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Item No. 4 (ii)

**Halifax Regional Council
June 15, 2010
Committee of the Whole**

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in cursive script, appearing to read "Wayne Anstey".

Wayne Anstey, Acting Chief Administrative Officer

DATE: May 27, 2010

SUBJECT: HRM Events Strategy: Proposed Service Delivery

ORIGIN

December 8, 2009 Regional Council requested a staff report outlining opportunities for HRM to take part in the Events Nova Scotia endeavour.

June 22, 2010 Regional Council approved the Event Strategy.

RECOMMENDATION

It is recommended that Regional Council:

1. Negotiate a Service Agreement with Trade Centre Limited to provide major and sport event hosting services for up to 3-years, and agree to fund this program by:
 - a) Amending the Major Facility Reserve Business Case (Q319) to permit the annual transfer of an operating grant of \$150,000 to TCL for up to a three year period, contingent on availability of Reserve Funds;
 - b) Transfer \$200,000 (or 7% of the MLSER Q315) beginning in 2011 to TCL to assist in the execution of major and sporting hosting events, for up to a three year period, contingent on the availability Reserve Funds.

EXECUTIVE SUMMARY

Major Event and Sport Hosting provides many public benefits, including, social, economic and cultural development. As such, events should to be supported by HRM and all levels of government.

In terms of specific a role, event bidding operates in a highly competitive, highly politicized world, where fast paced decision-making is required. Governments are expected to respond quickly and make significant commitments as part of the competitive bid process, yet the legislation that governs municipal governments does not accommodate such action, making it a challenge. HRM's success will depend on a model that allows for this service to be provided externally.

The number of different service providers directly or indirectly involved in event hosting is considerable. Consequently, this has contributed to a lack of coordination, ineffective decision making, inefficiencies, inequities in support, and gaps in service. Over the long term, staff believe it is in Council's interest to explore a central agency to support a single service provider responsible for trade, convention, tourism events and major sporting events. However, in the interim, staff recommend employing an existing service provider to provide this service.

With respect to TCL's Event Nova Scotia proposal, staff believe this agency is qualified and has the skill to deliver the new service. TCL has also proven to be a significant player in hosting, and comes with considerable experience in event acquisition and hosting.

Finally, should Council support staff's recommendation and support TCL's Event Nova Scotia, it is important to recognize that essential to the success of this model is a commitment by TCL to collaborate and work with HRM staff. At times, this relationship has faltered causing unnecessary challenges and lost opportunities.

Staff recommend that a service agreement be entered with TCL for a 3-year pilot period, with opportunity for renewal. The draft service agreement will reflect some of the key matters identified in the body of the report and will be tabled with Council at a subsequent date for ratification.

BACKGROUND

In April 2009, Trade Centre Limited (formerly an operated unit known as Events Halifax) made a formal presentation to HRM's Special Events Advisory Committee (SEAC) to enter into a service provider relationship with TCL on major event acquisition and hosting services. At that time, the Committee viewed the proposal as too preliminary given the Events Strategy had yet to be adopted.

On December 9, 2009, Trade Centre Limited (TCL) formally announced the establishment of a new Major Event Division to focus on identifying and attracting major events. The concept evolved from TCL's acknowledgement for improved Major Event Hosting services and the opportunity for HRM to leverage support and investment from ACOA and the Province of Nova Scotia.

The following highlights the various aspects of the Major Event Division services. *Attachment 1* provides a more detailed overview of the governance, and specific roles and services offered.

Attachment 2 provides a detailed overview of the proposed budget for the major event service as submitted by TCL.

- ☐ Research: Develop the event hosting inventory in the market, identifying strategic targets, prospecting target events and marshalling resources on a province-wide basis;
- ☐ Training: Formal and informal education of partner groups and other stakeholders so that they can be proactive in the bidding process and more knowledgeable in hosting;
- ☐ Marketing: Develop and implement a marketing communications program in support of both Branding and specific bid activity;
- ☐ Prospecting: Implement a targeted sales activity designed to qualify major events that should be sought after;
- ☐ Bidding: Lead bidding activity, including bid preparation and proposal development, presentation coaching or execution and management of site assessment;
- ☐ Hosting: Organize and support local hosting organizations on an as-needed basis;
- ☐ Evaluation: Implement best practice approaches to measuring and evaluating the impacts of events hosted in the market.

To date, both the Federal and Provincial governments have guaranteed funding as shown below:

- ☐ Atlantic Canada Opportunities Agency: \$300,000 for three years (2009/10/11)
- ☐ Province of Nova Scotia – \$300,000 for three years (2010/11/12)

DISCUSSION

Trade Centre Limited is seeking financial support from HRM to establish a new TCL Major Event Division. Given that the recent approved Event Strategy identifies the need for such service, it is staff's opinion that Council should consider this proposal at this time.

1. What Does the Strategy Say About Major Event Hosting?

The Strategy outlines a new event framework involving two distinct areas of focus - community and cultural events versus major event hosting events. The Strategy states HRM should continue to focus on community and cultural event services, while an alternative service provider would provide Major

Event Framework	Community and Cultural Events & Presentations	Major Events & Major Sporting Events
Service Provider	HRM (Civic Events)	External Partner Agency
Services	<ul style="list-style-type: none"> •event creation •event delivery •event marketing and promotion •event policy and granting •advisor/event industry capacity building •event research •licensing authority •municipal service provider •infrastructure development/rental •partner with commercial agencies •facilitator of sharing of networks •representative of the citizenry •event advocacy and public relations •training and education •volunteer recruitment •volunteer recognition 	<ul style="list-style-type: none"> •Business Planning •Research and Strategy •Training •Marketing Communications; •Sales and Marketing •Hosting Bid development and presentation •Organization and management •Consulting •Sponsorship development and sales •Volunteer development •Stakeholder development and relations •Evaluation •event policy and granting

FIGURE 1 - THE EVENT SERVICE DELIVERY MODEL

Event Hosting services. Figure 1 provides an overview of these respective roles.

2. Why is an Alternative Major Event Service Model Preferred?

Typically, an alternative service delivery model is considered to improve performance in delivering particular programs and services, and to provide more seamless and citizen-centred services. The proposed TCL Major Events model is viewed as a positive step forward for HRM. Given that successful event bidding and hosting agencies operate in a highly competitive, highly politicized world, where fast paced decision-making is required, a non-government agency is better adept to such conditions. The legislation and administrative procedures governing HRM pose serious challenges to a successful “bidding model”. HRM is simply not equipped to respond quickly and make significant commitments as part of the competitive bid process, within existing bureaucratic structures.

Beyond this, the level of staff resources and expertise required for delivering a major event bidding and hosting program does not currently exist within HRM. HRM’s civic event team is small, and its primary expertise is in the areas of event planning, delivery, and coordination. Operationally, it makes more sense to look to a service provider that has different skills sets that will complement HRM existing services.

3. Who is qualified to deliver major event services?

HRM would seek a not-for-profit service provider to deliver major event hosting services. In terms of approach, it is not HRM’s goal to encourage the establishment of another agency to deliver this service. Rather, HRM’s preference is to seek-out existing organizations that are qualified to deliver the service.

A major issue addressed in the Strategy is the lack of coordination among existing agencies that either directly, or indirectly, are involved in the provision of major event hosting services. By focussing on existing service providers, HRM would not be contributing to the overall confusion. Further, an existing organization’s administrative structures and processes would be in place, and staff would be trained thereby facilitating a much quicker and easier transition.

4. Is TCL qualified?

Yes, TCL is a qualified not-for-profit. TCL has a proven track record and experience at attracting and hosting major events.

5. How does TCL’s proposal address some of HRM’s key challenges?

At the core of TCL’s proposed service model is a commitment to expand HRM’s major event hosting impact and to build a program that would position HRM on the world event hosting stage. The proposal recognizes the important role HRM’s sporting associations have played in bidding and hosting, and proposes to provide improved supports to these groups including research, bid development, and program development. The service will be designed to strengthen HRM’s existing capacity of major event organizers.

Beyond this goal, it is important to ensure that any major event hosting service agent is successful in overcoming some of the key issues that currently thwart HRM’s level of success:

a) Service Coordination

The number of not-for profit service providers, levels of government, and venue operators in HRM that have either a direct or indirect role in major event and sport hosting is significant. The range of stakeholders has contributed to poor coordination, ineffective decision making, inefficiencies among the existing service providers, inequities respecting support and gaps in service. TCL's proposed model could assist with improving overall coordination among government partners. A networking structure is proposed which could help to foster dialogue and identifying opportunities for collaboration. A concern with the proposed model is TCL's association with specific venues. This relationship may raise questions between local venue operators and the broader event community of legitimacy and fairness, so it will need to be addressed if Council supports the initiative.

b) Role clarity and service delivery among partners

TCL's proposal appears to be designed to achieve an enhanced service delivery. However, there still remains question about the duplication of marketing and promotion services. Specifically, it appears that what may be provided is a variation of service currently provided by other local agencies. (Destination Halifax and GHP). The mandate of these respective agencies is marketing and promoting HRM to develop and attract business (whether it is tourism, conventions, trade, events etc.). Consequently, while staff supports the primary aspects of TCL Major Events, further investigation into marketing and promotions services would be warranted.

c) Major Event Hosting Program Grants

Beyond research, development, prospecting and marketing, TCL's proposal references a dedicated budget to support the development of bid documents (a \$200,000 and \$100,000 legacy). This is a very important aspect as the bidding process and it can be costly. Dedicated funds for bid development are essential for the major event hosting program. At present, HRM's market levy reserve supports funding for the development of bid documents. With the proposed model, it is understood that this demand would be eliminated.

At present, the proposal does not include provisions for grants to support event execution. This is undoubtedly a significant weakness with TCL's proposal. It is staff's opinion, that the quality and success of the program would be seriously compromised if a granting aspect does not exist. Grants need to be readily available, and should not be administered through HRM's annual event application process. In fact, in developing bids, the event venue rate as well as potential operating grants for the event are typically developed as a single package.

At present, TCL does not have the authority to provide grants and, as such, HRM is at a disadvantage. Staff recommend that a portion of the MLSE Reserve (Q315) budget, currently allocated to sport hosting, be transferred to TCL to be administered on behalf of HRM. This would be in the form of an annual transfer of approximately \$200,000. It is understood that this amount would be held in a reserve (a maximum for the reserve could be established) and allocated accordingly as hosting opportunities arise.

6. How would the new service be funded?

The benefit of the TCL proposal is that both the federal and provincial governments are supporting the initiative financially. Therefore, any contribution made by HRM, is significantly maximized by this existing arrangement.

Staff recommend a service agreement be drafted between HRM and TCL for a 3-year pilot period beginning in September 2010, which is the same commitment of the other two levels of government. The draft service agreement would provide an annual operating grant of \$150,000, and an additional \$200,000 for a new major event hosting grant program. Regional Council would annually approve a business plan submitted by TCL outlining the major event hosting opportunities that will be pursued and, if successful, supported by the grant program.

To support this funding program, staff have identified the following options, however, Council may elect to combine aspects for each or identify an alternative:

Option 1:

Amend the Major Events Facility Reserve (Q319) to permit an annual allocation of \$150,000 to TCL for Major Event Services up to a period of 3-years, and annually allocate \$200,000 from MLSE (Q315) for up to a period of 3-years for the execution of major events, to be administered by TCL:

Council's ability to allocate funds from the Major Events Facility Reserve in support of the proposed Major Event Service is somewhat ambiguous. The defined purpose of the Major Events Facility Reserve is to provide a funding source for the development of major cultural and public event facilities. However, the Business Case also states the Reserve may be used as a source of HRM's partnering, or leverage funds for larger projects.

Given the proposed Major Event Service model is a partnership between ACAO, the Province, and HRM, and is designed to leverage investment from these partners and long term investment through events, it seems this proposal is within the spirit of the Reserve. The proposed service will involve the active pursuit and acquisition of major events that will provide an infusion of economic and tourism development growth, and potentially, be a catalyst for new investment in facility development. However, it is staff's opinion that if Council so wishes to use this Reserve, the Business Case must be amended to specifically articulate this objective.

Moreover, staff recommend that the Business Case clarify that the annual grant is conditional and subject to the availability of funds. Specifically, staff recommend that the annual operating grant be transferred only upon determination by Financial Services that the Reserve has the capacity to achieve the level of the operating grant. Moreover, that Financial Services confirms that the operating grant would not compromise HRM's future ability to draw on the Reserve to develop facilities. Staff recommend a maximum percentage cap, with a minimum balance so to protect HRM's future interest and capacity. Essentially, given the nature of the Reserve, for this funding agreement to work, it will require more discipline on the part of TCL to manage the Metro Centre budget so that an annual surplus of funds is adequate to cover all costs.

Option 2:

Amend the Business Case for the Marketing Levy Special Events Reserve to increase HRM's proportionate share of the hotel tax levy from 40% to 55%. Annually transfer a total of \$350,000 from Q315 for up to a period of 3-years to support the new major event service and granting program to be administered by TCL:

The defined purpose of the MLSER is to “provide for costs associated with hosting non-annual special events, as well as to provide, operate and maintain infrastructure and facilities used to support for special events. The Reserve provides resources to attract, support hosting for tourism and economic development focussed events in the cultural, sports, and heritage sectors.

Given the proposed Major Event Service model is designed to support the active pursuit and acquisition of major events that will provide an infusion of economic and tourism development growth, and potentially, serve as a catalyst for new investment in facility development, staff believe the Reserve may support this initiative. However, if Council so wishes, the Business Case could be amended to specifically articulate this objective.

BUDGET IMPLICATIONS

Option one, as outlined above, assumes that the Major Event Facility Reserve (Q319) will have the capacity to facilitate the ongoing service exchange. Specifically, it assumes the Metro Centre will continue to generate an annual surplus to cover the \$150,000 contribution, and that this annual operating grant will not jeopardize HRM's future ability to fund major facility projects.

It is staff's opinion that this approach is most advantageous in that it places the onus on TCL to ensure the Metro Centre is operated in an efficient and effective manner, and that it TCL is generating a surplus, and providing an enhanced level of accountability and financial reporting on the Metro Centre operations. This in turn will provide HRM the necessary assurances to support the major event hosting program, without impacting long-term strategic facility development objectives. This approach also allows HRM to maximize its investment and the provincial and federal contributions.

At present, the Major Event Facility Reserve (Q319) has a capacity of \$946,012. Upon Council's approval of Option One, a service agreement will be developed between HRM and TCL to facilitate the exchange of funds. The agreement will provide conditions respecting the annual transfer of the grant (date, frequency etc.) and the condition that if the Metro Centre does not maintain a surplus, the operating grant will be reduced accordingly.

Budget Availability Q319 Major Events Facility Reserve

Projected available balance March 31, 2010	\$ 955,356
Projected 10/11 Contributions	0
Projected 10/11 Interest	22,339
Approved 10/11 Withdrawals	(31,683)
Projected Available Balance March 31, 2011	\$ 946,012

Budget Availability Q315, Marketing Levy Special Events (MLSER)

Projected available balance March 31, 2010	\$ 65,027
Projected 10/11 Contributions	1,425,000
Projected 10/11 Interest	1,941
Approved 10/11 Withdrawals	<u>(1,307,500)</u>
Projected Available Balance March 31, 2011	\$ 184,267*

* The Projected Revenue for the 2011/12 would be the marketing levy contributions, so by 2011/12 the \$200,000 would be available and the normal allocation of \$200,000 for sporting events in 11/12 would be re-directed as the annual operating transfer to TCL.

Funding has been confirmed by Financial Services staff, and would be reviewed annually within the annual Reserve Budget process.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

Community engagement was not deemed to be necessary in this process because of the reports focus on operational procedures.

ALTERNATIVES

Alternative 1:

Regional Council may elect to support option two and amend the Business Case for the Marketing Levy Special Events Reserve to increase HRM's proportionate share of the hotel tax levy from 40% to 55%. Transfer a total of \$350,000 from Q315 per annum, over a 3 year period to support the new

major event service and granting program to be administered by TCL. This is not staff preferred option.

Option One is preferred because it creates a “performance-award” granting system. Specifically, it is assumed TCL will effectively and efficiently manage the Metro Centre so that an annual surplus is generated to fund the major event hosting program. Option one requires that for TCL to qualify for the annual operating grant, the Metro Centre must generate an surplus adequate for continued growth of the Major Event Facilities Reserve. In the likelihood that the Metro Centre does not achieve a surplus, HRM’s contribution would decrease proportionately. This model will ensure improved accountability and reporting to HRM on the Metro Centre budget

ATTACHMENTS

- Attachment 1 Proposed TCL Major Event Division Governance
Attachment 2 Proposed Annual Budget for Major Event Hosting Services

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Andrew Whittemore, Manager, Community Relations & Cultural Affairs, 490-1585

Report Approved by:


Paul Dunphy, Director of Community Development

Financial Approval by:


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**Attachment One
Proposed TCL Major Event Division Governance**

1. Proposed TCL Major Event Division Governance:

The proposed model envisions Trade Centre Limited leading the new major event hosting initiative for HRM. The proposal states that TCL will have direct accountability to Regional Council with its specific roles, responsibility and performance measures outlined in a binding service contract. TCL proposes to provide bi-annual reports to HRM on its progress.

In terms of service, TCL would act as HRM's primary coordinating agency for all major event hosting activities. TCL would work directly with HRM civic events division, Regional Council, HRM Committees (Special Events Advisory Committee and Special Events Task Force) as well as HRM's tourism and economic development partners such as Destination Halifax and Greater Halifax Partnership.

A primary component of the proposed services is the establishment of a new major hosting advisory committee. The committee would include representatives of agencies and groups that have a vested interest in sport and major event hosting in HRM. The composition would be approved by HRM and would formally report to the Special Events Advisory Committee. An annual business plan would be developed in conjunction with the Committee highlighting the priority hosting events that TCL will pursue on HRM's behalf. The business plan will be submitted to Regional Council for review and approval.

2. Proposed TCL Major Event Division Services:

TCL primary focus of the new Major Event Hosting initiative will be to advance the strategic goals of the new Event Strategy: Strengthened Event Leadership, Enhanced Event Impact and Enhanced Event Offerings. In terms of specific operations, TCL will provide the following services:

Goal 1: Improved Event Leadership:

- ☐ Chair HRM major event panel
- ☐ Administer and support new Major Sport Hosting Panel
- ☐ Conduct annual development session for major event sector in HRM
- ☐ Institute "champions" program for major events and sporting events
- ☐ Develop annual economic event impact program (pre event forecast and post event evaluation)
- ☐ Provide access to hardware and software for primary data research
- ☐ Facilitate inclusion of HRM in Events Nova Scotia inter-governmental group to enable more informed and proactive decisions regarding major events and relative levels of financial support

Goal 2: Enhanced Event Impact

- ☐ Conduct annual development session for major event sector in HRM
- ☐ Develop and manage volunteer registration/management utility that is web based and can be employed by all event organizers in HRM

- ☐ Propose and implement standard evaluation measures and methodology for sport, entertainment and culture events
- ☐ Establish baseline targets in year 1
- ☐ Implement survey program to establish quality standards
- ☐ Support HRM staff on infrastructure development as it relates to major or special event opportunities
- ☐ Facilitate discovery process and evaluation of opportunities for a multi-purpose outdoor venue for consideration of HRM staff

Goal 3: Enhanced Event Offerings

- ☐ Publish economic impact/ROI results on an annual basis
- ☐ Develop and implement media valuation program for all event organizers
- ☐ Serve as liaison between event organizers and ancillary opportunities
- ☐ Develop target list of major international events for future development
- ☐ Conduct preliminary research and feasibility on potential major international events
- ☐ Present list of potential international events to HRM staff quarterly
- ☐ Establish MOU between TCL and HRM for three year term

**Attachment Two
Proposed Annual Budget for Major Event Hosting Services**

EVENTS HRM BUDGET 2010/11 DETAIL

Major Events Offerings (Bids)		Bid research/intelligence and bid development		
Bid Intelligence and Research		Memberships and conferences		10,000
Director TCL Events	90,000+benefits	15 %		15,836
HRM Sr. Manager	60,000 + benefits	80 %		56,580
Bid development manager	Not planned for in 10/11			0
Bid Development	Collateral, travel, etc	1	25,000	25,000
	4-6 per year on average of	2	15,000	30,000
	size of bid	2	5,000	10,000
Stakeholder Relationships	SEAC meetings and annual meeting			9,500
Rent, supplies and admin				12,000
Total				168,916
Strategic and Governance		Strategy development/stakeholder relationship management		
Director TCL Events	90,000+benefits	10 %		10,557
Bid intelligence	Memberships and conferences			1,500
Strategic planning	3 year plan and annual plan			2,500
Funding Submissions				0
Stakeholder Relationships	Advisory counsel	quarterly		4,000
Admin and PD				1,000
Total				19,557
Event Marketing and Communications		Marketing strategy development and major event promotion		
Event marketing and promo manager	65,000+ benefits	15 %		12,593
New media coordinator	45,000+benefits	33 %		17,118
Travel and execution				2,000
Marketing program execution	Ongoing marketing activities			TBD
Total				31,710
Accountability Reporting		El benefits modeling/research and reporting; communication		
Business and research manager	55,000+ benefits	25 %		16,790
Project analyst and admin	40,000+benefits	25 %		30,078
Research program and reporting				19,850
Total				66,718
Direct Overhead				
Rent and supplies				12,000
TCL support	Direct TCL strategy and bid development/governance			12,000
Total				24,000
TOTAL				141,986
Less Direct salaries				56,103
Less TCL allocated				36,000
HRM Project Expenses				218,798
TOTAL HRM Expenses				310,901