

Item No. 3

Halifax Regional Council
May 29, 2012
Committee of the Whole
June 19, 2012

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: Original Signed

for Councillor Russell Walker, Chair, Audit and Finance Standing Committee

DATE: May 16, 2012

SUBJECT: Sponsorship and Naming Administrative Orders

ORIGIN

The March 16, 2012 staff report and May 16, 2012 Audit and Finance Standing Committee meeting.

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Give First Reading to consider approval of proposed Administrative Order 55, Sponsorship, as outlined in the March 16, 2012 staff report with the following amendment: "*Alcohol sponsorships must contain a responsible drinking component*".
2. Give First Reading to consider approval of proposed Administrative Order 56, Naming Rights, as outlined in the March 16, 2012 staff report.

BACKGROUND

As per the March 16, 2012 staff report attached as Attachment 1 to this report.

DISCUSSION

The Audit and Finance Standing Committee discussed the proposed Administrative Order 55, Sponsorship Policy, and proposed Administrative Order 56, Naming Rights Policy, at their May 16, 2012 meeting. Concerns were raised in regard to alcohol sponsorship and whether or not a separate policy was required to address the issue. The Committee agreed to the following amendment to proposed Administrative Order 55, Sponsorship Policy (Page 4 Alcohol Policy): "*Alcohol sponsorships must contain a responsible drinking component*". A motion was then passed to forward the matter on to Regional Council for discussion and consideration.

BUDGET IMPLICATIONS

As per the March 16, 2012 staff report attached as Attachment 1 to this report.

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

The Audit and Finance Standing Committee meetings are open to the public.

ENVIRONMENTAL IMPLICATIONS

None indicated.

ALTERNATIVES

1. Halifax Regional Council may choose not to approve the recommendations as outlined. This is not the recommended option.

ATTACHMENTS

1. The March 16, 2012 staff report on Sponsorship and Naming Administrative Orders

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: [Chris Newson, Legislative Assistant, 490-6732]



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

TO: Chair and Members of Audit & Finance Standing Committee

SUBMITTED BY: Original Signed _____
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

Original Signed

Report Approved by:

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

Original Signed

Financial Approval by:

Greg Keefe, A/Director of Finance and Information Technology/CFO, 490-6308

Original Signed

Legal Review Approved by:

Marian Tyson, A/Director Legal Services

**HALIFAX REGIONAL MUNICIPALITY
ADMINISTRATIVE ORDER NUMBER 55
RESPECTING HRM SPONSORSHIP**

Whereas it is the desire of Halifax Regional Municipality (HRM) to foster private sector sponsorship to assist in the provision of municipal events, programs and services consistent with HRM's vision, mission and values.

BE IT RESOLVED AS AN ADMINISTRATIVE ORDER of the Council of the Halifax Regional Municipality as follows:

Short Title

1. This Administrative Order may be cited as Administrative Order Number 55, the HRM Sponsorship Administrative Order.

Purpose

- 2.1 This administrative order is intended to create a framework for accepting sponsorship. The purpose of the administrative order, as outlined, is to:
 - a) enhance municipal programs, events and services without additional cost to the taxpayer;
 - b) provide employees with corporate guidelines and procedures based on best practices;
 - c) ensure fairness, transparency and accountability of the sponsorship process.

Scope

- 3.1 This administrative order applies to:
 - a) all HRM business units;
 - b) all arrangements entered into between HRM and persons or bodies corporate that involve consideration for sponsorship rights.
- 3.2 This administrative order does not apply to:
 - a) gifts;
 - b) naming of HRM assets;
 - c) funds obtained from the Provincial or Federal government;

- d) third parties operating an HRM asset under a management agreement, facility lease agreement or memorandum of understanding (MOU);
- e) HRM grants or contributions to third parties which may, as a condition of approval, include a requirement that HRM's support be acknowledged; or
- f) HRM sponsorship of third parties' activities.

Definitions

- 4.1 For the purposes of this sponsorship administrative order:
 - a) **Consideration** includes money, value-in-kind or a combination of money and value-in-kind;
 - b) **Gift** means a monetary contribution to HRM for which there is no reciprocal benefit; commercial or otherwise, expected or required from HRM;
 - c) **HRM asset** includes an HRM-owned property, complex, structure, building, or portion thereof;

General Principles

- 5.1 Sponsorship shall be established in a manner that ensures access and fairness, and results in the fair balance of benefits to HRM and the community.
- 5.2 Sponsorship may not compromise HRM's ability to carry out its functions fully and impartially.
- 5.3 Sponsorship rights will be compatible with the nature of the sponsored program, event or asset and compatible with the target audience.
- 5.4 Prospective sponsors shall bear all costs associated with the preparation and submission of any sponsorship proposal, and the Halifax Regional Municipality is not responsible or liable for those costs.
- 5.5 Granting of sponsorship rights will not result in additional costs for HRM, excluding costs incurred during the solicitation and authorization process, or costs incurred to fulfill conditions of sponsorship.
- 5.6 HRM's Corporate Identity Standards shall be adhered to when granting sponsorship rights.
- 5.7 Market value of the sponsorship opportunity shall be considered when granting sponsorship rights.
- 5.8 The granting of sponsorship rights shall not include an express or implied obligation, on the part of HRM, its agencies, associations, boards, working

groups, committees or commissions, to purchase the sponsor's products and services or to endorse either the sponsor itself, or the sponsor's products or services.

- 5.9 Sponsors are prohibited from making statements which suggest the sponsor's products and services are endorsed by the municipality.
- 5.10 Neither the submission of a sponsorship proposal nor the acceptance for consideration of the proposal, shall be construed as a contract.

Authority to Approve Sponsorship

- 6.1 Sponsorships up to and including \$25,000 per annum may be authorized by the Divisional Manager(s) in the responsible business unit(s) or their designate(s).
- 6.2 Sponsorships over \$25,000 up to and including \$50,000 per annum may be authorized by the Director of the responsible business unit(s) or their designate(s).
- 6.3 Sponsorships over \$50,000 up to and including \$100,000 per annum may be authorized by the DCAO or CAO.
- 6.4 Sponsorships over \$100,000 per annum shall be authorized by Regional Council.

Roles & Responsibilities

- 7.1 HRM business units will:
 - a) determine the process by which sponsorship shall be solicited;
 - b) solicit, negotiate, prepare and administer sponsorship arrangements, including contract management;
 - c) consult with HRM Legal Services, Finance, Corporate Communications and Procurement, as appropriate.

Use of Funds

- 8.1 Proceeds received by HRM through the sale of sponsorship rights are to be used for:
 - a) the enhancement or maintenance of the sponsored event, program or service, or combination thereof;
 - b) the delivery of HRM services; or
 - c) such other purposes as agreed upon in the terms of the sponsorship agreement.

Done and passed in Council this XX^{xx} day of XXXX, 2012.

Mayor

Municipal Clerk

I, Cathy Mellett, Municipal Clerk of Halifax Regional Municipality, hereby certify that the above noted Administrative Order was passed at a meeting of Halifax Regional Council held on XXXX XX, 2012.

Cathy Mellett, Municipal Clerk

**HALIFAX REGIONAL MUNICIPALITY
ADMINISTRATIVE ORDER NUMBER 56
RESPECTING HRM SALE OF NAMING RIGHTS**

Whereas it is the desire of Halifax Regional Municipality (HRM) to access private sector money to fund capital reinvestment in, and construction of, HRM assets to meet the municipality's growing infrastructure and programming needs;

BE IT RESOLVED AS AN ADMINISTRATIVE ORDER of the Council of the Halifax Regional Municipality as follows:

Short Title

1. This Administrative Order may be cited as Administrative Order Number 56, the HRM Sale of Naming Rights Administrative Order.

Purpose

- 2.1 This administrative order is intended to:
 - a) encourage continued investment in HRM assets for the benefit of HRM citizens;
 - b) provide a consistent evaluation framework and approval process regarding naming rights for HRM assets; and
 - c) ensure fairness, transparency and accountability of the naming process;

Scope

- 3.1 This administrative order applies to:
 - a) all HRM business units;
 - b) all HRM owned and managed assets; and
 - c) HRM assets operated by third parties;
- 3.2 This administrative order does not apply to the following forms of naming:
 - a) administrative naming and commemorative naming of HRM assets pursuant to Administrative Order Number 46, the HRM Asset Naming Administrative Order, as amended from time to time; and
 - b) event and program naming.

Definitions

- 4.1 For the purposes of this administrative order:
- a) **Administrative name** means an asset name which is based on a locational reference to a community or a street;
 - b) **Commemorative name** means an asset name which commemorates a person or group of persons tradition or tradition bearers an historic event a topographic feature or native flora and fauna;
 - c) **HRM asset** includes an HRM-owned property, complex, structure, building, or portion thereof;
 - d) **Naming entity** means the legal entity to whom naming rights are granted pursuant to a naming rights agreement; and
 - e) **Responsible business unit** means the HRM business unit that is responsible for the care and maintenance of the asset.

General Principles

- 5.1 The granting of naming rights is intended to support and promote investment in HRM owned assets.
- 5.2 Neither HRM, nor a third party operating an HRM asset, may relinquish, through a naming rights agreement, any aspect of its right to manage and control an HRM owned asset.
- 5.3 The granting of naming rights shall not include an express or implied obligation, on the part of HRM, its agencies, associations, boards, working groups, committees or commissions, to purchase the naming entity's products and services or to endorse either the naming entity itself, or the naming entity's products or services.
- 5.4 The granting of naming rights shall not result in additional costs for HRM, excluding costs incurred during the solicitation and authorization process, or costs incurred to fulfill conditions for naming imposed by the naming entity and agreed to pursuant to the naming rights agreement.
- 5.5 Signage and acknowledgement shall comply with HRM's Corporate Identity Standards and applicable federal, provincial and municipal law.
- 5.6 HRM will endeavour, to the extent reasonably practicable, to balance its responsibility to maintain transparent processes and provide full disclosure to the public, with its responsibility to maintain confidentiality regarding third party interests.

- 5.7 Prospective naming entities shall bear all costs associated with the preparation and submission of a naming rights proposal, and the Halifax Regional Municipality will, in no case, be responsible or liable for those costs.
- 5.8 Neither the submission of a naming rights proposal nor the acceptance for consideration of the proposal, shall be construed as a contract.

Assessment Criteria

- 6.1 HRM shall evaluate corporate naming proposals according to the following criteria:
- a) desirability of association;
 - b) timeliness or readiness to make a deal;
 - c) value of the naming rights proposal; and
 - d) term of the agreement.

Naming Rights Proposal

- 7.1 A proposal to name an HRM asset may be brought forward for consideration, either by an HRM business unit, in the case of HRM-managed assets, or a third party, in the case of an HRM asset operated under an agreement.
- 7.2 The proposal to name an HRM asset shall include:
- a) list of naming opportunities;
 - b) market valuation of the proposed naming opportunity;
 - c) proposed naming rights fee;
 - d) proposed term of naming agreement;
 - e) proposed rights and benefits;
 - f) intended use of funds (e.g. capital, endowment, capital reserve plans);
 - g) draft signage and acknowledgement plan; and
 - h) draft naming rights agreement.

Roles & Responsibilities

- 8.1 HRM business units will:
- a) determine the process by which naming agreements shall be solicited;

- b) solicit, negotiate, prepare and administer naming rights agreements, including contract management;
- c) seek third party professional advice regarding market valuation, as appropriate; and
- d) consult with HRM Legal Services, Finance and Corporate Communications, as appropriate.

8.2 Third parties managing an HRM asset under a Management Agreement or Facility Lease Agreement shall:

- a) in consultation with HRM staff, determine the process by which naming agreements shall be solicited;
- b) in consultation with HRM staff, solicit, negotiate, prepare and administer naming rights agreements, including contract management;
- c) secure HRM Legal Services approval, as to form and content, prior to executing any naming rights agreement; and
- d) assume any costs associated with the naming of an HRM asset.

8.3 Regional Council shall:

- a) grant or refuse proposals to name HRM assets, based on this administrative order; and approve and revise this administrative order as necessary.

Use of Funds

9.1 Proceeds received by HRM through the sale of naming rights are to be used for:

- a) the construction, enhancement or maintenance of HRM assets, or combination thereof;
- b) the delivery of HRM services; and
- c) other purposes as approved by Council.

Done and passed in Council this XX^{XX} day of XXXX, 2012.

Mayor

Municipal Clerk

I, Cathy Mellett, Municipal Clerk of Halifax Regional Municipality, hereby certify that the above noted Administrative Order was passed at a meeting of Halifax Regional Council held on XXXX XX, 2012.

Cathy Mellett, Municipal Clerk