

Subject: Corporate Sponsorship and Advertising Policies

File Number: ACS2024-RCF-GEN-0001

Report to Finance and Corporate Services Committee on 5 March 2024

and Council 3 April 2024

**Submitted on February 20, 2024 by Emily Baxter, Manager, Business and
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Ward: Citywide

Objet : Politiques de la Ville sur les commandites et la publicité

Numéro de dossier : ACS2024-RCF-GEN-0001

Rapport présenté au Comité des finances et des services organisationnels

Rapport soumis le 5 mars 2024

et au Conseil le 3 avril 2024

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION(S)

**That the Finance and Corporate Services Committee recommend that City
Council:**

- 1. Approve the updated Sponsorship Policy and the Advertising Using City Assets and Programs Policy as detailed in Documents 1 and 2; and**
- 2. Delegate authority to the General Manager, Recreation, Cultural and Facility Services:**
 - a. The authority to approve sponsorship naming rights, with ward councillor concurrence, for ancillary spaces and small local amenities; and**
 - b. The authority to approve minor administrative amendments to the policies to improve clarity and usefulness, adapt to changing digital media technology and practices, and evolving industry and government regulations; and**
- 3. Delegate the authority to all General Managers to approve sponsorships or advertising within their respective Departments, and to conclude and execute associated agreements of up to 10 years in term where the value of the sponsorship or advertising does not exceed \$250,000.00 per year, provided that the sponsorship or advertising and the associated agreement complies with the requirements of the City's Sponsorship and Advertising policies; and**
- 4. Approve that Recreation, Cultural and Facility Services Department initiate a new phase of solicitation for billboard advertising on City property in accordance with established procedures and by-laws and be authorized to initiate future solicitations on a periodic basis to increase advertising revenues.**

RECOMMANDATION(S) DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil municipal :

- 1. Approuver la Politique de commandite et la Politique sur la publicité utilisant les actifs et les programmes municipaux mises à jour, comme indiqué dans les documents 1 et 2;**
- 2. Déléguer au directeur général, Loisirs, Culture et Installations :**

- a. **le pouvoir d'approuver les droits d'appellation liés aux commandites, avec l'accord de la conseillère ou du conseiller de quartier, pour les espaces auxiliaires et les petites installations locales; et**
 - b. **le pouvoir d'approuver les modifications administratives mineures des politiques afin d'en améliorer la clarté et l'utilité et de les adapter aux technologies et pratiques changeantes relatives aux médias numériques ainsi qu'à l'évolution des règlements du secteur privé et du gouvernement; et**
3. **Déléguer à toutes les directrices générales et tous les directeurs généraux le pouvoir d'approuver des propositions de commandite ou de publicité dans leur direction générale respective, et d'établir et signer à leur sujet des ententes d'au plus 10 ans et d'une valeur d'au plus 250 000 \$ par année, à condition que ces propositions et les ententes connexes respectent les politiques de la Ville sur les commandites et la publicité; et**
4. **Approuver le lancement par la Direction générale des loisirs, de la culture et des installations (DGLCI) d'une nouvelle phase d'appel d'offres pour l'affichage publicitaire sur les propriétés de la Ville, conformément aux procédures et aux règlements municipaux établis, et autoriser la DGLCI à lancer de futurs appels d'offres de façon périodique afin d'augmenter les recettes générées par la publicité.**

BACKGROUND

On July 13, 2005 ([ASC2005-CRS-CSO-0001](#)), Council approved a Corporate Sponsorship and Advertising Policy, with the objective of generating significant new non-tax revenue for the City through a focused, centralized and coordinated effort. The policy established the principles and conditions under which the City would pursue and enter into sponsorship and advertising agreements and set out the responsibilities and delegated authorities.

The policy is administered by Recreation, Cultural and Facility Services Department and applies to the following sponsorship and advertising agreements:

- Program and special event sponsorships,
- Sale of Naming Rights for City properties, buildings, and structures,

- Pouring rights for the sale of non-alcoholic beverages at City facilities,
- Paid static and digital advertising on City property, at City events, and in City promotional products, and
- Preferred supplier status agreements.

In 2011, the [“Corporate Advertising Opportunities”](#) report outlined an ambitious initiative to develop a comprehensive sponsorship and advertising framework to pursue additional sources of revenue. The report recommended substantial investment to retain consultants and support to development the program, as well as three FTE’s. It was estimated that additional gross revenues of \$3.7 million annually could be generated by 2015, or \$12.7 million over the next five years through a combination of sponsorship and advertising opportunities such as naming rights of community facilities, advertising on interior signage, websites and publications, and sponsorship of programs. Revenue expectations to reflect these estimates were added to the City’s operating budget to effectively reduce the draw on tax supported funding.

In 2017, the Advertising, Sponsorships and Donations Branch was transferred to the responsibility of RCFS, along with one FTE and a budget pressure of \$1.275. In 2018, there was a revenue pressure adjustment of \$100k to move “bus shelter revenue” to Transit Services, and donation management was added to the sponsorship and advertising program.

Since that time, the Partnerships Manager is responsible for a current annual revenue pressure of \$1.175M. Sponsorship and Advertising revenues exceeding \$25,000 are reported to City Council annually. In 2022, \$4,339,987.70 in cash value and \$1,420,620 of value in kind was reported. This report includes sponsorship and advertising revenue achieved by Transit Services, which is outside of the purview of the Advertising, Sponsorships and Donations Branch and does not contribute to the assigned annual revenue target.

City revenue was identified by the Service Review Working Group for review, corporate sponsorship and advertising was specially identified within this category. This report provides revisions to the City’s existing sponsorship and advertising policy that reflect how this sector has evolved and that would increase the City’s ability to increase this activity.

The City of Ottawa’s advertising and sponsorship programs are intended to facilitate revenue generation to offset programming and service delivery costs. An inventory of

eligible City assets such as buildings, parks, internal amenities, and digital properties, are available to businesses looking to promote their brands and improve the lives of residents.

The objectives of the sponsorship and advertising program are to:

- Establish a framework to sustain a coordinated sponsorship and advertising program.
- Maximize the use of City programs and assets to generate revenue which would have otherwise been required through property taxes.
- Lead corporate sponsorship and advertising initiatives by:
 - Maintaining a database to record, track, analyze, and report on activities.
 - Maintaining a comprehensive asset inventory of marketing opportunities.
 - Managing existing stakeholder relationships, contract activations sponsor recognitions, and renewals.
 - Developing communication material to support the corporate program.
- Support departments in pursuit of partnerships by:
 - Developing and training staff on identifying and securing partnerships.
 - Sharing information on successes and lessons learned across departments.
 - Providing advice on valuations of similar sponsorships from one program to another.
 - Agreements and analyses through the sponsorship and advertising program set the foundation for fair market valuation of City assets when paired with advertising opportunities.

The current sponsorship and advertising landscape indicates trends towards an increased regional/local focus, with business communities expanding advertising budgets in a more targeted manner. Industry data from the 2023 Canadian Sponsorship Landscape Study (CSLS) indicates:

- In 2022, an average of 26.67% of budgets are allocated towards marketing communications. This is the second-highest rate since reporting began in 2006.
- In 2019, \$1.99B was spent in naming rights fees, which dropped significantly to \$0.99B in 2020 during the COVID-19 pandemic. Recovery post-pandemic is now in proximity to amounts 10 years prior to the pandemic, with \$1.44B in 2022.
- There is a major shift in investment to brand activation spending. In 2020, the allocated marketing budget for activations was 2.9%, with an increase of 12.6% in 2022. This may include events or onsite opportunities that provide sampling,

lead generation, brand engagement and hybrid creative activations (social media and in-person)

- Highest valued criteria for sponsor decision-making includes aligning with business core values, client interests, internal criteria, and executive input.
- Brands are focusing on “Value in Kind” investments coming out of the pandemic. This includes the exchange of products and services in return for sponsorship and advertising benefits.
- Ownership of community programs and ownership of proprietary areas were ranked as the top two valuable benefits identified by sponsors. Hospitality/tickets were identified as the third most valuable benefits.
- 14.3% expect investment in sponsorships that target women to increase next year.
- 50% expect investment in sponsorships that target diverse populations to increase.

This data aligns with the City’s corporate advertising and sponsorship initiatives in 2023, however, the City policies have not been updated since 2005 and are no longer reflective of the current industry.

Staff foster existing partnerships that continue to generate revenue and are actively working with partners to increase revenue generated initiatives from these activities. While the total revenue generated from these sponsorship agreements is relatively small compared to the City’s operating budget, it represents a consistent source of revenue and can help enhance the resident experience while raising the City’s inclusive and affordable brand profile within the community.

DISCUSSION

The Corporate Sponsorship and Advertising Policy was last revised in 2005 and requires an update to reflect changes in governance, legislation, and current economic and social trends. This includes changes to reflect the current volume, diversity and value of City assets, Council priorities, administrative updates, and an overall modernization of the policy to reflect changes in technology and industry trends.

To maximize sponsorship and advertising opportunities and increase potential revenue, staff recommend separating the current joint policy into two separate policies: a Sponsorship Policy and an Advertising Using City Assets and Programs Policy. This

recommendation is in line with other municipalities with well-developed Sponsorship and Advertising programs, such as Kingston, Toronto, and Burlington.

Separating the Corporate Sponsorship and Advertising Policy into two distinct documents allows for unique provisions to be applied to sponsorship agreements and advertising agreements. This ensures the City can be responsive to changes to the market landscape and enable revisions to policy documents accordingly in an agile fashion. These changes support existing naming right contracts, along with sponsorship, advertising and partnerships for special events and customized programming and initiatives.

Proposed provisions of the Advertising Using City Assets and Programs Policy include:

- Provisions related to using the City's digital and social media. The original policy was not written in consideration of the potential for advertising opportunities on the City's digital assets.
- Inclusion of definitions to reflect current technology such as, clarification of a "digital billboard" vs. "digital screen".
- Provisions that establish the City's intent to accept advocacy advertising on its assets and to provide clarity that an ad is conveying the advertiser's message and not the City's. This is especially relevant for ads conveying advocacy messages to make it clear that accepting an ad placement is not an endorsement of a cause or message. Advocacy advertising is a significant component of the industry and a valuable source of revenues. The policy includes provisions that allow the City to accept these ads without supporting advertiser messaging or validating claims. The City's program does not have the resources, and does not attempt, to validate advertiser claims and relies on industry standards for acceptable messaging. In practical terms, this means that the City cannot validate that a certain cereal or drink is the best tasting as claimed in an ad, or that a certain advocacy claim on social, political, environment, community issues etc. are accurate. The City has adopted the requirement that advocacy advertising must clearly indicate that the message is a paid advertisement and the party purchasing the ad.
- Encouragement to reflect the City's Accessibility and Bilingualism policy as well as Equity and Inclusion policies in advertising content.

The proposed provisions of the Sponsorship Policy include:

- The condition that in a State of Emergency, City staff may enter into procurement agreement(s) or accept donations, within the limits set out in the *Delegation of Authority* By-law, that may otherwise violate the specific terms and conditions of a sponsorship agreement.
- The encouragement, but not requirement, that partnership agreements align with City related to environmental and climate change initiatives (e.g., plastic bottles in City facilities) as well as Public Health's Healthy Eating Guidelines.
- A requirement that parties comply with legislation that ensures that the City of Ottawa's images and official marks are trademark protected.
- Updates to reflect changes to legislation and City policies that partnership agreements are encouraged to adhere to the Accessibility Policy, Bilingualism Policy, Social Media Policy, and the City's Equity and Inclusion Policies.

Provisions added to the policy related to sponsorship naming rights include:

- Permit sponsorship naming of assets while ensuring that it preserves geographical and historical context within the proposed name.
- Clarification that if a City asset has a commemorative name that is also used in other locations then that asset may be eligible to be renamed as part of a sponsorship agreement, with Council approval.
- Allow for commemorative naming opportunities for assets within a sponsored building unless exclusionary rights are negotiated within the agreement.

In order to increase flexibility and remove administrative barriers for the City to engage in sponsorship, naming rights and advertising opportunities, staff recommend that General Managers and the City Manager's delegated authority to approve agreements be increased from existing levels. This would increase the General Manager's authority to approve sponsorships or advertising, and to conclude and execute associated agreements of up to a 10-year term where the value does not exceed \$250k. General Manager authority had previously been a 5-year term and a value of \$100k. The City Manager would subsequently be given the authority to approve and execute agreements in excess of these provisions, specifically if the agreement were to extend beyond 10 years and/or exceed \$3M. Staff are also recommending that the General Manager of RCFS be given the delegated authority to approve sponsorship naming rights, in concurrence with the ward councillor, for ancillary spaces and small local amenities. Delegating authority to approve sponsorship, naming rights and advertising will have several potential benefits as it ensures efficiency in timelines while streamlining the approval process. This allows the City to capitalize on time sensitive

opportunities, respond with adaptability to market changes, and adjust sponsorship and advertising strategies in response to evolving economic and business conditions. The delegation of authority empowers city staff to explore innovative approaches and partnerships, fostering creativity and innovation in revenue generation. Where a sponsorship or advertising opportunity exceeds the City Manager's delegated authority, it would be brought to Council for consideration and approval. Sponsorship naming rights for large municipal facilities would continue to require Council approval. In recent years there has been an increased interest to partner with the City of Ottawa as brands look to incorporate social responsibility or social good into their sponsorship packages by supporting programs and services. Brands are recognizing the value to align themselves with community-oriented initiatives and programs. Given the proposed revisions to the corporate policies, staff will:

- Conduct a full review and revision of the Corporate Partnerships Community Champions program, which was established in 2011. The review will ensure a proactive approach and alignment with evolving expectations, interests and benefits are incorporated for potential corporate partners.
- Develop a rate card of City assets. This rate card will outline the value and applicable costs of city assets available for sponsorship. This is a strategic approach to provide clarity to potential partners on the tangible benefits they can expect in return for their investment. A rate card helps standardize the process and makes it easier for businesses to understand the cost involved.

FINANCIAL IMPLICATIONS

There are no financial implications for approving the recommendations in the report.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report. The Sponsorship Policy and Advertising Using City Assets and Programs Policy continue to provide a framework for staff to engage in sponsorship and advertising opportunities for City programs and facilities, in a manner that respects the City's obligations under the *Canadian Charter of Rights and Freedoms*.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a city-wide report.

CONSULTATION

City of Ottawa stakeholders were invited to participate in several consultation sessions held in 2022 to provide feedback on the current Corporate Sponsorship and Advertising Policy. In addition to targeted stakeholder sessions, the draft documents were provided to all City departments for feedback. Input was received from the following departments: Public Works, Office of the City Clerk, Transit Services, Planning, Real Estate & Economic Development, Financial and Corporate Services and Recreation Cultural and Facility Services.

The following themes were identified and addressed within the newly recommended Sponsorship Policy and Advertising Policy:

- Document scope should be reflective of the current City of Ottawa Corporate structure and practice.
- Provisions should be flexible to enable staff to act on sponsorship and/or advertising opportunities as they may arise.
- Exemption of existing sponsorship and advertising agreements.
- Clarification of criteria for agreements with organizations or individuals that produce, promote or distribute, alcohol in advertising agreements.
- Clarification on exempted parties and properties.
- Encompassing terms that allow for advertising rights in lease agreements.
- Advertising related to Right of Way agreements must not impact the quality and integrity of the City's properties, programs, buildings, streetscapes, or digital spaces.
- Provisions relating to identifying asset ownership (i.e., which City department owns the asset, and seeking any necessary approvals in advance of signing an agreement).

ACCESSIBILITY IMPACTS

The City of Ottawa is committed to ensuring accessibility for persons with disabilities and older adults. All new partnership agreements will be consistent with corporate and departmental accessibility policies, practices and procedures to optimize accessible design and construction to benefit persons with disabilities and improve accessibility for all users. All partnership agreements will adhere to the City of Ottawa Accessibility Design Standards and facility work undertaken will be compliant with the Integrated Accessibility Standards Regulation, 191/11 and the Accessibility for Ontarians with Disabilities Act, 2005.

DELEGATION OF AUTHORITY IMPLICATIONS

The delegated authority of the General Manager of Recreation, Cultural and Facility Services is outlined in the *Delegation of Authority* By-law No. 2023-2, Schedule “E”.

Section 20 outlines the powers related to advertising and sponsorship. Subsection 4 outlines that the General Manager is permitted to “approve sponsorships or advertising, and to conclude and execute associated agreements of up to 5 years in term where the value of the sponsorship or advertising does not exceed \$100,000.00 per year”. It further states the “City Manager individually is delegated the authority to approve sponsorships or advertising and execute associated agreements where the value of the sponsorship or advertising exceeds \$100,000.00”, and “any sponsorship or advertising exceeds five (5) years in duration, the sponsorship or advertising shall be approved by the City Manager”.

Staff are recommending that the delegated authority of all General Managers for sponsorship and advertising agreements be increased from \$100k to \$250k value and maximum terms lengthened to 10-years from five. This change positions departments to better be able to respond quickly to opportunities that may result in a competitive advantage. With a higher threshold the City can pursue larger and potentially more impactful sponsorships and advertising opportunities. This aligns with the strategic objectives aimed at advancing the organizations branding, revenue generation, and operational efficiency.

Staff also recommend that the General Manager of Recreation, Cultural and Facility Services be given the delegated authority to finalize and execute agreements for sponsorship naming rights, with ward Councillor concurrence, for ancillary spaces and small local amenities, and the authority to initiate future solicitations of billboard advertising and amend both policies to reflect small administrative changes.

The provisions of both policy documents are amended to permit City staff initiative within discretionary limits of the *Delegation of Authority* By-law with intent to minimize the negotiation and approval process to establish agreements. The following changes were made:

- Conditions added on the use of delegation of authority to enter into agreements, staff roles, and reporting responsibilities.
- Unsolicited advertising proposals received by the City to be evaluated by the manager of the relevant business unit.

- City Manager's authority would be for contracts up to 10 years with an upset limit of \$3M.
- The documents have been restructured to enable revision when associated by-laws and/or regulations are updated.
- Revision of roles and responsibilities related to approval of billboard advertising on City property.

Any delegated authority changes approved in this report will be reflected in the mid-term governance review of the *Delegation of Authority* By-law.

All uses of delegated authority are reported annually to Council through the RCFS Information Previously Distributed Report (IPD).

RISK MANAGEMENT IMPLICATIONS

The potential risk to the City of Ottawa is to its reputation, as it relates to the perception of City alignment and support for a sponsor for advertising message. Risk mitigation includes careful consideration and selection of sponsors and stipulation that advertisements indicate the source funding and who is paying for ads.

TERM OF COUNCIL PRIORITIES

The recommendations in this report are aligned with the following 2023-2026 Term of Council priorities:

A City with a diverse and prosperous economy.

Key areas of focus include business investment and expansion, talent attraction and retention, entrepreneurship and promoting Ottawa as a place to be and do business. Facing unprecedented change due to federal government activity and other post-Covid factors, the City will take steps to stimulate economic activity in the downtown core and ByWard Market.

The Sponsorship Policy and Advertising Policy will foster agile City processes and supports for marketing and advertising partnerships, which are key factors in business growth. The City will diversify our economy and amplify our region's brand by taking an advanced regional approach with partners.

A City that has affordable housing and is more livable for all.

Investing in services that affect the lives of all residents, including those most in need, is a key priority for the City. Partnerships enhance cultural and recreational programming access for residents by offsetting costs associated with program development and delivery.

SUPPORTING DOCUMENTATION

Document 1 - Sponsorship Policy

Document 2 – Advertising Using City Assets and Programs Policy

DISPOSITION

Following approval at Committee and Council, staff will implement the new Sponsorship Policy and Advertising Using City Assets and Programs Policy.