Minutes – Executive Policy Committee – January 19, 2005

REPORTS

Minute No. 108 **Delegation of Authority to Solicit Advertising to Intermediaries**
File GC-11

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Committee on Fiscal Issues.

(See Minute 136 - Item 1 of the Report of the Standing Policy Committee on Protection and Community Services dated January 10, 2005)

DECISION MAKING HISTORY:

Moved by Councillor Thomas,
That the recommendation of the Standing Committee on Fiscal Issues be concurred in.

Carried

STANDING COMMITTEE RECOMMENDATION:

On January 11, 2005, the Standing Committee on Fiscal Issues concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee.

On January 10, 2005, the Standing Policy Committee on Protection and Community Services concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

1. That the Chief Administrative Officer be delegated the authority to solicit advertising to intermediaries (i.e., marketing agencies, community organizations, etc.) at City pools; City owned and operated arenas; on equipment in civic arena and pool facilities; and in publications produced by the Community Services Department, including but not limited to the Leisure Guide.

2. That the Chief Administrative Officer be delegated the authority to set advertising fees and execute agreements.

3. That the solicitation of advertising to intermediaries at City pools; City owned and operated arenas; on equipment in civic arena and pool facilities; and in publications produced by the Community Services Department, including but not limited to the Leisure Guide, be declared exempt from the Materials Management Policy.

4. That the City Solicitor/Manager of Legal Services be instructed to prepare the necessary by-law amendments.

5. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing.

ADMINISTRATIVE REPORT

RE: Delegation of Authority to Solicit Advertising to Intermediaries

FOR SUBMISSION TO: Standing Policy Committee on Protection and Community Services
Standing Committee on Fiscal Issues

ORIGINAL REPORT SIGNED BY: Ursula Stelman, Director
Community Services Department

REPORT DATE: November 30, 2004

RECOMMENDATION(S):

- That the authority to solicit advertising to intermediaries (i.e., marketing agencies, community organizations, etc.) at City pools; City owned and operated arenas; on equipment in civic arena and pool facilities; and in publications produced by the Community Services Department, including but not limited to the Leisure Guide, be delegated to the Chief Administrative Officer.

    - That the authority to set advertising fees and execute agreements for such advertising also be delegated to the Chief Administrative Officer.

- That the solicitation of advertising to intermediaries at City pools; City owned and operated arenas; on equipment in civic arena and pool facilities; and in publications produced by the Community Services Department, including but not limited to the Leisure Guide, be declared exempt from the *Materials Management Policy.*

- That the City Solicitor be instructed to prepare the necessary By-Law amendments.

- That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing.

REPORT SUMMARY:

Key Issues:

- Recently, several intermediaries (i.e., marketing agencies and community organizations) have approached the Community Services Department requesting advertising space in the Leisure Guide, civic pools, and arenas. These intermediaries are requesting various quantities of advertising space and proposing to sell this space to their clients.

- The Director of the Community Services Department currently has the delegated authority to solicit advertising (at City pools; City owned and operated arenas; on equipment in civic arena and pool facilities; and in publications produced by the Community Services Department, including but not limited to the Leisure Guide) **directly** to clients. This delegated authority does not include the authority to solicit advertising space to intermediaries who solicit to their clients (**indirect advertising sales distribution channel model)**.

- Based on current demand and departmental sales capacity, past experiences, the unique needs and wants of intermediaries, and market analyses, the Community Services Department has determined that the implementation of a hybrid sales distribution model (i.e., direct and indirect advertising sales distribution channels) for the solicitation of departmental advertising would be the most efficient and effective from a cost benefit perspective.

    - The indirect sales distribution model would involve Community Services Department selling advertising space to **many** intermediaries. (This initiative is not intended to be a single source bid solicitation.)
    - Current departmental human resource advertising sales capacity is at 100%
    - There is considerable 'room' for growth in the arena and pool advertising programs.
    - The needs and wants of potential intermediary clients differ significantly; as a result, issuing several request for proposals would be inefficient.

- In order to ensure fairness and consistency in terms of the quantity of advertising space sold and the fees charged to intermediaries, Community Services Department would implement the following:

    - a promotional awareness campaign using the Internet, direct mail, personal sales, and a local newspaper;
    - a maximum quantity of advertising space sold to each intermediary during the first year of implementation (If excess advertising space capacity exists after one year , intermediaries would then be able to purchase additional advertising space beyond the initial maximum quantity.);
    - a standardized fee schedule that considers an intermediary sales discount and other discounts such as volume, term, etc.

Implications of the Recommendation(s):

General implications:

- **None**

x **For the organization overall &/or for other departments**
x For the community and/or organizations external to the City
 Involves a multi-year contract
Comment(s):

- Legal Services will prepare standardized advertising contracts and will 'certify each contract as to form' when an agreement has been reached between the Community Services Department and an intermediary.

- Intermediaries such as marketing agencies, private firms, community organizations**,** etc. will be able to gain revenues from these advertising initiatives.

Policy implications:
 No
x **Yes Comment(s):**
An Amendment to *By-Law No. 7100/97* is required.
An Amendment to *By-Law No. 7367/99* is required.
An exemption from the *Materials Management Policy* is required.

Environmental implications:
x **No**
 Yes Comment(s):

Human Resources implications:
x **No**
 Yes Comment(s):

Financial implications:
x **Within approved current and/or capital budget**
 Current and/or capital budget adjustment required
Comment(s): Selling to intermediaries will help sustain budget targets

REASON FOR THE REPORT:

City of Winnipeg Council has the authority to waive requirements of the Materials Management Policy and to delegate the authority to solicit advertising to intermediaries, set advertising fees and execute agreements for such advertising to intermediaries, to the Chief Administrative Officer."

HISTORY:

On June 20, 2001, City of Winnipeg Council delegated to the Chief Administrative Officer the authority to set advertising fees; to approve advertising at City pools, at City owned and operated arenas, on the City's mobile skate park, on equipment in civic arena and pool facilities, and in publications produced by the Community Services Department,

including but not limited to the Leisure Guide; and to execute agreements for such advertising.

On June 28, 2001, the CAO delegated this authority to the Director of Community Services Department.

Legal Services has recently advised the Community Services Department that this delegated authority does not include the authority to solicit advertising to intermediaries in terms of an indirect advertising sales distribution channel model.

DISCUSSION:

Background

The City of Winnipeg Community Services Department currently solicits advertising space in the City of Winnipeg Leisure Guide and at civic arenas and civic aquatic facilities. These advertising sales have grown from $56,100 in 1999 to $156,890 in 2003. Advertising sales are projected to be greater than $230,000 in 2004.

Recently, several marketing agencies and community organizations have approached the Community Services Department requesting advertising space in the Leisure Guide and at civic pools and arenas. These intermediaries are requesting various quantities of advertising space and are proposing to sell this space to their clients (indirect sales distribution model). In this distribution model, the intermediaries would add value to the distribution chain through their sales forces and contacts. In order to compensate for this added value, the City would sell its advertising space to intermediaries at an industry standard 'intermediary commission' discount rate.

Analysis of Issues

Benefits

The benefits of selling advertisement space to many intermediaries include the following:

- increased sales capacity
- increased revenue generation in order to meet or possibly exceed budget targets
- positive perception from the business community

Delegation of Authority to Set Advertising Fees, to Approve Advertising, and to Execute Agreements for Advertising

Legal Services has indicated that the City of Winnipeg Council currently has authority over this type of advertising and any associated fee schedules pursuant to its powers to operate and manage services, buildings, structures, parks, and facilities. Section 88(2) of *The City of Winnipeg Charter* provides that subject to subsection 53(1) (restriction of

delegation - which section does not affect this matter) Council may delegate any of its administrative powers, duties or functions to an employee.
Due to the potential number of advertising contracts, delegation of authority to the Chief Administrative Officer to set advertising fees and to approve and sign advertising contracts is recommended.

By-law No. 7100/97, as amended, is the Organizational By-law for the City. Section 3(1)(c) provides that Council is the final authority on "the fixing of prices, rates, fees and charges for all civic services and facilities, except as specifically delegated under this By-law" and Section 26(16) provides "the Chief Administrative Officer shall exercise such other powers and carry out such other duties as are prescribed by *The City of Winnipeg Charter* or delegated by by-law or resolution by Council."

An amendment to By-law No. 7100/97 would be required to permit and authorize the delegation of authority to the Chief Administrative Officer to set the fees for the advertising contemplated by this report. The delegation of authority to the Chief Administrative Officer to approve the advertising itself may be by resolution.

By-law No. 7367/99 is the "By-law to delegate the execution of certain documents, instruments and agreements and to amend the Cemetery By-law No. 1996/78". That By-law authorizes the Chief Administrative Officer, or designate in writing, to execute certain agreements and documents, but does not authorize the Chief Administrative Officer to sign the type of advertising contracts contemplated by this report, and accordingly would need to be amended.

Implications on the *Materials Management Policy*

Materials Management Division has recommended that the solicitation of advertising to intermediaries be declared exempt from the *Materials Management Policy*. Furthermore, in order to solicit advertising at selected City facilities, on equipment, and in publications, Materials Management has indicated that Council has the authority to waive the requirements of the *Materials Management Policy*.

Unique Needs and Wants of Intermediaries

Community Services Department has received several requests and proposals for advertising products from intermediaries. Listed below are some examples:

- The back cover of three editions of the Leisure Guide
- The back cover of the Fall Leisure Guide
- Inside advertising space of the Leisure Guide
- The inside front cover of the Leisure Guide
- Advertising banner space at Pan Am Pool
- Rink boards at Century Arena
- One rink board at each of 6 civic arenas.

- One rink board at each of 15 civic arenas.

The above requests demonstrate that each intermediary has its own unique need. Furthermore, these requests are received continuously and not at one time as market needs and wants change. As a result, issuing many request for proposals over different time periods would be inefficient; that is, significant administration would be required for many small initiatives.

Advertising Space Capacity

Current advertising space capacity sold in 2004 includes the following:

Leisure Guide	88% sold
Civic Arenas (initiated September 2003)	17% sold
Civic Pools	20% sold

The above analysis demonstrates that there is considerable 'room' for growth in the civic arena and pool advertising programs. There is also significant market demand in the arena advertising program. Developing public-private partnerships with intermediaries would help to increase sales in order to meet or improve upon existing budget projections for 2005 and 2006.

Current Departmental Human Resource Sales Capacity

Community Services Department currently allocates 1.50 full time equivalent human resources to advertising sales. Leisure Guides sales have grown significantly over the past four years and the arena advertising program is in the high growth stage of its product life cycle. Sales in the pool advertising program are growing modestly. However, current departmental human resource advertising sales capacity is at100%.

A hybrid distribution model that includes both direct departmental advertising sales and an indirect sales distribution model via intermediaries would enhance sales.

- The indirect sales distribution model would involve Community Services Department selling advertising space to **many** intermediaries who would sell this space to their clients. (This initiative is not intended to be a single source bid solicitation. Past experience has demonstrated that **single** sourcing the arena advertising initiative to one intermediary was not feasible.)

Quantity of Advertising Space Sold to Each Intermediary

In order to ensure that many intermediaries have access to the Community Services Department's advertising opportunities, the Department would initially limit the amount of advertising space sold to any one intermediary. The maximum percentage of

advertising space available to an intermediary for each advertising program would be as follows:

- Arena Advertising Program - 5% of total advertising space with a maximum of 10% of advertising space in one arena
- Leisure Guide Advertising Program – 7.5% (2 pages) of total advertising space in one edition of the Leisure Guide
- Pool Advertising Program – 5% of total advertising space

(The above maximum percentages were determined by total advertising space and current demand per advertising program.)

If after one year of the implementation of this initiative excess advertising capacity exists, intermediaries would then be given access to additional advertising space beyond the above proposed advertising space maximum percentages.

Pricing

When establishing fees for advertising products, costs, demand, and comparative pricing models are used. Since intermediaries would add value to this distribution chain through their sales forces and contacts, the City would offer advertising space to intermediaries at an industry standard discounted rate. Additional discounts based on volume, term, etc. would also be available. All discounts would be applied consistently to each intermediary.

Promotion

Since 1999 personal sales has been the main promotional tool in order to create advertising sales. However, over the past two years the following media have also been used more extensively:

- Winnipeg Free Press ad
- Leisure Guide ads
- Internet (The City's home page has been used periodically and **www.winnipeg.ca/advertsing** is ongoing.)
- brochures
- advertise here signs
- direct mail-outs (mail, fax, and e-mail)
- Chamber of Commerce Trade Show
- advertising display at Pan Am Pool

Although these ongoing promotions have been recognized by several intermediaries, a targeted promotional campaign will be implemented in order to ensure that intermediaries in the Winnipeg market are aware of Community Services Department's advertising initiatives. (Intermediaries in other geographic market segments would also be reached.)

This ‘pulsed’ campaign would initially include the following:

- an ad in the Winnipeg Free Press
- ‘Advertising Opportunities’ on the front page of the City’s web site
- direct mail-out
- personal sales

Contracts

The Community Services Department would prepare in conjunction with Legal Services a standardized contract with the necessary terms and conditions required for intermediaries intending to participate in the pool facility, arena facility, and equipment advertising initiatives.

Aesthetics and Standards

All advertisers would be required to submit a sample of proposed advertisements for approval by the Chief Administrative Officer, or her delegate. In order to preserve the aesthetic and historical integrity of civic facilities, advertising will be required to be in accordance with City of Winnipeg corporate values and standards, The Canadian Code of Advertising Standards, the Gender Portrayal Guidelines, the Manitoba Liquor Control Act, and the Government of Canada Tobacco Act. Furthermore, advertising capacity has been determined in a manner that prevents advertising clutter.

FINANCIAL IMPACT STATEMENT: Please See Attached

Financial Impact Statement Date: November 30, 2004

COMMENTS: As selling to intermediaries will help sustain budget targets there are no financial implications associated with this report

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Clive Wightman
Manager of Finance and Administrative Services

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCY BY:

- Legal Services
- Corporate Finance, Materials Management Division

THIS REPORT SUBMITTED BY:

Community Services Department
Prepared by: Peter de Graaf and Kathy Knudsen
File No.