

City of Kelowna Corporate Sponsorship and Advertising Program Guidelines

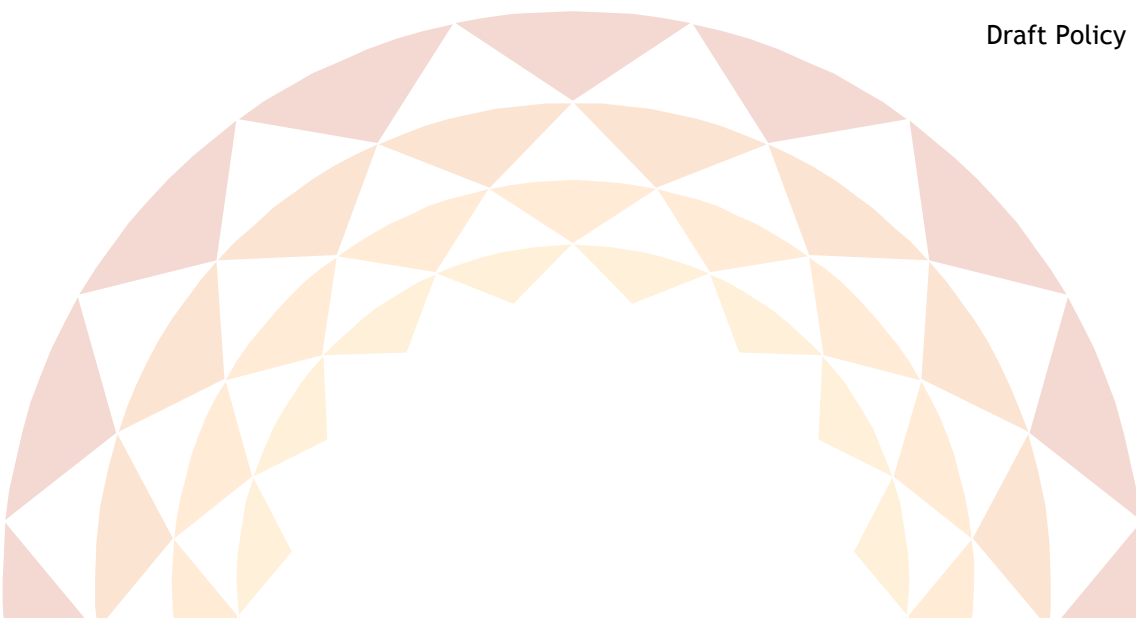
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SECTION 1 PROGRAM SUMMARY

This document provides the City of Kelowna with guidelines to move forward with a five-year Corporate Sponsorship and Advertising pilot program to the end of 2021. The pilot program formalizes activities the City has undertaken on an ad hoc basis and provides a more strategic approach, seeking a balance between maximizing revenue and continuing to provide a positive overall user experience of City assets. The City will welcome corporate sponsorship and advertising from qualified businesses and organizations that align with the City's values, priorities and asset audiences. The City of Kelowna's strong financial management strategies aim to ease the demand for taxation by finding efficiencies and developing other sources of revenue.

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 general reserve for new net revenues, which will be considered as part of the budget process
- An initial inventory and valuation of City assets and a process to update inventory and valuations as needed moving forward
- 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

Outside the scope of the pilot

- Private-public partnerships (i.e. RG Properties and Prospera Place)
- City-owned facilities and programs that are operated by another organization except as outlined in operating, lease or use agreements
- Philanthropic contributions, gifts or donations
- Grants obtained from other levels of government, foundations or trusts
- City sponsorship of external projects, programs or events where the City provides funds to an outside organization
- Street names

The guidelines for the program are primarily based on recommendations from Partnership Group including the revenue forecast from an Inventory Asset Valuation feasibility study conducted in 2015. In order to meet projections of \$1.2 million new gross revenue per year (\$800,000 new net), the program team will need to build out to three full time positions over the five-year pilot project.

By the end of the five-year pilot, all City-owned and operated assets will fall under a centralized sales model. All assets are owned by the City of Kelowna and will be collectively used to maximize revenue at the corporate level. Departments do not "own" the assets they manage.

Additionally, with this new expertise in place, City staff will help build sponsorship capacity for our City partners and will offer professional development opportunities for local non-profits.

For program definitions see Appendix A.

SECTION 2 BACKGROUND

City of Kelowna Council has identified exploring revenue generation as a Council Priority for strong financial management. More municipalities are turning to sponsorship as one option for revenue generation. Partnership Group was contracted to work with the City in 2015/2016 to review current City activities. Partnership Group completed an inventory and valuation of several City properties and their associated assets. Additionally, Partnership Group reviewed the draft Sponsorship and Advertising Policy and other associated City policies, and provided recommendations for sales approach and staffing model, templates, revenue forecasts and timelines to launch a City program.

As part of the review and engagement process, the City also hosted a free community workshop facilitated by Partnership Group to provide a professional development opportunity and gather feedback from City Partners and local non-profits.

Research

Research supports corporate sponsorship in municipalities and shows it as one of the fastest growing sectors of the sponsorship industry and is supported by residents at a municipal level.

- The Canadian Consumer Sponsorship Rankings (2015) show that 85% of Canadians believe corporations / businesses should be able to name / sponsor public places such as hockey rinks, ball parks and recreational facilities
- The Canadian Municipal Benchmarking Survey (2015) on Sponsorship and Naming Rights revealed that:
 - 66% of all Canadian municipalities are engaged in some sort of corporate sponsorship
 - Almost 1 in 2 municipalities have been engaged in corporate sponsorship for 5+ years
 - 94% of those municipalities that have identified being engaged in some sort of corporate sponsorship are actively engaged in seeking naming rights and 2/3 of that group already have some sort of naming rights in place
- The City of Kelowna's own research (2015 Citizen Survey) noted that 81% of the city's residents support a City of Kelowna sponsorship program and 41% showed strong support for it.

Current Activities

A review of existing activities and agreements revealed the City is already generating about \$750,000 net revenue annually, with a focus on advertising. The two largest areas of advertising revenue are Transit and the Airport, with some additional sponsorship funds coming from the Airport, events in Transportation Demand Management group and Active Living and Culture Division.

Program Opportunities

- To increase revenue and create efficiencies through a centralized sales model with tiered and bundled asset packages
- To reduce overall corporate risk by implementing policy and ensuring contracts for each sponsorship and advertising deal
- To ensure sponsors align with the City's values, priorities and asset audiences
- To own and build stronger relationships with sponsors and advertisers
- To provide sponsors and advertisers with consistent and professional experience when dealing with the City of Kelowna
- To assist City Partners and local non-profits understand and build sponsorship and advertising skills

SECTION 3 PROGRAM GOALS AND OBJECTIVES

Program Goals and Objectives

Goal 1:

- Generate an additional \$800,000 in new net revenue annually by Year 5 of the program

Objectives:

- Maximize revenue generation through a coordinated corporate program including tiered bundling
- Grow sponsorship and advertising program at rate that encourages community acceptance

Goal 2:

- Centralize the sponsorship and advertising program for all City-owned and operated assets during five-year pilot program

Objectives:

- Maximize efficiency of staff working on sponsorship and advertising activities and increase program professionalism through a coordinated corporate sales approach
- Build and maintain relationships with sponsors and advertisers directly for long-term program success
- Balance revenue generation with user experience of City assets

Goal 3:

- Help City partners and community non-profits build sponsorship capacity through the five-year pilot program

Objectives:

- Provide annual professional opportunities to build sponsorship knowledge and skills through workshops for City Partners and local non-profits
- Provide direct sponsorship support to City partners on joint projects

SECTION 4 POLICY

Corporate Sponsorship and Advertising Policy

The draft Sponsorship and Advertising Policy No. 376 (Appendix B) will be forwarded to Council for consideration and finalization in 2017 if the Sponsorship and Advertising Program and budget are approved by Council.

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 policy applies to sponsorship within all City-owned and operated assets including but not limited to: built and natural infrastructure; facilities; events; communications; programs and services; special projects; facility features or components (i.e. rooms, ice pads, playgrounds); and other relevant properties.

This policy applies to all City business units, departments and divisions upon the adoption of the policy and program by Kelowna City Council.

This policy also applies to paid advertising on City property, at City events, in City publications and on City communication channels.

The policy does not apply to:

- Private-public partnerships (i.e. RG Properties and Prospera Place)
- City-owned facilities and programs that are operated by another organization except as outlined in operating, use or lease agreements
- Philanthropic contributions, gifts or donations
- Grants obtained from other levels of government, foundations or trusts.
- City sponsorship of external projects, programs or events where the City provides funds to an outside organization
- Street names

Policy No. 376 Review

The policy will be reviewed after the first two years of operation of the sponsorship and advertising program and again in Year 5 of the pilot program.

Other Relevant Policies

There are several existing policies associated to sponsorship and advertising. Each of these has been reviewed and necessary changes and alternations have been noted to align with the new sponsorship and advertising policy. During the first year of the sponsorship and advertising program, these policies will be updated as needed in cooperation with their owner departments for consistency.

They 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

SECTION 5 ASSET IDENTIFICATION AND VALUATION

Asset Identification

In 2015, Partnership Group conducted a sponsorship feasibility study and Inventory Asset Valuation for the City of Kelowna. The asset list while not exhaustive, outlines a reasonable number of assets currently owned and operated by the City that are appropriate for sponsorship or advertising consideration in the first five years of a City of Kelowna program. The program will launch using this list.

Overall, the report identifies more than 525 inventory benefits for the City of Kelowna. Of the benefits identified, some are physical such as signage or logo inclusion, others are intangible such as access or alignment to the City of Kelowna. These unique benefits in turn, extrapolate to over 3,100 individual inventory items. (i.e. hockey rink boards are listed as a benefit, and there are 20 rink boards at Memorial Arena for a total of 20 individual inventory items).

For this five-year pilot, the asset inventory and valuation has been conducted for the following City assets:

- Airport
- Arena - Memorial
- Arena (Ice Sheet) - Stuart Park
- Arena - Rutland
- ArtWalk (between Library Parkade and Rotary Centre for the Arts)
- Boat Launches (4)
- Events
- Facility - Kelowna Community Theatre
- Facility / Room Usage
- Facility - H2O
- Fleet Vehicles
- Grants
- Mission Recreation Park
- Parkades (Library and Chapman)
- Parks - Baseball (11)
- Parks - Parkinson Recreation Complex
- Parks - Future Glenmore Recreation Complex
- Parks - Other
- Programs
- Publications / Collateral
- Social / Digital Media
- Supplier Categories
- Transit
- Trails

Inventory Asset Valuation

The value of each asset in the inventory was determined by Partnership Group and was derived from such criteria as clutter factor, market trends, goodwill, brand value and available assets, strength of sales force etc.

An intangible or “goodwill” associative value incorporated into the valuation includes the worth of corporate identity, and is enhanced by corporate image.

The valuation was used to provide the City of Kelowna with a reasonable expectation of annual revenue based on growth through a five-year pilot program.

It is expected that 40 per cent of the total \$3 million in assets listed in the Inventory Asset Valuation will be used each year, with an annual generation of \$1.2 million new gross revenue (which amounts to \$800,000 new

net revenue annually by the end of the five-year pilot). This is in addition to the existing \$750,000 net revenue which the City already generates.

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	

*The goodwill value currently associated with the City of Kelowna is included as 27 per cent.

Recognizing that successful sponsorship programs in part rest on creative solutions for sponsors, it is acknowledged that the inventory will grow and change over time. When assets are added to the inventory, a professional valuation will be done to determine their market value and to ensure the City maximizes revenue. The valuation will include placement within the tiering system. For the first two years of the program, funds are allocated in the program operating budget to retain a consultant for neutral third party valuations if needed.

SECTION 6 TIERING AND BUNDLING ASSETS

Asset Tiering

To ensure maximum potential revenue, each asset will be ranked as a Tier 1, 2, 3 or 4 element depending on its value. Assets will be sold in a tiered package. Tiering helps prioritize the assets, manage their use and facilitate proper integration into customized packages for prospective sponsors.

The inventory of benefits will not be sold individually, but bundled into packages where they provide added value for the sponsor and incremental revenue overall for the City of Kelowna. A bundled package may include assets from a number of City facilities. The tiering system ensures specific items of value or limited quantity are sold in a bundled package at the appropriate level to maximize revenue for the City of Kelowna. It also ensures sponsors receive the highest possible return on their investment.

By tiering, each asset will be structured so that a “particular asset can only be allocated to bundled packages greater than \$25,000” or “greater than \$50,000” and so forth. This format ensures that maximum revenue potential is achieved for each asset sold in a package, especially where high perceived value or premium benefits are included.

Tier 1 benefits as a rule are only incorporated into top tier packaging of \$50,000 or more. Top tier packaging may also include Tier 4 elements, but a Tier 4 package will not include a Tier 1 element.

Tiering Levels

Tier	Spend Range per Year
1	\$50,000 +
2	\$25,000 - \$50,000
3	\$10,000 - \$25,000
4	Less than \$10,000

SECTION 7 SALES MODEL

Sales Approach and Staff

The goal in sales, typically, is to sell product. Sponsorship and true consultative advertising sales are different. This approach is about finding sponsors that fit the audience in municipal facilities, building relationships with sponsors and providing solutions to sponsor businesses that help them develop a better bottom line. This will be a paradigm shift for the City. Rather than sales for revenue alone, the goal will be to find sponsors that provide a suitable experience for municipal service users and to help those sponsors and advertisers achieve their goals. Having successful sponsors increase the chances for renewal, which will help the program grow and prosper. Having sponsors that fit well with City audiences will ensure acceptance of a municipal program.

For instance, a winery sponsor fits the Airport but would not make sense as a naming sponsor for a children's swim program. Additionally, the assets that will assist a local gaming store in Orchard Park Mall will not likely be the same assets that will help a local chartered accounting firm achieve its objectives. There must be a fit on both sides.

It is important to note that the average timeline for a significant sponsorship in Canada from prospect clearance to closing is 18-22 months. This is because successful sponsorships are built through relationships not just selling packages. In order to expedite the sponsorship process and to ensure sponsors are the best fit for City assets, a formal competitive process (Request for Proposals Process) is not required when soliciting sponsorship opportunities.

Corporate Sponsorship and Advertising Sales Approach

The City of Kelowna will build in-house capacity for the Corporate Sponsorship and Advertising program. Over the five-year pilot program, all City-owned and operated assets will transition to become part of the corporate program and will be coordinated through the centralized function.

This approach ensures the following:

- The professional relationships with sponsors are managed and maintained by City staff
- Assets can be bundled across the organization for the greatest revenue opportunities
- Prospect clearance can be conducted corporately to coordinate proposals
- As the program matures and delivers success, program staff can manage assets directly and / or assist with management of assets for those City departments that are currently selling assets on their own (i.e. Airport and Transit)
- City of Kelowna staff will balance the need to build long-term relationships to meet corporate objectives with revenue generation, versus an outsourced sales agency that is solely focused on commission revenues
- Collaboration with City partners is managed and maintained by in-house staff
- Collaboration and sponsorship capacity building is developed with local community groups and non-profits
- A continuity between existing departmental contracts (Airport and Transit) and new opportunities is maintained
- Consistency between the sales process and sponsorship contract fulfilment is maintained - staff make sure all City commitments are fulfilled

Reporting Structure

The Sponsorship and Advertising program will be administered through the Communications and Information Services Division and the Sponsorship and Advertising Manager will report to the Divisional Director.

Staff Projections Based On Revenue

Based on a projected net revenue plateau of over \$1.2 million new gross revenue per year, the team will build out over the five-year pilot project. The program will require a full-time Sponsorship and Advertising Manager to establish and lead the team. A Sales Coordinator and a Fulfilment Coordinator will be required to reach the \$1.2 million new gross revenue target.

The Sponsorship and Advertising Manager will be hired in Year 1 of the program. The Sponsorship Sales Coordinator position will be initiated only when the program reaches \$150,000 new gross revenue annually. This is expected in the second year of the program. The Sponsorship Fulfillment Coordinator position will be initiated only when the program reaches \$500,000 new gross revenue annually, which is expected in the third year of the program. It is expected that by the third year of the program, the sponsorship and advertising function will be self-sustaining, with all staff and operational costs offset by the revenue generated through the program. It should be noted that if targets are reached sooner than anticipated, hiring will also be initiated sooner.

Additional positions will be vetted through the City's business planning process and, if approved, brought forward for Council consideration as part of the annual budget deliberation process.

Use of Consultants

During the first three years of the program, funds have been included in the operating budget for professional services which will be used for staff coaching, community educational workshops, as well as valuation and negotiation/agreement consulting. As the program matures and City staff are established in their roles, less operational funding will be required for this use.

Interdepartmental Sponsorship and Advertising Team

The Sponsorship and Advertising Manager will establish and facilitate a corporate Sponsorship and Advertising Coordination Team within the City. The goal is to maximize revenue through a coordinated approach using the tiering system for bundled packages. This will require a shift from the silo approach taken today, in which individual departments develop their own ad hoc plans and relationships with sponsors and advertisers.

This team will provide essential interdepartmental communication between the departments and business units within the City that manage the City-owned assets, that will be available for sponsorship.

The team will be made up of representatives from:

- Active Living and Culture - Cultural Services, Grants and Partnerships, Sport and Event Services
- Business and Entrepreneurial Development
- Civic Operations - Parks, Building Services
- Community Planning - Real Estate
- Corporate and Protective Services - Finance and Purchasing
- Infrastructure - Integrated Transportation (Transit, TDM)
- Kelowna International Airport

The team will coordinate activities across the organization such as current and future opportunities, prospect clearance, asset identification, valuation, asset bundling, determining asset availability and program reporting.

Prospect clearance will allow the broader City team to discuss alignment of goals and values, details, contact information, possible joint approaches, existing relationships, assets availability etc. In addition, this process avoids multiple approaches to the same business, and will generate greater revenue through a more coordinated approach with bundled packaging of assets.

Prospect Identification and Clearance

Prospect identification

The City will constantly look for new opportunities and will need a firm understanding of each facility / program / event's audience demographics and psychographics (athletes, transit users, automobile drivers and buyers, airline passengers, arts supporters etc.). By working with the interdepartmental team to understand the audience in each facility, the City can further determine what businesses are appropriate for the audience and what businesses want to reach these specific audiences.

In particular, there are several business categories compatible with municipal sponsorship and advertising programs. These will be considered as a starting point for prospecting and include:

- Credit Unions and Financial Institutions - Financial institutions often look for grass root programs in communities to drive branch traffic, as well as major branding opportunities through a naming right.
- Automotive retail - Car dealerships and after-market services. Automotive is a typically a strong category in the sponsorship industry. Sponsorships allow them to showcase product, drive traffic to dealers, encourage test drives and focus on specific demographics depending on vehicle types such as compacts, SUVs etc.
- Boat and aquatic services - These are companies that earn a living from the lake lifestyle and are targeting Kelowna and area residents as well as tourists.
- Home Builders and Developers - As the city and region continue to grow, the home building and development community has become very competitive. Many home builders look to sponsorship programs to differentiate themselves from the competition where they can acquire exclusivity. As well they can tie in contests, traffic to show homes or show home parades, build brand and drive website traffic through integrated and well activated sponsorship programs.
- Surrounding area tourism organizations and wineries - These businesses earn a living from the lake lifestyle and are targeting Kelowna and area residents as well as tourists. The wineries, even the small ones, look to run effective marketing programs and the City of Kelowna may be part of that solution. Regional festivals such as the Interior Pacific Exhibition (Armstrong Fair) are also all looking to gain rubber tire traffic by attracting Kelowna residents to their events.

Ethics Scan

As part of the City's reputation management, initial ethical scans will be conducted on all sponsorships. In depth scans will be completed for sponsors expected to sign agreements valued at \$10,000 or more.

Written Agreements

Written agreements will be signed for every sponsorship and advertising deal, providing full details about the relationship and the exchange of value and assets. Agreements will follow the signing authority as outlined in Policy No. 376.

Transition to City-wide Program

Policy No. 376 will apply to all City business units, departments and divisions upon the adoption of the policy and program by Kelowna City Council.

By the end of the five-year pilot, the goal is to have all City-owned and operated assets fall under a centralized sales program. Additionally, with in-house staff in place, the City will help build sponsorship capacity for our City partners and will be able to offer some professional development opportunities for local non-profits.

Recognizing that various departments have already been conducting sponsorship and advertising activities, the program will require an orderly transition to the centralized sales model during the five-year pilot. It is important that the transition, allow flexibility to encourage revenue generation throughout the pilot.

Airport

The Airport currently conducts significant in-terminal advertising and some limited sponsorship activities (i.e. the Bucket List, a named business centre). The current advertising sales activities are contracted to Pulse Group and sponsorship agreements are negotiated by Airport staff. In 2015, net revenue was \$268,000 after hard costs and sales commission.

Since the Sponsorship and Advertising program will need time to establish itself and the Airport currently has a system in place to conduct its advertising sales, this model will remain in place for the first three years of the Sponsorship and Advertising program, expiring in 2020. The contract with the sales agency will have an option to renew for a further two years (1+1) and will identify some exclusive and some non-exclusive assets, allowing the sponsorship and advertising team, as well as Airport staff to use assets in corporate sponsorship bundles or packages for leads developed outside the advertising sales contract.

The Airport will follow Policy No. 376 and will participate in the Interdepartmental Sponsorship and Advertising Team. Sponsorship and Advertising staff will work with Airport staff to begin bundling assets to maximize revenue for the Airport as a department and the City as a whole. Sponsorship activities will be transferred to the Sponsorship and Advertising Manager in Year 2 of the program. The advertising contract will be reviewed at the end of the third year of the contract.

Coordination here is especially important since there will be two avenues for the sale of assets. Availability and valuation of assets at the Airport will be reviewed with Airport staff prior to proposal to prospects captured through the corporate program. The Airport Director or a staff designate will sign off on assets in advance of the asset being sold, and the legal agreement being signed, to make sure it is a proper fit for the facility.

Integrated Transportation (Transit and Transportation Demand Management)

In 2015, contracts with Lamar Advertising and Jim Pattison Outdoor Advertising generated more than \$289,000 in net revenue. A contract is in place with Lamar for on-bus advertising until 2022. Since this is outside the five-year pilot, these assets can only be included in bundles by coordinating with Lamar through its sales team, within its fee structure. The contract for bus shelters and benches is currently under review.

Other transportation and transit assets can start transitioning over to the city-wide sponsorship and advertising program in Year 2 of the program. This will include assets such as facilities (transit exchanges), as well as Transportation Demand Management programs and events.

Other Departments

Other departments, such as Active Living and Culture have limited sponsorship and advertising activities but include the Cold Beverage contract and a few community events. These existing assets and agreements will be reviewed and transitioned to the sponsorship and advertising program in Year 1 and Year 2. New assets will be coordinated by the Sponsorship and Advertising team starting in Year 1 of the program.

The rest of the departments, can be incorporated into the program in Year 1.

Community Development**City Partners**

Valuation was conducted for several City partner facilities - those owned by the City of Kelowna but operated by another organization (i.e. Rotary Centre for the Arts, Kelowna Museums, the Kelowna Art Gallery). This

also includes Festivals Kelowna, to which the City provided \$256,000 in 2016 to coordinate City events such as New York, New Year's Eve and Canada Day. These partner assets are outside the scope of the five-year pilot program with the exception of overall facility naming.

While the City may look more closely at incorporating these assets into a comprehensive City program after the five-year pilot, at this time, the program will focus on supporting these City partners to build their own sponsorship capacity. The Sponsorship and Advertising program team will coordinate professional development opportunities, such as workshops to raise the sponsorship bar in the community. As noted in other City programs such as ArtsVest, building capacity by gaining expertise and the ability to create sponsorships will enhance organizations financial strength. In addition, when many organizations in the community are sponsorship savvy, it creates a draw for larger sponsorship organizations to invest in the community, knowing they will encounter professionals in multiple organizations.

During development of the sponsorship and advertising program, City partners identified that it would be problematic if the City negotiated exclusive sponsorship deals, that precluded City partners from hosting sponsored events within City facilities. To address this issue, the Policy includes a clause that specifies City exclusivity rights do not flow through to third-party users of City assets except as outlined in operating, use, lease or service level agreements for the City asset. For instance, this would allow Festivals Kelowna to host a sponsored event in a named City facility.

Because, properties are owned by the City of Kelowna, any overall naming rights of City partner facilities should be contracts with the City itself, especially if the duration of a naming right agreement is longer than the partner's agreement to operate the facility. Smaller sponsorship agreements associated to internal naming, programming and events can continue to be arranged with City partners directly.

During the five-year pilot, contracts with each of the City partners will be reviewed and evaluated upon renewal. Updated language for sponsorship and advertising activities will be included to more clearly define City and user group rights.

Community Non-profits

The City also works with many non-profit user groups who hold user agreements for City facilities/properties (i.e. Kelowna Minor Hockey, Central Okanagan Minor Baseball, Kelowna Minor Lacrosse etc.). Generally, these facilities have multiple user groups. Traditionally, some groups have informally secured sponsors and provided temporary advertising opportunities (temporary banners etc.) during tournaments and short-term events. This will continue "as is" and language will be updated in user agreements as needed to clarify.

There are also a small number of longer term lease agreements, such as the Kelowna Chiefs and Kelowna Falcons, within multi-user facilities. In these cases, as the agreements are due for renewal, they will be evaluated and reviewed to clarify the rights to sponsorship and advertising within the lease area. In some cases, it may make sense for the sponsorship rights to remain with the lease holder, but in general, the objective is that all City-owned and operated assets will become part of the corporate program.

SECTION 8 APPROVALS AND RESPONSIBILITIES

Approvals

The signing authority for legal agreements rests with the Corporate Sponsorship and Advertising Manager up to \$50,000, the Divisional Director up to \$200,000 and the City Manager up to \$500,000. These follow the Purchasing and Invoice Approval Levels as established under Purchasing Bylaw 9590.

Council will have final approval on agreements with a value of over \$500,000 and for all overarching naming rights for facilities.

Before a sponsorship and advertising package is finalized or an agreement is signed, the Director or a staff designate in charge of managing the assets included in the package, will sign off on the agreement.

Program Direction

The Sponsorship and Advertising Manager will be responsible for the overall direction of the Sponsorship and Advertising program including strategy, prospect clearance, asset inventory, asset valuation, reporting and community capacity building.

Council

A report providing program progress, measures and recommendations for program adjustments will be provided to Council annually.

Council will be asked to consider any policy changes throughout the pilot study.

At the end the pilot program, Council will be provided with a comprehensive evaluation of the program and policy. The evaluation will include recommendations on the viability of the corporate program, plus any recommended changes to the program or policy.

SECTION 9 NET REVENUE PROJECTIONS

The net revenue forecast below includes costs such as staffing, fulfillment and operating costs to deliver the program to provide net numbers. These are the true revenues the City can expect to garner and access for re-investment.

Note that by Year 3 the program is anticipated to be self-sufficient and generate new net revenue of \$222,000 (i.e. above the existing \$750,000 net revenue already generated by the City). By Year 5, the program is expected to generate more than \$800,000 new net revenue for a total of more than \$1.5 million annually going forward.

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
Net Existing 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
Fulfilment 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						
**** Fulfilment 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						

SECTION 10 FUND ALLOCATION

Principles of Allocation

General Revenue vs. Asset Specific Revenue

There are two main lines of reasoning in municipal sponsorship and advertising programs about how to allocate revenue. The first suggests all generated revenue goes into a single reserve for allocation as needed, not unlike the collection of taxes. When all sponsorship and advertising revenue is collected to a single account, the revenue can be used for capital upgrades, introduction of new programs and expansion of existing programs, etc. This allows Council to direct new revenue to the highest need. It is important to remember that corporate sponsorship is a marketing investment by sponsors and not a philanthropic gift. The sponsor cannot dictate the use of funds, but may negotiate some terms as part of the sponsorship agreement.

The second option suggests revenue remains with the sponsored property or asset where it is generated. The advantage here is that stakeholders (business and community) can see and understand the immediate impact that sponsorship has made. This is often well received in the community. The downside is that new and high-profile assets are more likely to receive sponsorship but revenue may actually be needed more in the less-prestigious facilities that need refurbishment and are not as likely to attract sponsors.

All assets are City of Kelowna assets. Departments do not “own” the assets they manage. The program will take a hybrid approach to fund allocation, recognizing the current state of sponsorship throughout the City. The recommended approach includes:

- Revenue collected from assets which are currently being used in sponsorship and advertising activities will continue to receive the revenue directly (see more in Grandfathering section below)
- For new overarching naming rights of facilities, revenue will remain with the asset
- Net operating surplus from all other assets, will be allocated to a Sponsorship and Advertising General Reserve as outlined below

No Debt Servicing

Funds will not be allocated to service capital debt.

Grandfathering

Because departments within the City are already selling sponsorship and advertising and have accounted for the revenue generated in annual operating budgets, it is acknowledged allocations must be flexible.

Existing, new and incremental revenue secured through the following assets will be grandfathered and kept at the asset. These include:

- Airport
 - In keeping with City accounting practices, revenue from Airport assets will be deposited into the Airport Revenue Fund first, then any service fee owing to the Sponsorship and Advertising program will be transferred as required
- Transit infrastructure currently contracted to Jim Pattison / Lamar including bus shelters and benches, as well as on-bus advertising
- The Civic Awards event
- Bike to Work Week

Revenue Allocation

Funds received by the City through the corporate sponsorship and advertising program for facilities, programs and services will be allocated based on the provisions below:

- All revenues generated from an overarching building / facility naming right will be allocated to that named facility or building and its operations, programs and services
- For the term of the pilot project, all existing agreements with City Partners (facility operators) will remain “as is” with the exception of an overall naming of a facility
- Where the City sponsorship team is undertaking sponsorship and advertising activities on behalf of a grandfathered revenue generation area and the revenue has historically been going to the department, the City sponsorship team will receive a service fee of 20% for sales generation and the balance will return to the asset
- All available (i.e. not already under agreement or under negotiation for an agreement) City-owned and operated assets will be available to the City sponsorship team to include in sponsorship proposals and agreements based on Inventory Asset Valuation
- All net operating surplus from the sponsorship and advertising program will be allocated to the Sponsorship and Advertising General Reserve

Allocation Formula

Funds coming from the sponsorship and advertising program will be tracked.

- At the end of each year, the net operating surplus will be contributed to the Sponsorship and Advertising General Reserve
- For non-exclusive Airport assets (those not under exclusive contract to the advertising sales company) sold by the Sponsorship and Advertising Team, a 20% service fee will be payable to the Sponsorship and Advertising program. Airport assets sold directly by the Airport or the contract advertising sales company will not be subject to the 20% service fee
- Transit assets under contract to Pattison Group / Lamar will not be subject to a 20% service fee
- Program operating and fulfilment costs will be attributed to the corporate program, except for the grandfathered areas which will be responsible for their own fulfilment costs
- Sponsors will be responsible for their own hard costs (production, hardware etc.) as outlined in the sponsorship agreements
- Advertisers will be responsible for their own production costs as outlined in their agreements

City Accounting

The program will follow City accounting best practices and will be established with a new Cost Centre which includes both revenue and expense codes to track funds through the program. Once the program is underway, the Sponsorship and Advertising General Reserve will also be established.

Since sponsorship and advertising are considered a marketing function, invoices will be sent to businesses for the value of their sponsorship packages and GST must be charged.

City Partner Assets (City-owned but partner operated facilities, programs and events)

City-owned assets managed and operated by City Partners will be outside the scope of the five-year pilot program, with the exception of overall naming of a property or facility. The allocation of funding can remain with the City partner, but the legal contract for such naming rights which extends past the timeline of the partner's existing agreement with the City should be with the City and not the City partner.

During the five-year pilot, contracts with each of the City Partners will be reviewed and evaluated upon renewal. Updated language about sponsorship and advertising activities and the associated revenue allocation will be included to more clearly define City and user group rights.

Multiple Users in a Facility

For properties where there are multiple groups with user agreements, such as arenas and some ball parks, all revenue for sponsorship and advertising will remain with the City unless there is specific language included in the existing agreement that already describes sponsorship and advertising rights.

During the five-year pilot, contracts with each of the user groups will be reviewed and evaluated upon renewal. Updated language regarding sponsorship and advertising activities and the associated revenue allocation will be included to more clearly define City and user group rights.

SECTION 11 MEASUREMENTS

New Gross Revenue Targets (\$s)

Year	New	Renewed Contracts	Total
Year 1	0	0	0
Year 2	150,000	0	150,000
Year 3	500,000	0	500,00
Year 4	360,000	425,000 (includes 5% increase on renewals)	785,000
Year 5	425,000	800,000 (includes 5% increase on renewals)	1,225,000

Reporting

Quarterly report including milestones and measurements will be submitted to the Divisional Director.
Annual report including milestones and measurements will be submitted to Council.

Milestones

Year One

- Hire Sponsorship and Advertising Manager
- Legal review of program and agreement templates completed
- City policies associated with sponsorship and advertising updated in collaboration with owner departments (i.e. Community Facility Naming)
- Plans confirmed for capacity building for City partners and local non-profits
- Community workshop with training opportunities for City partners and local non-profits completed
- Interdepartmental sponsorship and advertising team established
- Prospecting begins

Year Two

- First annual program update and measures presented to Council
- Program and policy review initiated and adjustments completed as needed
- Community workshop with training opportunities for City partners and local non-profits completed
- Process to hire Sponsorship Sales Coordinator initiated based on successful revenue generation of \$150,000 new net revenue

Year Three

- Second annual program update and measures presented to Council
- City partner mentorship program established
- Community workshop with training opportunities for City partners and local non-profits completed
- Process to hire Sponsorship Fulfilment Coordinator initiated based on successful revenue generation of \$500,000 new net revenue
- Airport advertising contract reviewed by Sponsorship and Advertising Manager and Airport Director to determine effectiveness - contract renewed or terminated

Year Four

- Third annual program update and measures presented to Council
- Community workshop with training opportunities for City partners and local non-profits completed
- City partner mentorship program conducted

Year Five

- Fourth annual program update and measures presented to Council
- Community workshop with training opportunities for City partners and local non-profits completed
- City partner mentorship program conducted

- Lamar advertising contract for transit assets reviewed - contract renewed or terminated
- Program and policy review and recommendations for program going forward as pilot project ends
- Work with City Partners to establish their participation in the program outside the five-year pilot and include recommendations in the program review as the pilot ends.

APPENDIX A DEFINITIONS

Advertising

Advertising is the sale or lease of City-owned property and space and is universally accepted as a commodity transaction rather than a partnership. Unlike sponsorship, there are no associative values and the commercial use and or lease of City space is based on pre-determined industry standard rates of cost per thousand impressions. Advertising does not imply a reciprocal relationship between the advertiser and the property owner and as such the advertiser is not entitled to additional benefits beyond the space being purchased.

Asset

A sponsorship asset, also referred to as a 'property' has a broad application which includes but is not limited to real property (buildings/facilities/green space), events, communications (i.e. printed material or access to a digital channel) programs and services, special projects, features (i.e. rooms, ice pads, playgrounds) and other relevant properties.

Community Non-Profit

In this context, a charity or non-profit that undertakes sponsorship activities but does not operate a City of Kelowna asset.

Corporate Sponsorship

Sponsorship is a mutually beneficial business relationship where a corporation or organization provides a rights fee in cash or value in-kind arrangement in return for recognition, acknowledgement or other promotional benefits. Sponsorship is a marketing based activity and unlike philanthropic programs (donations) there is a commercial expectation on the part of the buyer (sponsor).

Ethical Scan

An ethical scan will vet a potential sponsor or advertiser's overall business including the main company and its subsidiaries. The process determines if a sponsor or advertiser meets the requirements defined by the City's sponsorship and advertising policy or is otherwise affected by restrictions laid out in the policy.

Naming Rights

A type and level of sponsorship whereby a company or organization purchases the exclusive rights to name a physical structure such as a facility or event with a commercial name typically for a defined period of time under specific contractual terms.

Partner

An organization operating a City of Kelowna asset or delivering a City of Kelowna program or event. For instance, the Kelowna Visual & Performing Arts Centre Society operates the Rotary Centre for the Arts and Festivals Kelowna delivers events including New York New Year's Eve and Canada Day festivities on behalf of the City of Kelowna.

APPENDIX B DRAFT POLICY

Policy starts on next page.



City of Kelowna
1435 Water Street
Kelowna, BC V1Y 1J4
250 469-8500
kelowna.ca

Council Policy

CORPORATE SPONSORSHIP AND ADVERTISING

ESTABLISHED: DATE

Contact Department: Communications

Guiding Principle

The City of Kelowna is open to creating opportunities through strategic partnerships with community groups, non-profit organizations, the private sector and other levels of government to improve services and amenities.

To generate revenue used to enhance facilities, programs and services for residents, the City welcomes corporate sponsorship and advertising from qualified businesses and organizations whose support aligns to the City's mission, values and priorities.

Purpose

To create a framework for corporate sponsorship and advertising that will supplement City funding for its facilities, programs and services.

Application

This policy applies to all City owned and operated assets, where assets are defined broadly as property, including but not limited to:

- Real property (facilities/green space/parks)
- Property features and components (rooms/playgrounds/ice surfaces)
- Events, special projects, programs and services
- Communications (publications/digital communication channels)
- Other relevant properties

The policy does not apply to:

- Public-private partnerships (i.e. RG Properties and Prospera Place)
- City owned facilities, programs and services that are operated by another organization except as outlined in operating, use, lease or service level agreements with the organization
- Philanthropic contributions, gifts or donations
- Grants obtained from other levels of government, foundations or trusts
- City sponsorship of external projects, programs or events where the City provides funds to an outside organization
- Street names

Policy Statements

1.0 General

- Sponsorship relationships are defined under this policy as mutually beneficial experiential business relationships where a corporation or organization provides a rights fee in cash or value in-kind arrangement in return for recognition, acknowledgement or other promotional benefits.
- Advertising is defined as the sale or lease of City owned property or space and is accepted as a commodity transaction rather than a partnership. Unlike sponsorship, where there is an associative value, advertising and the commercial use of City space is based on market rates. Advertisers are not entitled to additional benefits beyond the space being purchased.
- Corporate sponsorship and advertising revenue may only be accepted to supplement City-approved initiatives.
- Corporate sponsorship and advertising must not unduly detract from the character, integrity, aesthetic quality or safety of a City asset or unreasonably interfere with its enjoyment or use.
- The City does not endorse the products, services or ideas of any corporate sponsor or advertiser.

2.0 Responsibilities

- The City Manager, as the Chief Administrative Officer will be responsible for:
 - Assignment of managerial oversight for corporate sponsorship and advertising through the establishment of a Corporate Sponsorship and Advertising Program
- City Council must directly approve:
 - Any sponsorship which involves the naming or renaming of a City facility
 - Any proposal which exceeds \$500,000 in cash or in-kind value

3.0 Requirements

- Corporate sponsorships are associative in nature and therefore alignment to City values is necessary
- Corporate sponsorship and advertising must be mindful and respectful of all the communities associated with the asset so as not to disrupt or interfere with the experience of the asset
- Sponsorship and advertising activities will be conducted in the spirit of transparency, but a formal competitive process is not required when soliciting or accepting sponsorship or advertising opportunities
- Sponsorships shall take into consideration City capacity implications on staffing and financial resources
- Corporate sponsorship and advertising must comply with the City's visual identity guidelines
- All political advertising must indicate this it is paid by a party or candidate to avoid any impression that the City is supporting any particular party or candidate

4.0 Sponsorship and Advertising Criteria

- The City will consider all sponsorship proposals but retains the discretion not to accept sponsorship from any entity at its sole discretion
- Corporate sponsorships and advertising must conform to all applicable federal and provincial statutes and all applicable City bylaws, policies and practices
- Sponsorship and advertising must not confer a personal benefit, directly or indirectly, to any particular City employee or official or their families
- The City shall retain ownership and control over all City owned and operated assets
- Benefits provided to the sponsor by the City are limited to those stated in the sponsorship agreement
- Corporate sponsorship must not result in any competitive advantage, benefit or preferential treatment for the sponsor outside of the sponsorship agreement
- Category exclusivity rights provide exclusivity rights to the asset being sponsored and does not imply exclusivity privileges with the City itself
- Category exclusivity rights to an asset do not flow through to third-party users of City assets (i.e. Festivals Kelowna or other users) except as outlined in operating, use, lease or service level agreements for the City asset

5.0 Restrictions

- Corporate sponsorship and advertising within a City facility must reflect the target audiences associated with the facility
- The City will not solicit or accept corporate sponsorship or advertising from companies or organizations whose business:
 - Contradict any bylaw or policy of the City in any way
 - Could compromise the reputation of the City's public image
 - In light of prevailing community standards, it is likely to cause deep or widespread offence
- For assets that are targeted toward children and youth, the City will not solicit or accept corporate sponsorship or advertising from companies or organizations that produce alcohol or other addictive substances
- The City will not solicit or accept corporate sponsorship or advertising from companies or organizations:
 - Whose business is derived from the production of tobacco
 - Whose business is derived from pornography or illegal sexual services
 - Whose business is derived from armaments and weapons manufacturing
 - Who are not in good standing with the City (i.e. currently in violation of a by law or under litigation)
 - Discriminate by way of race, religion or sex, in employment, marketing or advertising practices

6.0 Fund Allocation

- Funds received through the City Sponsorship and Advertising program:
 - Will not be used to service capital debt

- For Transit (bus bench and shelter, as well as on-bus advertising), the Airport, Civic Awards and Bike to Work Week assets, will continue to be allocated to the asset
- For overarching facility naming rights are to be used for the maintenance and enhancement of the named asset, as well as for supporting programs and services directly related to the asset
- The net operating surplus for all other assets will be transferred to the Sponsorship and Advertising General Reserve
- The Sponsorship and Advertising General Reserve will be used for new capital projects, capital upgrades, new or enhanced programs and special projects

7.0 Documentation

- Written agreements will be signed for every sponsorship and advertising deal, providing full details about the relationship and the exchange of value and assets.

8.0 Evaluation

- Sponsorship and advertising opportunities will be evaluated on an asset by asset basis to determine fit and alignment, and to assess that all provisions in this policy are satisfied.
- General ethical scans will be conducted on all companies and organizations, with in-depth scans conducted for sponsorship agreements of \$10,000 or more in value.

9.0 Review

- An annual report will be provided to Council on the performance of the Corporate Sponsorship and Advertising Program.

Related Policies

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

Amendments

None