

**Audit & Finance Standing Committee
May 16, 2012**

TO: Chair and Members of Audit & Finance Standing Committee

SUBMITTED BY: Chris Bryant
Chris Bryant, A/Managing Director,
Government Relations & External Affairs

DATE: March 16, 2012

SUBJECT: Sponsorship and Naming Administrative Orders

ORIGIN

November 22, 2011 Regional Council Meeting:
MOVED by Councillor Walker, seconded by Councillor Nicoll that Halifax Regional Council direct staff to return to Council in the next fiscal year with a recommendation on an approach to a sponsorship policy in general.
MOTION PUT AND PASSED.

December 6, 2011 Regional Council Meeting:
MOVED by Councillor McCluskey, seconded by Councillor Watts, to request a staff report to develop a policy on accepting funds from alcohol companies for HRM sponsored events and facilities to be completed in time for 2012/13 budget discussions that will ensure an informed and public debate.
MOTION PUT AND PASSED.

RECOMMENDATION

It is recommended that the Audit & Finance Standing Committee approve the attached sponsorship administrative order, to become effective in 120 days' time.

It is recommended that the Audit & Finance Standing Committee approve the attached naming rights administrative order, to become effective in 120 days' time.

BACKGROUND

Sponsorship is a commercial relationship in which a company pays a fee in return for access to the exploitable commercial potential associated with an event or program¹. Naming rights refer specifically to a company purchasing the right to name or rename an Halifax Regional Municipality (HRM) asset (or parts thereof). Both sponsorship and naming rights are major marketing opportunities for companies. They are cost-effective ways to advertise the company and project a positive image in the community. Companies that conduct comprehensive market valuations of the available asset or service are available for governments wishing to seek corporate sponsorship funding, to ensure they receive fair market value for their asset and to be able to demonstrate return on investment for interested potential sponsors.

Corporate sponsorships and naming rights are being considered more frequently by governments as a means of securing additional revenue for their infrastructure and programming needs. Several cities across Canada have offered naming rights to facilities, the majority of which are sport-related. There are advantages and disadvantages for governments in pursuing sponsorship and naming rights agreements:

Advantages: provides a new means of generating revenue; secures predictable funding for government programs, services and infrastructure.

Disadvantages: sensitivities around commercializing public services; potential for perceived preferential treatment of sponsor companies; ensuring appropriateness of the sponsor company in relation to the asset or program.

A number of Canadian municipalities have developed policies to guide their approach to seeking sponsorship and naming rights. In developing the administrative orders attached, HRM staff researched policies from Moncton, Kingston, Ottawa, London, Edmonton, Calgary and Vancouver. These policies aim to balance stewardship and fiduciary responsibility with the creation of an enabling environment for municipalities to pursue revenues deemed necessary for financial viability. They ensure the process is transparent, inclusive and accountable.

HRM currently has an Asset Naming Administrative Order, adopted by Council in 2010, that governs commemorative and general naming procedures, but not sponsorship opportunities. In order to ensure a consistent approach that supports HRM objectives on a go-forward basis, Council directed staff to develop a sponsorship policy.

DISCUSSION

Two administrative orders are being presented for council approval: one regarding sponsorship and one on naming rights. Sponsorship and naming rights are concepts that are related but distinct. In terms of the financial impact, sponsorship focuses more broadly on contributions that result in direct benefits to the community, and covers general assistance with all manner of

¹ Naming Rights Strategic Document: Canada Games Centre. Mitchell & Associates, 2009.

municipal events, programs and services. Naming rights are intended to support and promote investment in specific HRM assets and refer specifically to the right to name a particular asset. Naming rights place a singular focus on financial contributions for a specific facility, whereas sponsorship has a broader effect on events, programs, facilities and HRM service delivery throughout the community. The two concepts entail separate and distinct implementation processes, evaluation, approval and use of funds. Most municipalities that staff researched in the development of HRM's administrative orders had two separate policies for sponsorship and naming rights.

Administrative Order

An administrative order was chosen on the recommendation of HRM Legal Services as the most effective and transparent way to communicate HRM's direction around sponsorship and naming rights internally and to external partners. Administrative orders are Council resolutions setting out policies and direction on municipal issues. As opportunities for sponsorship and naming rights are aimed at external organizations, it is useful to ensure HRM's guidelines and criteria are easily accessible to members of the public or external partners who may wish to review them. Administrative orders for sponsorship and naming rights were considered to be the best way to achieve this. The same approach was taken with the issue of asset naming, when the HRM Asset Naming Administrative Order (Administrative Order 46), was adopted by Council in 2010.

Both the sponsorship and naming rights administrative orders set out similar general principles around:

- Maintaining HRM's independent oversight of municipal program and service delivery, and upholding HRM's role as public steward
- Ensuring preferential treatment for sponsors/naming entities and conflict of interest scenarios do not occur
- Ensuring HRM receives fair market value in any sponsorship and naming agreement

The Administrative Orders apply to all HRM business units. In the case of the naming rights Administrative Order, it applies to all HRM owned facilities, which includes those managed directly by HRM staff; those managed by volunteer boards (example community recreation facilities; and those managed by third parties (example Cole Harbour Place, Canada Games Centre).

Neither Administrative Order impacts the above mentioned Administrative Order Number 46, the HRM Asset Naming Administrative Order. That document provides a standard and official approach to naming all HRM assets and direction for all commemoration requests, but makes a clear exemption for any corporate sponsorship and naming opportunities that HRM may wish to develop.

It should be noted that administrative orders do not provide implementation procedures and templates. These would be a separate piece of work.

Alcohol Sponsorship

In considering the issue of alcohol sponsorship, HRM staff reviewed the sponsorship policies of the other Canadian municipalities researched, namely Moncton, Kingston, Ottawa, London, Edmonton, Calgary and Vancouver, as well as considering HRM's history and practices around accepting sponsorship from alcohol companies. While a ban on tobacco advertising is in place in every city due to federal legislation, policies that specifically prevent sponsorship from alcohol companies are not prevalent. Other municipalities make reference to the sponsoring/naming partner being compatible with city values and the target audience. This allows municipalities the flexibility to judge each case individually.

HRM has a number of instances where it has accepted alcohol sponsorship. In addition to the recently-approved Entry Plaza at the Oval, examples include Natal Day, Canada Day, the Grand Parade Christmas Tree Lighting, and Bedford Days. Assessing sponsorship and naming applications from alcohol companies on a case-by-case basis allows HRM to determine their fit with the asset/event under consideration, appropriateness for program users, and alignment with community values.

Approval and Authorization

Naming rights are likely to have a high public profile, therefore the administrative order proposes that Regional Council approve all naming rights agreements. Sponsorship occurs at all levels of public profile and investment: in Civic Events alone there are between 50 and 80 sponsorships ranging from \$250 to \$30,000, to support all levels of events and programs. HRM staff is proposing the delegation of approval for sponsorship agreements outlined below, which correspond to levels in other municipal policies:

Sponsorship Agreement Value	Authorizing Party
\$0- \$25,000	Divisional Manager
\$25,001 - \$50,000	BU Director
\$50,001 - \$100,000	DCAO/CAO
\$100,001 +	Council

In both cases, the responsible business unit would lead the sponsorship/naming process, including method of solicitation, negotiation, preparation, and administration of sponsorship and naming rights agreements, as well as consultation with Legal Services, Communications and Procurement.

HRM staff is recommending the sponsorship and naming rights administrative orders take effect 120 days after their approval by Council. This will provide adequate time for staff to roll out the operational processes with involved boards, committees and third parties. It is recommended that the administrative orders not apply to existing agreements retroactively. These documents provide evaluation frameworks for sponsorship and naming agreements that HRM may pursue, and implementation and approval processes. They do not apply to situations where HRM may wish to be a sponsor for an event, program or asset. They also do not speak to strategies to

solicit sponsorships. Such strategies would be undertaken by the relevant business unit and developed to best serve the unique circumstances of each opportunity.

BUDGET IMPLICATIONS

N/A. Budget implications would be determined for each individual sponsorship and naming opportunity as it arises.

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

None

ALTERNATIVES

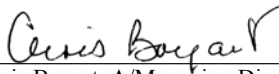
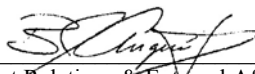
Council could alter aspects of the attached administrative orders.
Council could choose not to approve one or both of the administrative orders.

ATTACHMENTS

- Appendix I: Draft HRM Sponsorship Administrative Order
- Appendix II: Draft HRM Naming Rights Administrative Order

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

Report Prepared by: Anne Totten, Corporate Policy Analyst, 490-5623

Report Approved by:  
Chris Bryant, A/Managing Director, Government Relations & External Affairs, 490-3677
Brad Anguish, Director, Community & Recreation Services, 490-4933

Financial Approval by: 
Greg Keefe, A/Director of Finance and Information Technology/CFO, 490-6308

Legal Review Approved by: 
Marian Tyson, A/Director Legal Services