

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 17, 2015

Item 4, Report No. 5, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on February 17, 2015.

#### **4                    MUNICIPAL PARTNERSHIP STRATEGY IMPLEMENTATION UPDATE**

The Finance, Administration and Audit Committee recommends:

- 1) That the recommendation contained in the following report of the Executive Director, dated February 9, 2015, be approved; and
- 2) That the presentation by the Executive Director, and C15, presentation material entitled "*Municipal Partnership Strategy Implementation Update*" dated February 9, 2015, be received.

#### **Recommendation**

The Executive Director, in consultation with the Interim City Manager, recommends;

1. THAT the Office of Municipal Partnerships be established within the Office of the City Manager reporting to the Executive Director in the Corporate organizational structure;
2. THAT subject to the approval of the related Innovation Reserve Request through the 2015 Budget process, the Office of Municipal Partnerships be initially staffed with two positions; a Manager and a Sponsorship Coordinator;
3. THAT the Commission of Finance & City Treasurer incorporate the creation of a new financial reserve for the purpose of the administration of Municipal Partnership revenues as part of the planned review of the Consolidated Reserve Policy (05.4.01) in 2015 and prepare a report to Council regarding this new reserve as dictated in the Consolidated Reserve Policy; and
4. THAT a status report be prepared for a Committee of the Whole Working Session no later than one year after implementation which provides an update on the Marketing Partnership Strategy and Implementation Plan including a Consolidated Draft Sponsorship Policy.

#### **Contribution to Sustainability**

Green Directions Vaughan embraces a *Sustainability First* principle and states that sustainability means we make decisions and take actions that ensure a healthy environment, vibrant communities and economic vitality for current and future generations.

Financial sustainability is defined as the enduring ability of the City to ensure that it can deliver the level and types of programs and services to the community, while proactively assessing and managing associated risks, at acceptable levels of taxation and fees.

Therefore, to be sustainable as a City, alternative revenue sources must be considered while not infringing on the greater public interest.

#### **Economic Impact**

The economic impacts should be categorized in to four categories:

- Planning and study
- Forecast
- Implementation
- Revenue Allocation

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##### **Planning and Study: \$50,000 (Completed)**

All costs associated with RFP 12-110 for the preparation and completion of the Marketing Partnership Strategy and Implementation Plan (MPS&IP) were approved through the 2012 budget process. The Centre for Excellence in Public Sector Marketing (CEPSM) was the successful proponent. CEPSM presented the final strategy to Committee of the Whole (Working Session) November 12, 2013.

##### **Forecast: \$1.5MM gross/\$500,000 net Annually (New Revenue)**

As part of the work undertaken with the Strategy, revenue forecasts were modelled. The forecast predicts a cumulative \$3.4 Million GROSS (\$1.4 Million NET) new revenue would be generated year one through five. This is detailed in the table below.

Year 1 (2015/16)	Year 2 (2017)	Year 3 (2018)	Year 4 (2019)	Year 5 (2020)	Total
\$288,000	\$571,000	\$720,000	\$849,000	\$978,000	\$3,406,000 GROSS

Beginning in year six, the strategy indicates that with a solid foundation built in year one through five, the program should be able to continue to generate approximately \$1 - \$1.5 Million **GROSS** (\$500,000 **NET**) new revenue on an annual basis and that the estimates above are based on a conservative revenue approach.

##### **Implementation (\$917,000 – Innovation Reserve: Impact on Taxation \$0)**

The Staff working group identified that implementing the partnership strategy would be a positive initiative in advancing the Vaughan Vision 20|20 goal to Ensure Financial Sustainability and provide the City additional revenue to maintain, build or fund other activities across the corporation.

However, to achieve the success that was identified in the strategy, the working group noted that one of the most important guiding principles is that year one through five must be building blocks for a sustainable partnership program allowing the City to build its “partnership brand” and internal capacity.

To do this effectively the following should be accomplished;

- An Office of Municipal Partnerships be created in the City Manager’s Office under the Executive Director. The organizational placement within the Corporation should be reassessed once the business unit is staffed appropriately with established operations or through a future corporate organizational review.
- Total funding for year one through five in the amount of \$917,000 should be secured for staffing and operating costs through an application to the Corporate Innovation. With approval, these funds would offset costs for the initial five years, thus having no impact on taxation while the program builds its “partnership brand” and internal capacity.
- A Partnership/Sponsorship Innovation Reserve be established by the Commissioner of Finance to account for net revenue generated through the Office of Municipal Partnerships.

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Using the Corporate Innovation Fund does have a requirement to pay back the original capital with interest. The repayment of \$917,000 plus interest is scheduled to be complete over the course of eight years. The total repaid to the Innovation Fund will total \$1.01MM.

#### **Allocation of Partnership/Sponsorship Revenue**

The proposed method by which the City allocates revenue from partnership and sponsorship initiatives has been outlined in the table below (as well as the strategy) highlighting percentage ranges for each dollar of sponsorship generated. General purpose revenue should be allocated to a general purpose reserve that can be drawn upon for future investments as approved by City Council;

Potential Cost Centre	Allocation Range	Percentage	Comments
Sponsorship Sales	15% – 20%		Applied internally for staff through a Centralized Office
Servicing Agreements	5% - 10%		For City commitments towards partner signage, activation costs (see below)
Operation of Central Office	15% - 20%		Internal staff to coordinate City-wide efforts, sell and service partners
Program / Service Enhancements	15% - 25%		To improve impacted City program, service or facility (see below)
<b>Total Allocation</b>	<b>50% - 75%</b>		<b>Potential cost of “doing business” including program / service enhancements</b>
Potential for General Purpose Reserve Account	25% - 50%		Potential percentage that could be applied to a General Purpose Reserve account

#### **Communications Plan**

The “*City of Vaughan Marketing Partnership Strategy and Implementation Plan*” are available on Vaughan.ca

Recruitment for the Manager of Partnerships and the Coordinator position will be arranged and communicated through Human Resources.

#### **Purpose**

The purpose of this report is to obtain Council approval to move forward with the implementation of the Marketing Partnership Strategy and Implementation Plan by creating an Office of Municipal Partnerships in the Office of the City Manager reporting to the Executive Director.

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#### **Background - Analysis and Options**

##### **Why is non taxation revenue important?**

The City of Vaughan provides a vast array of programs and services to its residents and has instituted a number of initiatives to provide high quality efficient and effective services. The majority of residents (City of Vaughan Citizen Survey, Ipsos Reid, 2012) believe that they receive good value for their tax dollars, however, a significant proportion of residents would like to see the City hold the line on property taxes and user fee increases even if it means a reduction in services. While the City has kept property tax increases below the Municipal Price Index (MPI) and maintained service levels, the ability to sustain this practice will prove challenging.

Assuming no growth, new initiatives, or service level changes, the City will experience price escalation pressures on cost components such as labour, contracts, utilities, materials, capital projects, etc. These pressures are unavoidable, and due to their nature have escalated in price faster than the general rate of inflation. This becomes very apparent in the City's long-range forecast and is identified in the 2015 budget presentations.

The Vaughan Vision 20|20 Strategic Plan sets out a vision and direction for the City over the next decade and beyond. A major initiative identified in the Strategic Plan is Management Excellence with the specific goal to Ensure Financial Sustainability.

Continuing to plan for the future puts the City in a better position to deal with the many challenges confronting the municipal sector. Availability and quality of municipal services and programs, the environment, traffic congestion, infrastructure and community safety are matters that will need to be addressed as the City grows. Meeting public needs and expectations will require the optimizing of potential revenue sources.

Traditionally, municipalities in Canada have relied on taxation to fund the majority of their programs and services. The City's operating budget over the last several years, including 2014, required 66% of its funding from taxation. The City, as well as other Ontario municipalities must increasingly seek out other sources of revenue.

#### **Understanding Sponsorship in Vaughan**

To arrive at the recommendations, Staff over the past three years introduced and identified sponsorship as an opportunity to non-taxation revenue for the City. This was done through the following meetings:

- Committee Of The Whole Working Session – November 12, 2013 – Strategy to Implement a Municipal Sponsorship Program, Adopted by Council November 19, 2013
- Committee Of The Whole – June 5, 2012 – Strategy to Implement a Municipal Sponsorship Program, Adopted by Council June 26, 2012
- Finance and Administration Committee – June 20, 2011 – Presentation on Non Taxation Revenue, Adopted by Council June 28, 2011
- Finance and Administration Committee - January 17, 2011 – Non Taxation Revenue, Adopted by Council January 17, 2011

#### **Staff Working Group**

As identified in previous reports to Council, a Staff working group of nine members was convened with the objective of better understanding how the City could most effectively move forward with implementing the *Vaughan Marketing Partnership Strategy and Implementation Plan*. Over the

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course of the past eight months, the Staff working group held six meetings. The working group was comprised of the following members:

Tim Simmonds, Executive Director (Chair)  
Lloyd Noronha, Director, Development Finance and Investments  
Derek Patterson, Director, Continuous Improvement  
Nancy Salerno, Legal Counsel  
Gary Williams, Director, Corporate Communications  
Demetre Rigakos, Director, Human Resources  
Mary Real, Director, Recreation & Culture  
Laura Mirabella-Siddall, Director, Financial Planning and Analytics  
Anna Dara, Manager of Events  
Howard Balter, Manager, Financial Planning and Analytics  
Sandra Volante, Administrative Support

#### **Highlights of the Working Group**

During the nine meetings, the group engaged in discussions that focused on various aspects of the strategy. Over the course of the meetings it was agreed that the sponsorship program needs to be positioned as a positive collaboration between the City and its corporate partners to enhance the quality of life in Vaughan and benefit citizens that participate in City programs and services. To be successful, the program cannot be positioned solely as a “budget reducing exercise”, but rather as an initiative to involve the corporate community in building a better Vaughan. This messaging will need to be sustained and consistent to ensure continued buy-in from all stakeholders.

The working group prepared a list of highlights that should be considered:

1. The City is not in a position to expand from the current level of partnership, sponsorship and advertising to increase revenues, due to:
  - A lack of a coordinated approach to soliciting potential sponsor and advertisers
  - That there is no city-wide strategy to maximize revenues
  - A lack of a centralized database to systematically record, track, analyze and report on sponsorship and advertising activities - consequently there may be donor fatigue due to multiple departments contacting the same sponsors or missed revenue on some significant opportunities
  - A lack of dedicated resources
  - A lack of a comprehensive asset inventory to market opportunities
  - A lack of consistent valuations of similar sponsorship from one program to another, and
  - Little, if any, sharing of information on successes and lessons learned across departments.
2. Meeting with the Director of Partnerships, City of Toronto - Best practices of municipalities with a sponsorship program strongly suggest that the success of the program is enhanced when there is a centralized point of contact for enquiries, coordination, consistency in valuations and on-going support and liaison with existing sponsors to maintain and build on the existing partnerships. Furthermore, having a centralized Office of Municipal Partnerships will give the City an opportunity to take advantage of future opportunities as non-taxation revenue can take many forms; traditional and non-traditional.

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3. Through a dedicated Office of Municipal Partnerships a more focused approach on naming rights and facility sponsorship would be prudent in the initial phase. However, there is a diverse set of revenue-generating opportunities that the *City of Vaughan Marketing Partnership Strategy and Implementation Plan* highlighted as considerations. These opportunities include naming rights, signage, product placement, advertising on vehicular assets, website, co-branding, exclusivity agreements, supplier agreements, and event sponsorship. As identified in the strategy, Naming Rights – Opportunities where a sponsor name can be added as a prefix to the facility name i.e. TD Recreation Complex and receive a wide range of supporting visibility opportunities over an extended term. Facility Sponsorships – Opportunities where a sponsor name cannot be added as a prefix due to previous facility commemorations i.e. Al Palladini Community Centre, but can still enjoy a wide range of visibility opportunities over an extended term.
4. Naming Rights for Vaughan City Hall and Heritage Properties should not be made available. However, facility sponsorships, as defined above, may be considered by Council.
5. The future role of the working group would be to oversee the introduction of the program, and monitor the program on an ongoing basis to ensure that the program aligns with corporate objectives. The working group will meet once quarterly and their role would include maintaining the strategic direction for the program, approving assets to be marketed and overall benefits of programs, overseeing the sales and servicing processes and monitoring the program to ensure that it meets the City's ethical standards.
6. A DRAFT policy has been created but should be reviewed by the new Manager of Partnerships prior to Council review and adoption. The City's existing policies related to sponsorship and naming opportunities are inconsistent or lacking in several respects, and may result in confusion with respect to which policy governs for various transactions. A consolidated Partnership and Sponsorship Policy would provide a clear and consistent approach as well as guidelines for sponsorship and naming opportunities for all of the Corporation's departments.
7. Staffing of the Office of Municipal Partnerships should be initially limited to a Manager and Coordinator position. The focus for the first year of activity for the Office will be in consultation with the Executive Director. However, objectives that should be identified in the work plan should include; Confirmation of Phase 1 Inventory that includes;
  - Establish a three/four year Business Plan with goals, objectives and performance measures.
  - Create awareness for the overall program.
  - Pursue "low risk" partnership/sponsorship opportunities that are relatively easy to implement and/or naming rights and facility sponsorships.
  - Ensure policies are in place to support the program.
  - Develop collateral (print materials and micro-site) to support marketing efforts and communications strategy to promote opportunities to the private sector.
  - Collect / compile program statistics (i.e. participation rates).

#### **Relationship to Vaughan Vision 2020/Strategic Plan**

In consideration of the strategic priorities related to Vaughan Vision 20|20, the implementation of the strategy will provide:

#### STRATEGIC GOALS:

Service Excellence – Providing service excellence to citizens.

Management Excellence

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**STRATEGIC OBJECTIVES:**

Plan and Manage Growth & Economic Vitality.

**Regional Implications**

Not Applicable

**Conclusion**

The City needs to take a strategic, coordinated approach toward its partnership and sponsorship efforts. This was substantiated by the Staff Working Group. For the City to present a professionally operated and branded program, it will be necessary to put the processes and tools in place that ensure consistency in how the program is implemented. A centralized corporate office will be required to oversee the City's overall efforts in this area. A review of best practices of municipalities with a sponsorship program strongly suggest that the success of the program is enhanced when there is a centralized point of contact for enquiries, coordination, consistency in valuations and on-going support and liaison with existing sponsors to maintain and build on the existing partnerships.

By utilizing the Corporate Innovation Fund to undertake this initiative the City can build another non taxation revenue source without putting additional pressure on taxation and competing for limited resources with current programs. Continuing to plan for the future puts the City in a better position to deal with the many challenges confronting the municipal sector. Availability and quality of municipal services and programs, the environment, traffic congestion, infrastructure and community safety are matters that will need to be addressed as the City grows. Meeting public needs and expectations will require the optimizing of potential revenue sources.

**Attachments**

None

**Report prepared by:**

Tim Simmonds, Executive Director, Office of the City Manager