
Naming Rights, Sponsorships, Advertising, and Donations Review Interim Report

Recommendation

That the information be received.

Topic and Purpose

This report provides a background to Capital Project #2524 to develop a strategy for naming rights, sponsorship, advertising and donations.

Report Highlights

1. Over the last 20 years, the City has attained approximately \$25M in combined naming rights and sponsorship for targeted capital projects, raised approximately \$3.0M from community based donations for designated municipal projects (primarily park enhancement projects), and annually generates approximately \$1.1M in advertising revenues.
2. New naming rights, sponsorship, advertising, and donation opportunities are possible, although the risks, opportunities and community feedback need to be considered.
3. At present, several Divisions pursue naming rights, sponsorships, advertising and donations, resulting in some overlap and inconsistencies. Currently, there is no corporate-wide strategy or centralized entity to oversee a more comprehensive approach.
4. The Administration has identified a number of key considerations but does not have specialized knowledge or expertise in naming rights, sponsorship, and donations and is requesting funding to complete an asset inventory and valuation, and prepare a program strategy and framework.

Strategic Goal

This report supports the goal of Asset & Financial Sustainability using a long-term strategy to increase revenue sources and reduce reliance on property taxes in the future. In addition, by examining and suggesting improvements to the City's processes for naming rights, sponsorships, advertising, and donations, it is working toward the goal of Continuous Improvement, with the long term strategy of increased productivity by being more efficient in the way the City does business.

Background

An Administrative steering committee (comprised of staff from various Divisions) is examining the City's process/policies for naming rights, sponsorships, advertising, and donations. The general goals of the review is to: (1) identify ways to improve the City's existing approach and processes; and (2) explore opportunities for the City to generate alternative sources of revenue for capital projects and operating programs.

In addition, City Council at its January 25, 2016, meeting, resolved,

“that the matter of selling naming rights for bridges and any municipal facilities as well as potential for advertising or sponsorship opportunities be referred back to the Administration to further explore options.”

Report

Current Naming Rights, Sponsorships, Advertising, and Donations

The information below provides a high level overview of the City’s current situation for naming rights, sponsorships, advertising and donations.

- a) ***Naming Rights and Sponsorships*** - the City has pursued naming rights and sponsorships totaling approximately \$25M over the last 20 years. Some examples of where substantial sponsorship contributions led to naming rights of facilities include the PotashCorp Playland at Kinsmen Park, Saskatoon Minor Football Field at Gordie Howe Sports Complex and the Shaw Centre. The revenue has been used to build/fund the facilities that in some cases would not have happened if not for the sponsorship. The naming rights and sponsorships were obtained by fundraising firms, civic staff, foundations, and organizations directly contacting the City.
- b) ***Advertising*** - the City has advertising agreements that generate approximately \$1.1M annually. Some examples include Transit interior/exterior advertising and rink board advertising. The revenue is used to offset program and operating costs or lower user fees. Generally, an outside supplier is engaged to procure and install the advertising, with a percentage of the revenue to the City.
- c) ***Donations*** – the City received approximately \$3M in donations from the community over the past 15 years. It has worked with community associations and sport field user groups to obtain donations for specific and designated park enhancement projects, playgrounds, outdoor rinks, and sport field upgrades. The City has also been a beneficiary of a bequest.

Attachment 1 provides a detailed inventory of the naming rights, sponsorship, advertising and donations the City has achieved.

Risks, Opportunities, and Community Feedback

In order to successfully embark on a full scale initiative to actively pursue naming rights, sponsorships, advertising or donations, it is important to consider the potential risks, opportunities, and community feedback.

- As new and existing facility and programming needs grow, so does the funding pressures to support them. Many municipalities are placing an increased focus on naming rights and sponsorship to help fund the gap. Such opportunities are possible for the City, but a balance needs to be achieved between safeguarding the corporate values and interests, while increasing revenue sources and reducing reliance on property taxes in the future.
- Based on the risks, opportunities, and community feedback, key considerations have been identified, which will be studied further to determine guiding principles for consistent decision making in the future.

At the January 25, 2016, City Council meeting, a question was asked about selling the naming rights to bridges (recently built and currently under construction). Subsequently, the City Solicitor's Office conducted research on whether or not selling naming rights of the new bridges is permissible without financial ramifications on the federal funding agreements. While the agreements were not explicit, they did require the federal government to approve the City's financial plan for the project before releasing funds. As selling naming rights for additional revenue was not specified within the agreements, it could potentially trigger a claw back of the funds. The federal government assumes the bridges will remain a 'public asset' and expects the City's contribution to be City money and not from a third party. This will be further explored in the next phases of this project, specifically as part of an asset inventory and valuation.

Capital Project Request to Develop a Program Strategy and Framework

Several Divisions pursue naming rights, sponsorships, advertising, and donations. At times, this results in duplication, overlap, inconsistency, and the potential for a lapse of business/partnership relationship management. Also, reaching an agreement for the naming of a civic asset or a sponsorship agreement requires significant effort from several Divisions. Currently, there is no corporate-wide strategy to maximize revenues, no dedicated resources to actively pursue new opportunities, and no centralized entity to oversee the process from a corporate-wide approach.

In order to pursue a more robust process of naming rights and sponsorships in the most cost effective manner, a professional in the industry would need to be engaged to help formalize the program strategy and framework. This is very specialized work, and the Administration does not have the knowledge or experience in these areas (as seen in the expertise required in the list below). In addition, an objective opinion from an industry expert brings value to the project. The Administration has analyzed other cities and the industry, and found the most common practice is a three phase approach to the process:

- Phase One - perform an asset inventory and valuation (assessing the full scope of what assets the City has, and a valuation to quantify what could potentially be received in naming rights/sponsorship, potential advertising opportunity, etc.)
- Phase Two - develop the program strategy and framework (such as a governance structure, principles, definitions, policy overview, staff implications, technology needed, stumbling blocks, etc.)
- Phase Three - develop the implementation plan (such as staff training, building capacity, work processes, sales support, benchmarks for revenue projections, prospects to approach, etc.)

The Administration has submitted Capital Project 2524 to request funding to obtain external advice and expertise to proceed with Phase One and Two, and report back to City Council for further direction. The funding requested has taken into consideration the foundational work already completed by the Administration, which be shared with the successful proponent, so it is anticipated that all aspects of Phase One and Two can be achieved.

Policy Review

The Administration has also been reviewing the policies and bylaws that govern naming rights, sponsorships, advertising, and donations, and the majority of these policies will need to be updated to reflect current best practices and recommended program/process changes. The changes will be based on work completed through the capital project and will help streamline future endeavors.

Options to the Recommendations

City Council could choose to not approve the RCE funding for the Capital Project 2524. In that situation, the Administration would require further direction on this project.

Public and/or Stakeholder Involvement

The City recently completed the 2016 Civic Services Survey. This year citizens were asked if they believe the City should offer naming rights and sponsorship opportunities as a source of revenue for the City. The majority (77% telephone; 81% online) agreed.

When asked (without a list provided) what City assets should not be made available for naming rights, a large number of residents (59% telephone, 56% online) responded that they were not opposed to any asset being available for naming rights. The next highest response showed that already-named (historical) structures and bridges should not be available for naming rights (8% telephone, 12% online). These results indicate that residents are interested in the City pursuing naming rights and sponsorships, but further citizen input is needed to determine what assets should and should not be made available.

Communication Plan

As the review progresses, a communication plan will be developed where appropriate.

Policy Implications

Once the review is complete, the Administration will bring forward any policy implications at that time.

Financial Implications

Administration has submitted a Capital Project 2524 requesting \$50,000 funding from RCE to obtain external advice and expertise to complete the first two phases of the project.

At this time, it is not possible to estimate the potential of increased revenue through more active pursuit of naming rights, sponsorships, advertising, or donations. Through the capital project work, the inventory and valuation can be confirmed on potential assets to better assess the financial implications. While naming rights, sponsorships, advertising, and donations are not considered sustainable forms of revenue, they can significantly reduce capital/operating impacts for specific assets. The goal is to establish a sustainable program that will generate revenue to enhance programming and one-time funding for assets in need. Also, if a more robust program is pursued,

there will be financial implications in terms of staff resourcing, equipment, and supplies to support the program, which could be offset with a portion of the new revenues collected.

Other Considerations/Implications

There are no environmental, privacy, or CPTED implications or considerations.

Due Date for Follow-up and/or Project Completion

If the 2017 RCE funding is approved, the Administration will issue a request for proposals for the completion of the work outlined in Phase One and Two and report back in late 2017. The Administration will also report back on the other aspects of this project (such as donations and policy review), including any recommendations and next steps.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required

Attachment

1. Current Inventory of Naming Rights, Sponsorships, Advertising and Donations

Report Approval

Written by: Jill Cope, Project Manager, Environmental and Corporate Initiatives
Reviewed by: Brenda Wallace, Director of Environmental and Corporate Initiatives
Carla Blumers, Director of Communications
Lynne Lacroix, Director of Recreation and Community Development
Clae Hack, Director of Finance
Randy Grauer, General Manager of Community Services
Approved by: Kerry Tarasoff, CFO, General Manager, Asset and Financial Management Department
Catherine Gryba, General Manager, Corporate Performance Department

City of Saskatoon Current Inventory

Civic Facilities, Building and Assets	Funds go to:
Naming Rights and Sponsorship (cumulative):	
Wright Construction Riverfront Stage	Offset capital costs
Shaw Centre	Offset capital costs
<ul style="list-style-type: none"> 1989 Jeux Canada Games (Scoreboard) 	Offset capital costs
<ul style="list-style-type: none"> Hamm Construction Walking Track, Fitness Centre, Multi-purpose Fields 	Offset capital costs
<ul style="list-style-type: none"> Nordic Industries Accessible Playground, Fencing 	Offset capital costs
<ul style="list-style-type: none"> Shaw Centre Signage 	Initial purchase/supply of signs and ongoing purchases
<ul style="list-style-type: none"> Western Fitness Cafeteria, Fitness Equipment 	Offset capital costs
PotashCorp Playland at Kinsmen Park	Offset capital costs
Canpotex Train	Offset capital costs
Lions SkatePark	Offset capital costs
Friends of the Bowl/Saskatoon Minor Football Field	Offset capital costs
Forestry Farm Park & Zoo	Offset capital costs and to raise funds to cover Zoo Foundation operating expenses and to raise funds for future capital upgrades
Ducks Unlimited Canada (Hyde Wetlands Pond #3)	Offset capital costs and interpretive signage
Notify Now	Offset costs of Notify Now
Four TV feeds into the EOC	Used in operations of EOC
AEDs(39) and blood oxygen level monitors (14)	Paid for the machines
White Buffalo Youth Lodge - Kitchen upgrades	Offset capital costs
Total Naming Rights and Sponsorships (Cumulative over 20 years):	\$24,806,000

City of Saskatoon Current Inventory

Civic Facilities, Building and Assets	Funds go to:
Advertising (Annual):	
Shaw Centre Digital Screen	Offset costs of program
Transit Interior, Exterior and Bus Wraps	General revenue
Transit Shelters	General revenue
Transit Benches	General revenue
Leisure Guide	Offset costs of producing Leisure Guide
Indoor Rink Boards	Offset rink costs
Indoor rink zamboni (ice resurfacers)	This is part of the advertising package, but no one has taken it
Indoor ice surface	This is part of the advertising package, but no one has taken it
3rd party billboards leased on City owned land	General revenue and the roadway reserve
Total Advertising (Annual):	\$1,122,449
Donations from Community (cumulative):	
Miscellaneous park enhancement projects city wide (playgrounds, shade structures, fitness equipment, etc.)	Offset the cost of the projects
Miscellaneous outdoor rink builds and/or rebuild projects city wide	Offset the cost of the projects
Miscellaneous sports field upgrade projects city wide	Offset the cost of the projects
Total Donations (Community) (Cumulative):	Approximately \$3M