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Item No. 11.1.3

**Halifax Regional Council
July 7, 2009**

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 

Wayne Anstey, Acting Chief Administrative Officer

DATE: June 22, 2009

SUBJECT: Canada Games Centre Fundraising

ORIGIN

- August 12, 2008, Regional Council approval of Mainland Common Centre project.
- May 4, 2009, Mainland Common Centre named the "Canada Games Centre".

RECOMMENDATION

It is recommended that Regional Council authorize the Halifax 2011 Canada Games Host Society to negotiate, in consultation with HRM staff, a contract for the naming rights of the Canada Games Centre and for the draft contract to be brought back to Regional Council for approval.

BACKGROUND

Campaign Fundraising Readiness

Regional Council approved a funding plan for the Mainland Common Centre on August 12, 2008, which included a \$2M community fundraising component. In January 2009, RBR Development Associates Ltd. (RBR), a professional fundraising firm, undertook a Campaign Readiness Appraisal on behalf of HRM for the facility. The purpose of the Appraisal was to:

- obtain and analyze appropriate data for the development of a capital campaign strategy;
- determine the potential of raising \$2 M in private sector funding; and
- get specific feedback regarding the potential to sell naming rights for the facility.

Naming Rights

The sale of naming rights has become common practice for large municipal facilities. In general, naming rights are not sold in perpetuity. They tend to be sold for a specific period of time such as 10 years. RBR confirmed that the scale and scope of the Canada Games Centre makes it an appropriate candidate for such an arrangement. Potential sponsors interviewed by RBR indicated they were very impressed with the Canada Games Centre and the positive impact it will have on the community. However potential sponsors indicated that the current economic environment creates a significant challenge for securing a naming-rights deal at this time.

While there is a public financial benefit from entering into a naming rights contract, the private sector business partner also has to receive a quantifiable financial benefit from entering into such an arrangement. Business partners therefore generally view naming rights contracts in the context of the role they will play in their marketing strategies. Before agreeing to purchase the naming rights each prospective business sponsor has to conduct a business case analysis to determine if this is an effective use of their marketing budget.

RBR recommended that fundraising in general and sale of the naming rights in particular, needs to be lead by a community group in order to alleviate the ambiguity related to government involvement in fundraising. Prior to beginning a fundraising campaign, critical groundwork needs to be completed in the area of board development for the facility, cultivation of prospective donors and communication about the facility. Plans are underway for the formation of a Community Board this Fall which will oversee management of the new facility and direct the fundraising campaign.

Canada Games Legacy Facility

As part of the Canada Games bid, the Municipality was required to identify one facility which would incorporate the Canada Games in its name as a legacy of hosting the event. This obligation was also included in the subsequent Multi-Party Agreement. On May 4, 2009, the Mainland Common Centre was officially named the “Canada Games Centre”. This does not preclude adding the name of a corporate or private sponsor into the Centre’s name. In addition, other components in the Centre have naming rights opportunities.

DISCUSSION

Canada Games Sponsorship Campaign

HRM's 2011 Canada Games bid included private sector fundraising as a component of the budget. As indicated in previous reports, organization, promotion and delivery of the Games is the responsibility of the community lead Halifax 2011 Canada Games Host Society. The Host Society is also responsible for the private sector fundraising. An \$8.0 M sponsorship campaign is currently underway and slightly more than half this amount (\$4.3M) has already been raised.

While there are a number of factors responsible for the success of the Host Society's fundraising campaign to date, there are two which are relevant to the Municipality's fundraising campaign for the Canada Games Centre.

- Since the community at large, through the Host Society's leadership, is organizing and delivering the Games, potential sponsors do not feel that funding the Games should be the sole responsibility of government; and
- Many people have either participated in the Canada Games or have a family member or friend who has. As a result, there is a tremendous amount of good will evoked by the Canada Games brand.

Joint Sponsorship Opportunity

During the Host Society's fundraising campaign, potential sponsors have asked about the opportunity to purchase naming rights to the Canada Games Centre as part of a larger Canada Games sponsorship package. In this scenario:

- A portion of their sponsorship dollars would be allocated to the operating budget of the Games; and
- A portion dedicated to the capital budget of the Canada Games Centre.

The window of opportunity to explore this type of sponsorship is limited. Potential sponsors have indicated that the greatest marketing value accruing from purchase of the naming rights is in the period leading up to and during the Games. Since public exposure will be at its maximum during this period, potential sponsors feel this is the period during which they will receive the greatest value in return for their investment.

By partnering with the Canada Games Host Society's fundraising efforts, the Municipality has an opportunity to:

- Leverage the Canada Games brand;
- Leverage the Host Society's arms length status from the Municipality; and
- Obtain a naming rights sponsor while the naming rights are at their greatest value to the private sector.

If Council endorses a joint fundraising strategy, the terms of a draft naming rights contract will be brought back to Council for final review and decision. It should be noted that there is no expectation that the entire \$2M community fundraising goal budgeted for the Canada Games Centre will be reached solely through selling the naming rights. Additional community fundraising will still have to be undertaken after the facility's Board is in place.

BUDGET IMPLICATIONS

On August 12, 2008, Council approved a project budget for the Canada Games Centre which included \$2M in community fundraising. Any shortfall in the community fundraising will need to be funded from other sources and will be addressed in a future budget year.

The 2011 Canada Games Host Society is not permitted to budget for a deficit. If the Host Society appears to be falling short of their \$8M fundraising target, the Games operating budget will have to be amended accordingly. At present, their fundraising drive has been very successful. It should be noted however that if the Games do produce a deficit, the Municipality, under the terms of the Games bid requirements and Multi-Party agreement is responsible for the deficit. To date no Canada Games has produced a deficit.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

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

ALTERNATIVES

Council could choose not to approve a partnership with Canada Games Host Society for the corporate naming rights for the Canada Games Centre. This is not the recommended course of action as staff believe the high profile of the Canada Games event will aid in securing a major corporate donation and/or sponsorship for the facility.

ATTACHMENTS

None.

If the report is released to the public, a copy can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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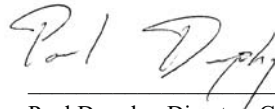
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