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**Subject:** Sponsorship Revenue Projects Update

**Report to:** Corporate Services

**Report date:** Wednesday, January 13, 2021

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## **Recommendations**

1. That staff **BE DIRECTED** to draft a Sponsorship Policy for Council approval; and
2. That this report **BE FORWARDED** to the CAO Working Group for consideration of a coordinated approach to a sponsorship sales strategy and implementation plan for those Niagara municipalities interested in pursuing their asset valuation.

## **Key Facts**

- The purpose of this report is to provide the consultant's final report for the Sponsorship Revenue Project.
- In Q4 of 2019 the Region partnered with the City of St. Catharines to engage a third party to review the Region and City assets in the City of St. Catharines for the purpose of identifying opportunities for sponsorship revenue with the objective of generating additional non-taxation sources of revenue.
- The consultant, Brent Barootes, President and CEO of Partnership Group Sponsorship Specialists, provided a presentation to Committee of the Whole on February 27, 2020 informing Council of the methodology, process and desired outcomes of the engagement.
- The consultant's final report for the Region is attached as appendix 1.
- The City of St. Catharines intends to consider the consultant's final report Q1/Q2 2021.
- In order to realize any of the value identified, an implementation plan for sponsorship revenue is required, as well as a policy to establish the appropriate framework for assets available for sponsorship and terms and conditions of the relationship with sponsors.

## **Financial Considerations**

The consultant evaluated Regional assets in the City of St. Catharines only. The value of all the assets that have been identified is \$7.6M, of which, \$6.3M is in identified tangible and intangible assets and the remaining \$1.4M (18%) is in associated goodwill value.

Of the total \$7.6M, it is the consultant's expert opinion that the Region should be selling about 11-13% of that annually to generate about \$875,000 to \$1.2M annually in revenue inclusive of the Canada Summer Games (CSG) assets. It is advised that this annual total can only be achieved if the Region's methodology is based on the consultants bundling philosophy and on the Tiering format outlined in the consultant report. The reason for the low ratio of sponsorship revenue is that the Region has a high number of naming rights and thus should sell less inventory to avoid the clutter factor.

The sponsorship revenues for the Canada Summer Games assets are essentially committed and budgeted to directly support the capital and operating costs of the Canada Summer Games. Therefore removing these assets from the inventory list results in an estimated annual revenue of up to \$615,000 or 10% of the value and would take approximately 3-4 years to reach target. The CSG assets in isolation have been estimated to realize between 40-44% of their suggested \$1.5M value, therefore generating annual revenues around \$650,000, or up to \$6.5 million for 10-year term.

The total capital budget of the CSG Park is \$103 million relying on an estimated \$5.4 million in sponsorship revenues. The Host Society, the Region, Cities of St. Catharines and Thorold, and Brock University have assembled a fundraising committee to secure sponsorship revenues therefore this valuation will be available to assist that committee. Once adequate sponsorship revenues are secured to complete the funding requirement of the capital construction, remaining funding may be directed to assist with operating costs in particular the capital reserves for future life cycle replacement.

One element not considered in the project is philanthropic giving, typically a philanthropic gift (different from a sponsorship marketing investment both in deliverables and CRA implications) tends to be higher in value with less long-term workload and fulfillment expectations. Based on this, the consultant suggested that for the Henley Centre (with its heritage and also the potential donor alignment) could generate a one-time up-front gift in excess of \$2.5 to \$3.5M over a term of 20 years versus the 10 year \$1.15M opportunity. Likewise, between the overall Canada Games Park and the associated specific properties within the Park, charitable naming could exceed \$10M possibly over a longer-term period.

Additionally the Region does own assets similar to those in the City of St. Catharines in other Niagara Municipalities. Therefore, the value of sponsorship revenue for all Regional assets could exceed the estimates above. The consultant advises that to maximize any sponsorship opportunities in Niagara that all of Niagara's municipalities should work together on a sponsorship strategy with a coordinated implementation approach that may involve a shared delivery model that considers all of the region's assets.

## Analysis

The report in Appendix A explains the consultants methodology, provides the summary of the valuation and the recommended next steps that are summarized as follows:

- Staff project team to engage Regional staff to determine which of the assets in the valuation we should sell and provide Council with feedback on the appropriateness of options identified for each line of business. Some of the opportunities identified are obvious naming and sponsorship of sites, facilities and events however other include use of logos, flyers, coupons on mailings, decals, banners, door wraps, provision of samples etc.
- Project team to research best practice in policies in conjunction with the City of St. Catharines who included development of policies in their engagement with Partnership Group.
- Project team to research viability of partnering with the City of St. Catharines for delivery of the program.
- Present the Region's report to the CAO working group to assess interest of other municipalities.
- Provide the CSG Host Society with valuation of Canada Summer Games assets to begin securing appropriate sponsorship revenue for the site estimated at this time in the project budget at \$6 million.
- Draft a policy for Council consideration, which will include identification of assets to be excluded if any. These policies may be subject to change if more of Niagara is engage in the initiative however, it is important to ensure an approved policy is in place in advance of securing sponsorship for the CSG assets.

With respect to the implementation of a program and sales strategy, for context, The St. Catharines engagement identified that a minimum of one sales person and one support person is required to build capacity in the City. Based on success and desired results the team could grow to 2-3 sales people and 1-3 support staff. The alternative option is to outsource the sale to a third party. The Region will engage in discussions with the City to understand their implementation strategy and to assess if there is an opportunity to collaborate and what a shared model cost/revenue structure might look like.

The consulting engagement includes an additional ten hours to assist with the above steps as required.

## **Alternatives Reviewed**

Council may prefer to not proceed with a full sponsorship revenue strategy at this time and simply focus on the CSG assets however a policy would still be appropriate to ensure terms, conditions etc. are established in advance.

## **Relationship to Council Strategic Priorities**

This project is specifically identified in the Niagara Region 2019-2022 Council Strategy Implementation Plan as a project directly attributable to the objective of Sustainable and Engagement Government. The project objectives are to identify opportunities to increase revenues without increasing taxes and developing necessary policies.

## **Other Pertinent Reports**

- February 27, 2020 Committee of the Whole, Council Sponsorship Education Presentation

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*This report was prepared in consultation with Heather Talbot, Financial and Special Projects Consultant.*

## **Appendices**

Appendix 1	Niagara Inventory Asset Valuation Report
Appendix 2	Asset Inventory