

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 19, 2013**

Item 1, Report No. 51, of the Committee of the Whole (Working Session), which was adopted without amendment by the Council of the City of Vaughan on November 19, 2013.

**1                    STRATEGY TO IMPLEMENT A MUNICIPAL SPONSORSHIP PROGRAM**

**The Committee of the Whole (Working Session) recommends:**

- 1)        That the recommendations contained in the following report of the Executive Director, dated November 12, 2013, be approved, subject to the following:**

**That Recommendations 2 and 3 be amended to read as follows:**

- 2.        THAT Staff form a working group comprised of key representatives from various departments to further identify the actions, policy and costs necessary for the successful implementation of a proposed Marketing Partnership Strategy and Implementation Plan, taking into account the comments raised by Committee; and**
  - 3.        THAT Staff report to Council no later than June 2014, with the staff working group findings and highlight all financial requirements to implement a Marketing Partnership Strategy and Implementation Plan, to be considered during the annual budget process;**
- 2)        That the report include a review of the non-property tax funds that are currently raised by the City, including through grants and sponsorships, including how a marketing strategy as suggested will impact on current sources of funds;**
- 3)        That the report include a review of the issues relating to the responsibility of a Civic entity to define itself within the public realm as opposed to the for-profit, commercial realm; and**
- 4)        That Communication C1, presentation material entitled, "*City of Vaughan: Marketing Partnerships: Strategy and Implementation Plan*", be received.**

**Recommendation**

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

- 1.        THAT the presentation titled, "*City of Vaughan Marketing Partnership Strategy and Implementation Plan*" prepared by the Centre of Excellence for Public Sector Marketing be received;**
- 2.        THAT Staff form a working group comprised of key representatives from various departments to further identify the actions, policy and costs necessary for the successful implementation of the proposed Marketing Partnership Strategy and Implementation Plan, and;**
- 3.        THAT Staff report to Council no later than June 2014, with the staff working group findings and highlight all financial requirements to implement the Marketing Partnership Strategy and Implementation Plan, to be considered during the annual budget process.**

**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. Under this definition, to be sustainable as a City we must look for and be open to alternative revenue sources.

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 19, 2013**

Item 1, CW(WS) Report No. 51 – Page 2

#### **Economic Impact**

All costs associated with the preparation of the Marketing Partnership Strategy and Implementation Plan (MPS&IP) were approved through the 2012 budget process.

Through the work completed in the MPS&IP it is anticipated that if implemented, sponsorship revenue over the first five years will build each year to accumulate approximately \$3.4 Million GROSS (\$1.4 Million NET) revenue by the end of year five. The first five years are considered as building/foundational years. Expenses considered in calculating the NET revenue include; sales, servicing of agreements, full-time staffing, operating costs, and program service enhancements.

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 (\$300-\$500,000 NET) on an annual basis.

#### **Communications Plan**

The "*City of Vaughan Marketing Partnership Strategy and Implementation Plan*" and presentation will be available in hard copy format and distributed to Mayor, Members of Council and Senior Management. Additional "hard" copies will be available upon request.

An electronic copy in a PDF format will be posted to the City's website.

#### **Purpose**

The purpose of this report is to provide Mayor and Members of Council with a working copy of the *City of Vaughan Marketing Partnership Strategy and Implementation Plan* (Attachment 1) that will be used as the guiding document for a Staff Working Group to implement a corporate-wide Marketing Partnership Strategy.

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

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 prudent financial planning to control expenditures and the optimizing of potential revenue sources.

Traditionally, municipalities in Canada have relied on taxation to fund the majority of their programs and services. The funding of the City's 2013 operating budget is funded 66.6 percent from taxation and the 2014 operating budget is anticipated to require 66 percent from taxation. As the City moves forward and particularly in these current economic times, municipalities must increasingly seek out other sources of revenue.

There is a diverse set of revenue-generating opportunities that could be considered. These opportunities include naming rights, signage, product placement, advertising on vehicular assets, website, co-branding, exclusivity agreements, supplier agreements, loyalty programs, and event sponsorship. These opportunities need to be fully explored as potential revenue opportunities for the City.

**EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 19, 2013**

Item 1, CW(W/S) Report No. 51 – Page 3

**About Centre of Excellence for Public Sector Marketing (CEPSM)**

Established in 1996, the Centre of Excellence for Public Sector Marketing is dedicated to the advancement of marketing in the public and not-for-profit sectors, specializing in the development of tools, strategies and programs that contribute positively to an organization's bottom line, whether it be financial or performance-driven. With more than fifteen years of experience managing high profile sales and marketing campaigns, sponsorship programs and corporate events, CEPSM helps clients choose the most effective marketing vehicles to promote their product(s) and assists them in leveraging these mediums to achieve the greatest return on investment for marketing dollars. CEPSM provides nationally recognized expertise in the development of sponsorship and corporate partnership assessments and strategies for clients ranging from federal, provincial, municipal and not-for profit organizations to the consumer retail and technology sectors. The company specializes in the assessment of sponsorship or corporate community investment opportunities and helps organizations take a professional and strategic approach towards generating revenue through these initiatives.

For the past 10 years, CEPSM has performed professional sponsorship valuation services for more than 900 individual properties including a wide range of festivals and events, NHL, CFL and major national / international sporting venues and events, a diverse portfolio of national associations and non-profits and numerous public sector organizations (including municipal operations). The company's strength is in its approach toward determining the value of various properties and the innovative sponsorship strategies it develops to create value for the sponsor, the property and most importantly, the audience.

CEPSM also has significant experience in working with municipal operations and other forms of multipurpose facilities in assessing the value of these properties and recommending strategies to maximize revenues through sponsorships and other types of corporate investments. For 10 years, the company's principal, Bernie Colterman, worked in a municipal setting and spearheaded the City of Ottawa's first efforts in sponsorship development. Following this term, he worked as a senior manager at Lansdowne Park (Ottawa) where he generated over \$500,000 per year in sponsorship revenue for this multi-purpose facility. CEPSM has also assisted a range of municipalities/multi-purpose facilities in assessing their sponsorship revenue potential including the Cities of Burlington, Kitchener, London, Newmarket, Ottawa and the Township of King. In total, CEPSM staff have raised more than \$25 million dollars in sponsorship revenue for various public sector, not-for-profit and private sector clients.

**Highlights of the Marketing Partnership Strategy**

**GUIDING PRINCIPLES**

At a strategic level, there are several Guiding Principles that need to be considered as key foundations for the City's Sponsorship Program:

- Sponsorship revenue should not be used to replace core funding for programs and services. Sponsorship and advertising revenue is subject to the constantly changing economic environment as well as evolving corporate priorities. Unless long-term agreements are secured (3-5 years), core programs and services could be at risk if they relied for the most part on these revenues to operate.
- Sponsorships need to include a "value-add" to the citizens of Vaughan or individual participants involved in the sponsored program. If the direct participant or Vaughan citizens overall, benefit in some way from the sponsorship, they will be more likely to view the sponsorship as a benefit rather than as an intrusion. This is viewed as a critical element in ensuring that the City's program is positively received by the citizens of Vaughan.

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 19, 2013

#### Item 1, CW(WS) Report No. 51 – Page 4

- Sponsorship collaborations need to focus on “audience fit”. The City’s strongest selling point is that it has the ability to reach large numbers of audiences with specific needs and interests. By matching company products / services with audience needs / interests, the City will likely have a higher success rate with potential sponsors as well as a higher level of interest and acceptability from the audiences participating in these programs.
- Sponsor visibility needs to be thoughtfully integrated as to not jeopardize the delivery of content or negatively impact the audience experience. To ensure a rich and meaningful experience for participants, interruptive messaging and aggressive promotion of sponsor products will not be permitted.
- 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 contributions of companies need to be acknowledged in a public manner. Further to the above, by constantly reinforcing the value that the corporate partnership program has brought to the City’s programs, services or operations, the more positively the public, the City and the corporate partner will view these collaborative arrangements.

#### ENVIRONMENTAL SCAN

Sponsorship spending continues to grow in North America as companies look for new ways to connect with audiences and differentiate themselves from their competitors. Some of the key industry-wide trends include:

- Corporations are taking a more strategic approach towards sponsorship spending by aligning sponsorships more closely with business objectives and increased emphasis on measuring the performance of their investments;
- Growth of cause-related sponsorships as a means of associating a brand with a worthwhile cause that is viewed as important by the customer;
- Increased emphasis on “activating” sponsorships to leverage opportunities and increase audience impact;
- Increased integration between sponsorship and social media channels as a means of engaging audiences.

Despite shifts in today’s economy, corporations are still willing to invest in sponsorship, but there is clearly a shift from the traditional “signs and banners” to a more comprehensive approach that includes adding value to the customer experience so that they are ultimately more receptive to sponsor messaging.

In a recent survey conducted by the Centre of Excellence for Public Sector Marketing (CEPSM) of municipal sponsorship activities nation-wide, it was found that 81 percent of municipalities are involved in some form of sponsorship engagement, whether it’s seeking naming rights for facilities or other community assets or generating financial and in-kind support for programs, events and other community initiatives.

#### SPONSORSHIP AND ADVERTISING FRAMEWORK

To provide a starting point for identifying and organizing the City’s potential assets, a high-level Framework was established as a means of creating a structure for all opportunities.

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 19, 2013**

#### **Item 1, CW(W.S) Report No. 51 – Page 5**

This Framework outlined eight (8) core categories under which the City's assets could be organized. They include:

- 1) 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.
- 2) 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.
- 3) City-Wide Programs and Services – Opportunities for sponsorship of a City-wide program or service that is offered to citizens under a centralized or common delivery system i.e. Outdoor Skating Rink Program
- 4) City-Wide Initiatives – Opportunities for sponsorship of multiple programs under a common cause-related theme i.e. "Active Together, Green Directions Vaughan, Volunteer Recognition Program".
- 5) Audience Bundled Programs – Opportunities for sponsorship of multiple programs delivered through various facilities that cater to similar (homogenous) audiences i.e. All Adult Fitness classes.
- 6) Special Events – Opportunities for sponsorship of Annual or One-Off Special Events presented by the City i.e. Canada Day, Concerts in the Park, Mayor's Gala and Golf event, etc.
- 7) Advertising – Commercial advertising opportunities such as the Recreation Guide, where there is no implied associative element or relationship between the City and the advertiser.
- 8) Other Unique Opportunities – Other opportunities for sponsorship, advertising or other types of cooperative marketing relationships that are not necessarily related to any of the above categories i.e. Employee Benefits Program, Vending Machine Pouring Rights, Official Suppliers to the City.

#### **OPPORTUNITY AND CONSTRAINT ANALYSIS (S.W.O.T.)**

It is important to note that while the framework establishes the overall scope of opportunities that are available, it will continue to be a "work in progress" as new opportunities are added and others removed because they are not viewed as practical from an appeal / implementation perspective, or are no longer being offered due to policies or administrative (budget) process.

As part of the preliminary research, the consultant also examined the City's ability to achieve partnership and advertising revenues and the Strengths, Weaknesses, Opportunities, and Threats that will need to be addressed in order to meet the stated goals.

Each of the noted S.W.O.T. has been further defined in more detail in the attached Strategy report beginning on page 14.

For example, Partnership Policy, listed in the quadrant under Weakness is further defined on page 17 with the following; Without an approved Partnership Policy, the City of Vaughan corporate partner program will be open to interpretation in many areas (i.e. interpretation of endorsement) and this may have an impact on the types of agreements and/or benefits offered.

Solution(s):

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 19, 2013

Item 1, CW(W/S) Report No. 51 – Page 6

- The City needs to be transparent by adopting a Partnership Policy that strikes a balance between managing risk and allowing staff to be flexible in the types of arrangements it can negotiate.

STRENGTHS	WEAKNESSES
Well known and Respected Institution	Internal Culture for Sponsorships such as: Entrepreneurial Approach, Procurement Policy, Partnership Policy, Financial Policy / Systems, Revenue Allocation, Rules of Business Engagement, Senior Management Support, Approval Processes
Financial Resources and Capability	Level of Expertise
Diversified Audience Reach	Size of Organization
Quality of Programs / Staff	Current City Contracts for Advertising
Trusted Provider of Programs and Services	Concession Operations
Economic Environment	Political Environment
Current Sponsors / Advertisers	Revenue Allocation
Internal Expertise	Media Scrutiny
OPPORTUNITIES	THREATS
Growth of Sponsorships and Partnerships	The Economy
Diversity of Audience / Size of Audience	Competition for Dollars
Opportunity to Deliver Timely Messages	Sponsorship Policy
Uniqueness of City Sponsorship and Advertising Opportunities	Impact of Increases / Decreases in Sponsorship Revenue
Goods In-Kind	Integrating Existing Sponsorships
Vending Machines	Corporate Expectations
Potential Sales Force	Political
	Perception of Commercialization
	Perception of Competition
	Competing Interests

#### REVENUE ANALYSIS

Initial estimates would indicate that there is an opportunity to generate a cumulated total of \$3.4 million (GROSS) in new sponsorship revenue over the first five-year period using a phased approach. It is important to note that the first five years need to be viewed as building blocks to a sustainable sponsorship program and that the estimate is based on a conservative revenue approach as the City builds its “sponsorship brand” and internal capacity.

After year five, the City should be able to sustain a minimum \$1 – 1.5 Million (GROSS) annual target for new revenue. When coupled with the estimated \$1 Million in current sponsorship revenue, the program is anticipated to accumulate a total of \$2 - \$2.5 Million (GROSS) in combined revenue annually.

#### ROLE OF THE WORKING GROUP

The staff working group comprised of key members of the corporation will use the strategy as the guiding document to:

- Develop the base communications and positioning of the sponsorship program that encourages involvement and publicly supports companies that contribute to the quality of life in Vaughan and/or enriches the experience of citizens participating in City programs or services.
- Propose where a Central Sponsorship Office could be established in the City's organizational structure to best coordinate the City's sponsorship and advertising efforts and ensure a high-level of professionalism and integrity in the delivery of the program.

## CITY OF VAUGHAN

### **EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 19, 2013**

#### Item 1, CW(W/S) Report No. 51 – Page 7

- Articulate the resources required in creating a central sponsorship office.
- Form revenue sharing guidelines that are achieved through sponsorships.
- Prepare a Policy that supports the development of corporate partnerships.
- Identify a training/education component for staff to increase their capacity to identify opportunities and engage the corporate sector.

All of the above noted will be brought to a future Committee of the Whole Working Session for further discussion and approval by Council.

#### **ASSIGNING VALUES**

One of the biggest challenges in implementing any sponsorship program is how to determine the “fair market value” that a sponsor or advertiser receives in return for their investment. Once the City’s potential sponsorship and advertising assets were identified through the preparation of the MPS&IP, the consultant conducted an analysis to determine the potential value of these assets using a proprietary formula that has been used to value hundreds of sponsorship properties.

#### **ISSUES AND RISKS**

The investigation of additional opportunities also highlighted some shortfalls in the City’s ability to expand from the current level of sponsorship and advertising to increase revenues, such as:

- 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,
- Missed revenue on some of the significant opportunities,
- 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.

The establishment and reliance on revenue from an enhanced sponsorship and advertising program is not without its issues and risks.

1. One of the major risks is whether there will be uptake on the opportunities being presented by the City. In order to get a better sense on the degree of potential participation by local and national companies of these opportunities, some selected market testing of the program should be contemplated. The purpose of the market testing is to gather industry feedback on the overall program as well as specific opportunities. The results of the business intelligence will allow the City to:
  - Gauge overall potential response to the program;
  - Determine what types of opportunities and benefits will carry the most weight with potential sponsors and advertisers;
  - Gather industry intelligence as it relates to competitive factors as well as other barriers to take-up;
  - Provide City staff with business intelligence that supports the overall project (due diligence).

While the overall reaction is expected to be positive, it is anticipated that the feedback received will provide the City with useful information to fine-tune the program prior to launching the full initiative.

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 19, 2013**

#### **Item 1, CW(WS) Report No. 51 – Page 8**

2. The revenue projections are based on the programs and services currently being provided by the City. If there are program changes (new or cancelled programs), print publication volumes change or there is a change in the method of communicating to the targets audiences, or assets no longer available, revenues will be affected. If, for example, community facilities are no longer available for naming rights because they have been selected for a commemorative naming or there is no community and Council support for a proposed naming rights agreement, the ability to achieve the revenue targets from this valuable type of opportunity is lost.
3. In the event that sponsorship or advertising revenues cease for a specific program, there will be an impact on budgets if the program is to continue.

These issues and risks as identified in the Partnership Strategy will be further evaluated and discussed in the staff working group.

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

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

##### **STRATEGIC GOALS:**

Service Excellence – Providing service excellence to citizens.

Management Excellence

##### **STRATEGIC OBJECTIVES:**

Plan and Manage Growth & Economic Vitality.

#### **Regional Implications**

NA

#### **Conclusion**

The work completed by the Centre for Excellence in Public Sector Marketing in the preparation of the Vaughan Marketing Partnership Strategy and Implementation Plan makes a very strong argument that the City needs to take a strategic, coordinated approach toward its sponsorship and advertising efforts from both recruitment and servicing perspectives.

In addition, the MPS&IP identifies that if the City is 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.

Industry-wide research also indicates that the public is supportive of corporate sponsorships that contribute to an activity or cause that they deem worthwhile.

The global PR firm Edelman recently released its Canadian 2012 Good Purpose survey.

- 62 percent of those surveyed are buying brands that support good causes at least yearly, with 45 percent saying they do so at least monthly.
- 53 percent of Canadians are personally involved in supporting a good cause, compared to 60 percent of respondents globally.

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 19, 2013**

Item 1, CW(WS) Report No. 51 – Page 9

- 67 percent of Canadians trust a company that actively supports a societal issue, while only 19 percent trust a company that does not.
- 84 percent would be more likely to give their business to a company that supports good causes and has fair prices than a company that simply offers discounts.
- 89 percent believe that business needs to place at least equal weight on society's interests as on business' interests.
- 49 percent said businesses should create new products or services that help address a societal issue.

The study also noted that there is a breadth of opportunities for brands to find ways to give back to society and how that would fit in the brand and what resonates with Canadians. The positive aspect is 80 percent of Canadians say it is okay for brands or companies to make money, as long as they're giving back.

This and other studies show an appetite for sponsorships in both the part of consumers and corporations, provided that there is a strong association between the investment and the sponsored activity. Despite the recent economic turmoil, corporations are still willing to invest in sponsorship, but there is clearly a shift from the traditional "signs and banners" to a more comprehensive approach that includes adding value to the customer experience so that they are ultimately more receptive to sponsor messaging. This shift will have an impact on the way the City approaches sponsorships in order for the City to be successful.

**Attachments**

Attachment 1 - City of Vaughan Marketing Partnership Strategy and Implementation Plan

**Report prepared by:**

Tim Simmonds, Executive Director, Office of the City Manager

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)