### 3) Sponsorship Process Support

Business Development staff will continue to provide guidance and facilitate an end-to-end process of securing and maintaining sponsorship opportunities in the following key areas:

- Discovery – understand the client’s business, who they serve, their strategic priorities and values;
- Proposal – customize proposals for each opportunity;
- Agreement – negotiate and finalize benefits and obligations resulting in a signed contract;
- Activation – market the relationship to bring brand awareness for the client and celebrate the sponsorship utilizing means such as social media, on-site opportunities etc.; and,
- Fulfillment Management – executing all obligations and client benefits stipulated within the agreement and reporting back to the sponsor.

### Proposed Amendments to Policy GOV-COR-2000

The policy currently specifies that revenue generated from new sponsorship agreements will be used in one or more of the following areas:

- 1) Improving the sponsored program and/or audience experience;
- 2) Direct servicing costs of any sponsorship arrangement (e.g. the preparation of partner/facility signage, official announcement events, changing names on publications, etc.) and program implementation costs (e.g. staff, overhead, admin expenses, or marketing);
- 3) Administrative costs associated with the Office of Strategic Partnerships;
- 4) Deposited to a reserve account for future investments in the community.

To implement the proposed approach, staff recommend deleting areas 3 and 4. Doing so would have the following benefits:

- Sponsors are more likely to invest if they know the majority of sponsorship dollars are going directly to the program/facility; and,
- Staff across the organization may be more incentivized to pursue sponsorship opportunities for their programs.

Where sponsorship contributions extend over budget years, funding would be placed in a Capital Account to ensure they remain for their intended purpose. Where sponsorship fees are received that are far in excess of the purpose they were intended for, staff would provide Council with options for future use, in consultation with the sponsor. Likewise, should Council approve naming rights to a facility, where the revenue generated is not for the purpose of supporting capital improvements to that facility, Council could identify an appropriate reserve account at that time.

#### Future Opportunities for Naming Rights

Although not part of this review, staff acknowledge future opportunities exist for naming rights to City facilities. Aactiva Sportsplex and RBJ Schlegel Park are current examples. A list of future opportunities are identified in the Sponsorship Asset Inventory. Should an opportunity be identified for a specific facility, staff will present options for Council's consideration. In the near term, staff will explore naming right opportunities for the new indoor facility at RBJ Schlegel Park, including the aquatics centre and indoor field house.

If the City is approached with regards to potential sponsorship of an asset not on the inventory, a report will be presented to council should Staff feel the opportunity warrants consideration.

#### **STRATEGIC PLAN ALIGNMENT:**

This report supports a Vibrant Economy by providing businesses marketing exposure, community connection, and recognition through the sponsorship of City-owned assets.

This report supports a Caring Community by utilizing non-tax-based revenue generated from sponsorship to support the enhancement of facilities and programs for the residents of Kitchener.

#### **FINANCIAL IMPLICATIONS:**

Capital Budget – The recommendation has no impact on the Capital Budget.

Operating Budget – The recommendation has no impact on the Operating Budget. Sponsorship revenue will accrue to the Business Unit benefiting from the sponsorship. For example, the current RBJ Schlegel Park agreement is paid over numerous years and would thereby be directed towards further enhancements and improvements at the park.

#### **COMMUNITY ENGAGEMENT:**

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

#### **PREVIOUS REPORTS/AUTHORITIES:**

- CSD-16-024 Municipal Sponsorship Policy and Asset Inventory

**APPROVED BY:** Justin Readman, General Manager Development Services

**ATTACHMENTS:**

Attachment A – GOV-COR-2000 Municipal Sponsorship

Attachment B – Sponsorship Asset Inventory 2023