

Committee of the Whole (2) Report

DATE: Tuesday, June 8, 2021

WARD(S): ALL

TITLE: BILLBOARD REVENUE UPDATE

FROM:

Jim Harnum, City Manager

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To provide an update on the Municipal Partnership Office's (MPO) digital billboard initiative; to gain authority to amend the current Billboard Sign Agreement and Lease to include exemptions and compliance with the City's Sign By-law 140-2018, as amended; and to approve the allocation of secured revenue to contribute to the MPO's payback plan for the innovation reserve.

Report Highlights

- Through a competitive procurement process, a vendor has been secured to install digital advertising billboards with a minimum annual guaranteed revenue of \$405,000 to the City in three (3) Council approved locations.
- Staff require authority to enter into a written agreement, by way of an amendment to RFP20-032, to permit the proposed installation in accordance with Section 23.1 of the City's Sign By-law due to the nature of each individual landscape.
- The Innovation Reserve investment that was used to form the MPO has been exhausted and the payback period is to commence in 2021.
- Revenues generated from digital billboards along with a portion of the sponsorship revenue will pay the reserve back on time, with the required interest, and continue to operate the partnership office which supports corporate-wide grants, revenue opportunities, and corporate-wide sponsorships.

Recommendations

1. That Council authorize use of the Billboard revenue for the purposes of operating the Municipal Partnership Office including the scheduled repayment of the Innovation Reserve with interest;
2. That Council authorize the City to enter into a written agreement in a form satisfactory to the City Solicitor, to permit the proposed installation and related conditions that will apply in accordance with Section 23.1 of the City's Sign By-law 140-2018, as amended:
 - a. Joint Operations Centre, 2800 Rutherford Road.
 - b. North Side of Highway 7, West of Keele Street.
 - c. West Side of Bathurst Street., North of Queen Filomena Avenue;
3. That Council delegate signing authority to the City Manager to execute any amendments related to the Billboard Sign Agreement and Lease, as necessary and in accordance with Section 23.1 of the City's Sign By-law 140-2018, as amended; and
4. That Council receive the changes to the Municipal Partnership Office's operating plan as outlined to generate additional revenue through corporate projects and sponsorships; assisting departments with sponsorships; and corporate wide grant coordination.

Background

The Municipal Partnership Office (MPO) plays a leading role in generating alternative revenue at a corporate level while supporting departments in an advisory capacity to create sustainable revenue streams for their programs.

Now in its fifth year, the MPO has built a successful corporate-wide grant support service, secured more than \$6,000,000 of funding through digital advertising billboards, and supported the development of programs like Grow with Vaughan.

The MPO has invested its budgeted allocation from the innovation reserve and is scheduled to begin paying back the investment with interest this year. With the secured investment from the digital advertising billboards, the MPO has a sustainable source of revenue to continue to generate additional revenue for the City of Vaughan.

MPO Timeline

2013 - a working group was established to implement a strategy for a Municipal Sponsorship Program, and an external consultant was approved by Council to initiate the Municipal Partnership Office.

2016 – the office was established by hiring one FTE at the Managerial level with a \$917,246 investment from the City’s Corporate Innovation Fund to be paid back with interest over the course of eight years (at which time the total repaid to the Innovation Fund will total \$1.01MM by 2026).

2017 – a coordinator was added to the office and the Corporate Partnerships program was developed and approved by Council. First Naming Right, Saputo Tennis Courts was sold.

2018 – corporate restructuring removed coordinator from the office and shift of focus to grant funding and digital advertising which both presented the greatest potential and highest yield for revenue generation.

2019 – Digital Billboard report brought to Council whereby it was decided that any new revenues from this program will be allocated based on the annual business planning and budget process, whereby service and infrastructure priorities shall be recommended by SLT-E and approved by Council. Also hired consultant to review the partnership program and Naming Rights strategy. Near the end of the year, COVID-19 pandemic began, and focus shifted to securing billboard revenue, grant coordination and capacity building rather than active solicitation.

2020 – Issued the Digital Billboard RFP20-032 and launched the Grow with Vaughan sponsorship program.

2021 – secured Digital Billboard revenue at \$405,000/year for 15-year term. Looking ahead towards naming rights of future assets, program partnership development with various departments and grant coordination continues.

Previous Reports/Authority

Nov. 19, 2013, [Marketing Partnerships Strategy & Implementation Plan](#)

Feb. 21, 2017, [Corporate Partnerships Update](#)

May 7, 2018, [Billboard Revenue Potential](#)

Mar. 19, 2019, [Billboard Revenue Potential Update](#)

[Sign By-law 140-2018 \(PDF\)](#) (as amended) and [Sign By-law 079-2019 \(PDF\)](#)

Analysis and Options

The MPO has identified three areas of focus based on its experience, analysis of the emerging landscape, and external consultation.

These service areas are:

- Corporate initiatives like the digital advertising billboards
- Inbound grant coordination
- Department sponsorships

1. Corporate Initiatives

In 2019, an external consultant was hired to re-evaluate the current sponsorship program, identify its strengths and weaknesses and to make recommendations for the future. It was determined that to achieve sponsorship success, the current list of assets needed to be updated to be successful to secure rare opportunities like Naming Rights. Several roadblocks to success were identified. These included: competition in the marketplace, internal readiness and barriers, and available inventory. With those findings, the MPO diversified the office's revenue streams to explore possible revenue alternatives.

Advertising emerged as a high-yield opportunity for revenue generation in the municipal marketplace. Work began on identifying land that the city owned to lease to out-of-home advertising companies to erect and operate digital billboards. After two years of coordination, an RFP was awarded, and lease was signed with a major provider in the amount of \$405,000/year plus commission for a 15-year term. This program not only provides a significant source of revenue for the city (\$6,075,000) but also sets a precedent for the partnership program at the city and the region at large.

The Billboard Revenue Project can generate more the \$6,000,000 and provide public good based on the proposed Digital Billboard Infrastructure in Attachment 1.

Given the unique characteristics of the sites approved by Council in 2019, Section 23.1 of the City's Sign By-law needs to be utilized to operationalize the billboard revenue project. This By-law enables the City to enter into an agreement to exempt the selected Proponent from certain provisions of the By-law. This agreement will stipulate the conditions of the signs and the applicability of the City's Sign By-law.

The resulting written agreement will be reviewed by relevant City staff in Building Standards, Bylaw, and Legal Services.

Corporate Initiative Summary (2017-present)

	Corporate Initiative	# of Companies Pitched	# of Confirmed Transactions	Total Value of Partnership	Term
2017	Saputo Tennis Court	1	1	\$50,000	8 years
2018	Vellore Village CC and City Playhouse Theatre	15	0	n/a	n/a
2019	VMC YMCA	3	0	n/a	n/a
2020	Grow with Vaughan	Various Ongoing	21	\$38,000	1 season
2021 YTD	Digital Billboards	1	1	\$6,075,000	15 years

- Corporate Initiatives include naming right opportunities and other city-wide revenue generation programs. These are long-term initiatives that require policy and development work to deploy.
- In 2021, the MPO will generate revenue from advertising sales of Digital Billboards to be installed on city property. An annual guaranteed payment of \$405,000/year for the next 15 years totaling \$6,075,000 is confirmed.
- One Naming Right has been secured for the Saputo Tennis Courts. This program generated \$50,000 in 2018.
- Vaughan Animal Services consultant review of funding model for new future animal shelter is underway.
- Grow with Vaughan sponsorship program is ongoing with potential for expansion across various departments.

2. Inbound Grant Coordination

The initial years of the program the grant specialist role at the city was removed and the MPO identified a gap in grant support across the organization. There was a need for centralizing inbound grants across all departments and identification, coordination and consultation became a central role of the services of the MPO.

In the first year that the MPO coordinated corporate grants, the corporation increased the number of grants applied for from 15 applications to 39. In addition, the value of those

applications increased by **826%**. In 2019 alone, the MPO supported 33 applications, of which 18 were successful, with the City receiving \$16,006,270 in capital and operational grant funding (\$4,799,944 in cash flow through the applicant department in that fiscal year). The largest increase was in the number of smaller operational grants that departments had no prior knowledge of until MPO's involvement. Seeing this success, it made strategic sense for the Corporation to have the MPO focus on grants. As we entered the COVID-19 pandemic, the need for targeted grant coordination and support was evident.

Need aside, any revenue brought into the City from both capital and operational grants does not contribute to paying back the innovation reserve for which the office is maintained as it goes directly to the applicant departments. This presents a conflict between how the innovation reserve was originally budgeted and where to focus efforts to achieve our goal of generating more revenue for the city.

Inbound Grant Activity (2017 – present)

	# of Applications Submitted	# of Applications Awarded	Value of Operational Grants Awarded *	Value of Capital Grants Awarded *
2017	15	11	\$404,704	\$21,764,377
2018	39	18	\$312,952	\$600,399
2019	33	18	\$846,144	\$16,000,000
2020	30	21	\$643,134	\$507,170
2021 YTD	8	7	\$630,769	\$10,039,028

*Reflects total awarded amount each year not reflective of actual cash flow as grants are often received over several years

- MPO manages a database of over 250 grant opportunities and centrally tracks incoming and outgoing applications.
- Role is in identification and communicating opportunities, coordinating the departments interested, assisting with application submission and tracking outcomes.
- Operating grants were looked at strategically for the first time organizationally. Where historically the City had generated between \$300k-\$400K in this area, by increasing the MPO efforts in operating grant applications, so did the outcome.
- MPO prequalified vendor pool of grant writers to address a gap in resources identified by client departments.

3. Department Sponsorships and Revenue Advisory Services

Another important function of the MPO office that is not accurately reflected in the original budget build is the consulting work that the MPO conducts on a regular basis to help the City's departments generate sponsorship revenue. Once revenue is secured, a large percentage (approximately 80%) of it is kept by the departments, leaving only 20% to support the MPO including the potential repayment of the innovation reserve account.

The current fiscal arrangement whereby the MPO supports revenue generation for other departments does not allow the Office's financials to accurately reflect the impact that the MPO has on the corporation. Further, it does not allow for the innovation reserve to be repaid in the manner outlined in the initial business case. As we enter the fifth year of the program, we've reached a critical point in the office's evolution. With guidance internally from various departments along with external consultants verifying the trends in the marketplace and reinforcing our strengths, we've identified a feasible fiscal model that pays back the reserve by 2026.

Department Sponsorships (2017- present)

	# of Qualified Prospects we've met with	#of Confirmed Sponsorships	Total Value of Sponsorships Received
2017	74	6	\$31,500
2018	62	5	\$25,000
2019	52	16	\$38,200
2020	25	14	\$54,500
2021 YTD	10	3	\$6,000

- MPO works with various other departments such as Policy Planning and Environmental Sustainability, Parks Forestry and Horticulture Operations, Recreation Services, Animal Services, and Economic and Cultural Development in developing sponsorship programs, asset valuation, solicitation, and service delivery.
- Program and Event partnerships have been the most successful in the \$2,500-\$20,000 range for various initiatives such as RecAssist, Vaughan Business Expo, Community Gardens, International Women's Day, Art Exhibitions, Activate!Vaughan, and Culture Days.

Financial Impact

The initial investment for the MPO was funded from the City's innovation reserve. This reserve is intended to provide seed funding for innovative value propositions, which require upfront investments. Eligible projects require a business case including payback and recovery metrics. This is to ensure that there is accessible funding for future innovative projects.

In its original business case, MPO required an upfront investment of \$917,246 which would be paid back with interest for a total of \$1,008,971, commencing in 2021 and ending 2026. However, with challenges in generating revenue through naming rights and shifting focus to grant coordination across the city as well as departmental sponsorships, the revenues that were to payback the reserve have trended significantly lower than the initial business case.

The success of the MPO to award an RFP for digital billboards has guaranteed the city annual revenue of \$405,000/year plus commission for a 15-year term. The forecasted, pro-rated revenue in 2021 is estimated at approximately \$151,000 assuming an August 2021 installation date; should the installation be delayed, revenues will be prorated based on the actual date of installation. The digital billboard contract award provides the MPO with an opportunity to utilize this revenue to pay back the innovation reserve, so that funding is available for future projects. Based on the financial forecast below in Table 1, it is recommended that the MPO retain 100% of the base guaranteed billboard revenues for the first 5 years of the program (2021-2025) to fund the department and commence pay back of its obligation. In 2026, 60% of the annual guaranteed billboard revenue is required to fund the MPO office and fully payback the innovation reserve. The remaining 40% is available for other city initiatives to be brought forward through the annual budget process. Utilizing the digital billboard revenue to not only payback the reserve but also fund the MPO alleviates, on average, approximately \$195,000/yr. of tax pressure and aligns with the original business case of repaying the reserve by 2026 as per Table 2.

Table 1 – Municipal Partnership Office Revenue and Expenditures (2016-2027)

Municipal Partnership Office Revenue and Expenditure (2016-2027)												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Actual / Forecast	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Revenue												
Transfer from Innovation Reserve	176,774	211,460	183,901	175,663	138,944	-	-	-	-	-	-	-
Partnerships/Naming Rights	5,000	78,000	25,000	30,200	51,000	66,500	76,500	91,500	191,500	221,500	221,500	226,500
Transfer Sponsorship to Department/Capital	-	(68,500)	(19,000)	(17,000)	(33,260)	(54,500)	(62,500)	(74,500)	(174,500)	(204,500)	(204,500)	(204,500)
Advertising (incl. Digital Billboards)	-	-	-	-	-	151,875	405,000	405,000	405,000	405,000	405,000	405,000
Total Revenue	5,000	9,500	6,000	13,200	17,740	163,875	419,000	422,000	422,000	422,000	422,000	427,000
Expenditures												
Labour	127,543	204,805	178,765	115,818	154,244	160,046	170,251	177,854	179,401	182,541	185,735	188,985
Other Expenses												
Professional Fees	35,616	-	-	70,215	-	-	-	-	-	-	-	-
Other Administrative Costs	13,981	16,155	10,975	6,002	5,386	7,700	12,200	12,200	14,700	14,700	14,700	14,700
Transfer to Innovation Reserve	-	-	-	-	-	-	236,549	231,946	227,899	224,759	57,314	-
Total Other Expenses	49,597	16,155	10,975	76,217	5,386	7,700	248,749	244,146	242,599	239,459	72,014	14,700
Total Expenditure	177,139	220,960	189,834	192,195	160,387	167,746	419,000	422,000	422,000	422,000	257,749	203,685
Favourable/(Unfavourable) Variance	4,635	-	67	(3,332)	(3,704)	(3,871)	-	-	-	-	164,251	223,315
Surplus available for other City Initiatives											164,251	223,315

*Financial Forecast excludes digital billboard commissions as amounts are not guaranteed and variable.

Table 2 – Innovation Reserve Payback Schedule

Innovation Reserve Payback	2021	2022	2023	2024	2025	2026
Beginning Balance	30,504	30,504	267,053	498,999	726,898	951,657
(Withdraw)/Deposit to Reserve	-	236,549	231,946	227,899	224,759	57,314
Ending balance	30,504	267,053	498,999	726,898	951,657	1,008,971

In 2027 and beyond, a minimum of 50% of the guaranteed digital billboard revenue plus 100% of commissions will be allocated based on the annual business planning and budget process, whereby service and infrastructure priorities shall be recommended by SLT-E and approved by Council. During the period of 2022-2026, if billboard revenues exceed the \$405,000/yr. because of commissions earned, this additional revenue will be utilized to accelerate the payback of the innovation reserve. Accelerating payments to the reserve has the potential to free up additional funding for other City initiatives prior to 2026.

Broader Regional Impacts/Considerations

N/A

Conclusion

In summary, the efforts of the MPO in revenue generation is benefiting the organization. With the secured advertising investment, the reforecast presents an accurate picture of the revenue generated due to the MPO's efforts in sponsorship, advertising and grants in a more accurate manner, and sets realistic targets into the future assuming one FTE is focused on the identified outcomes.

With approval to allocate the digital billboard revenue to pay back the innovation reserve until 2026 and refocused approach to sponsorship and grants, we are confident in the future of the MPO and the important role it plays within the organization.

For more information please contact Raphael Costa (Raphael.costa@vaughan.ca) or Cristina Prinzo (Cristina.prinzo@vaughan.ca).

Attachment

1. Proposed Digital Billboard Infrastructure

Prepared by

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Approved by



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