

Report to Council



Date: November 22, 2016
File: [RIM Classification Number]
To: City Manager
From: Jodie Foster, Communications Supervisor
Subject: Sponsorship and Advertising Program

Recommendation:

THAT Council receives for information, the report from the Communications Supervisor dated November 22, 2016, with respect to the development of a City of Kelowna Sponsorship and Advertising Program.

AND THAT Council approve in principle the City of Kelowna Sponsorship and Advertising policy and program guidelines for a five-year pilot program as outlined in the November 22, 2016 report from the Communications Supervisor.

Purpose:

To provide Council with an overview of the proposed City of Kelowna Sponsorship and Advertising program guidelines for a five-year pilot program.

Background:

City Council has identified exploring opportunities to generate revenue as a Council Priority for strong financial management.

Many municipalities are turning to sponsorship as an option for revenue generation. Local and national research shows that municipal sponsorship programs are supported. In the 2015, Kelowna Citizen Survey, 81 per cent of respondents said they would support corporate sponsorship for municipal programs and facilities, including 41 per cent who said they would strongly support it.

During 2015 and 2016, the City worked with Partnership Group to conduct an inventory of City assets appropriate for sponsorship, to determine the value of the assets, and to develop a sponsorship program including a proposed sales model and revenue forecasts. The exercise indicated that over time, the City could expect to generate about \$1.2 million in new gross revenue annually (about \$800,000 new net revenue annually). This combined with the City's

existing \$750,000 net revenue from sponsorship and advertising sales provides the City with over \$1.5 million annually. See Appendix A for a five-year revenue forecast table and asset values by City area.

Sponsorship and Advertising Program:

The Sponsorship and Advertising guidelines (attached in Appendix B) provide direction for a five-year Corporate Sponsorship and Advertising pilot program starting in mid-2017 pending Council approval. Staff is proposing a conservative approach forward to ensure the right balance is struck between revenue generation and the user experience.

Highlights

- A forecast projecting an additional \$800,000 in new net revenue generation, combined with existing net revenue of \$750,000 for a total of over \$1.5 million annually by Year 5 of the program
- A new Sponsorship and Advertising Policy (No. 376) for all City-owned and operated assets that clearly defines roles and responsibilities, plus a strategy to update associated policies
- A centralized sales model for all City-owned and operated assets by Year 5 of the program to support bundling of assets for the greatest revenue generation opportunity
- A self-sustaining program by Year 3 of the program
- A Sponsorship and Advertising reserve for new net revenues, the use of which will be considered at the regular budget process
- An initial inventory and valuation of City assets and a process to update inventory and valuations as required
- A corporate prospect clearance process that ensures coordination of sponsorship proposals
- A strategy to “raise the sponsorship and advertising bar” across the community by working with City partners to build sponsorship capacity and by providing professional development opportunities for local non-profits

These guidelines are based primarily on best practices and recommendations from Partnership Group.

Responsibilities

- Council will provide direction through the Sponsorship and Advertising Policy
- Council will be responsible for naming of facilities and for contracts over \$500,000
- The City Manager as Chief Administrative Officer is responsible for assignment of managerial oversight for corporate sponsorship and advertising through the establishment of the program
- The function will reside in the Communications and Information Services Department
- The Sponsorship Manager will be responsible for overall direction of the program including: Strategy, interdepartmental team, prospect clearance process, asset inventory and valuation, reporting and community capacity building
- Signing authorities will follow existing Purchasing and Invoice Approval Levels established through Purchasing Bylaw 9590

Staffing

In order to meet full revenue potential, the program would require up to three people over time. Staff is proposing to hire one position in 2017 with all other positions being considered pending revenue generation goals being met. New positions would be considered through the annual budget process.

Draft Sponsorship and Advertising Policy No. 376

The purpose of the corporate sponsorship and advertising policy is to create an authorized environment and city-wide protocol for sponsorship and advertising that establishes the conditions under which the City will pursue and/or accept corporate sponsorship and advertising. The draft is included in the guidelines for reference only at this time. The policy will be brought back for Council's consideration and finalization once staff is in place.

Next Steps:

If Council approves the program in principle next steps include:

- 2017 annual budget submission
- Hire one staff person in 2017
- Finalize policy
- Implementation

Existing Policy:

There are several existing policies related to Sponsorship and Advertising. During the first year of the sponsorship and advertising program, these policies will be reviewed and updated for consistency in cooperation with their owner departments. These include:

- Commemorative Recognitions in City Parks #242
- City of Kelowna Park Naming Policy Number # 251
- Naming of Kelowna Awards in Memory of Individual Citizens #256
- Charitable Donations and Gifts to the City Policy #306
- City of Kelowna Civic Community Facilities Naming Policy Number # 343

Financial/Budgetary Considerations:

To support this program, there will be a budget submission for consideration in the 2017 budget deliberations, including a request for a Sponsorship and Advertising Manager position and an annual operating budget. It is expected that staffing and operating costs will be offset by Year 3 of the program.

Personnel Implications:

There will be a budget submission for consideration in the 2017 budget deliberations for a Sponsorship and Advertising Manager. If the program revenue targets are met, it is expected that two more Sponsorship and Advertising Coordinator positions will be brought forward for consideration during the regular annual budgeting process over the five-year pilot project.

Legal:

The policy has been reviewed by the City's solicitors.

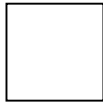
Internal Circulation:

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Submitted by:

J. Foster, Communications Supervisor

Approved for inclusion:




C. Weaden, Director of Communications and Information Services

cc:

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Appendix A - Revenue Forecast and Revenue by City Area

City of Kelowna - Sponsorship Program 5 Year Projections for Operating Costs						
						
	Year 1 - 2017	Year 2 - 2018	Year 3 - 2019	Year 4 - 2020	Year 5 - 2021	TOTALS
Existing Net Revenue - Pre Sponsorship Program*	\$ 750,000.00	\$ 733,875.00	\$ 718,096.69	\$ 702,657.61	\$ 687,550.47	\$ 3,592,179.77
Projected Revenue from new sponsorship program**	\$ -	\$ 150,000.00	\$ 500,000.00	\$ 785,000.00	\$ 1,225,000.00	\$ 2,660,000.00
Total Gross New Revenue	\$ -	\$ 150,000.00	\$ 500,000.00	\$ 785,000.00	\$ 1,225,000.00	\$ 2,660,000.00
Staffing Costs - New Program***	\$ 90,000.00	\$ 155,000.00	\$ 210,000.00	\$ 220,500.00	\$ 231,525.00	\$ 907,025.00
Fulfillment Hard Costs - New Program****	\$ -	\$ 12,000.00	\$ 40,000.00	\$ 62,800.00	\$ 98,000.00	\$ 212,800.00
Operating Costs - New Program*****	\$ 5,000.00	\$ 7,500.00	\$ 8,000.00	\$ 8,000.00	\$ 8,500.00	\$ 37,000.00
Consulting Fees*****	\$ 7,500.00	\$ 20,000.00	\$ 20,000.00	\$ 7,500.00	\$ 5,000.00	\$ 60,000.00
Total Gross Costs	\$ 102,500.00	\$ 194,500.00	\$ 278,000.00	\$ 298,800.00	\$ 343,025.00	\$ 1,216,825.00
Net New Revenue / Loss	- \$ 102,500.00	- \$ 44,500.00	\$ 222,000.00	\$ 486,200.00	\$ 881,975.00	\$ 1,443,175.00
* Over the five year term this initial net \$750,000 of existing revenue has a projected attrition rate of 5% and revenue increase of 3%						
** Revenue is based on new business development as per the timeline with an 80% renewal rate / 20% attrition rate and 5% increase in revenue						
*** Payroll costs are based on the high end of the pay scales and no labor consideration for the existing revenue channel. A 5% increase in pay in years 4 & 5						
**** Fulfillment costs traditionally are about 8% for a municipality.						
***** These costs include such elements as hosting and hospitality, travel expenses and any sales production costs						
***** These are costs for sponsorship workshops and training as well as the City Department educational updates and seminars as well as appropriate mentoring						

AREA/FACILITY	Associated Value *	Related %
Airport	\$251,534.07	10.5%
Arena - Memorial	\$74,061.50	3.1%
Arena (Ice Pad) - Stuart Park	\$29,940.00	1.2%
Arena - Rutland	\$181,191.00	7.6%
ArtWalk	\$14,700.00	0.6%
Boat Launch areas - 4	\$7,200.00	0.3%
Events	\$38,538.00	1.6%
Facility - Kelowna Community Theatre	\$281,718.20	11.7%
Facility/Room usage	\$2,400.00	0.1%
Facility - H2O (2010 Canada Games IAV)	\$289,630.00	12.1%
Fleet vehicles	\$80,720.00	3.4%
Grants	\$52,160.00	2.2%
Mission Recreation Park	\$68,898.00	2.9%
Parkade Structures - Library Chapman (2)	\$28,518.00	1.2%
Parks - Baseball (11)	\$41,910.00	1.7%
Parks - Parkinson Recreation Complex	\$153,388.40	6.4%
Parks - Glenmore Recreation Complex	\$55,752.00	2.3%
Parks - Other	\$108,775.50	4.5%
Programs	\$68,046.00	2.8%
Publications/Collateral	\$11,732.50	0.5%
Social/Digital Media - City of Kelowna	\$36,887.37	1.5%
Social/Digital Media - YLW	\$23,329.98	1.0%
Supplier Categories	\$106,000.00	4.4%
Transit	\$368,469.00	15.4%
Trails	\$22,916.24	1.0%
SUB-TOTAL	\$2,398,415.76	100.0%
Goodwill	\$647,572.25	
TOTAL including Goodwill	\$3,045,988.01	

* does not include related associated goodwill value

Appendix B - Sponsorship and Advertising Program Guidelines