



CITY COUNCIL AGENDA REPORT

MEETING DATE: November 1, 2004

ITEM NUMBER:

SUBJECT: SKATEPARK SPONSORSHIP PROGRAM

DATE: OCTOBER 14, 2004

FROM: ADMINISTRATIVE SERVICES DEPARTMENT/RECREATION DIVISION

PRESENTATION BY: MARK TAYLOR, MANAGEMENT ANALYST

FOR FURTHER INFORMATION CONTACT: MARK TAYLOR 714-754-5636

RECOMMENDATION:

The City Council is requested to:

1. Accept the Feasibility Study prepared by the Public Enterprise Group,
2. Authorize staff to proceed with all three recommended programs and all included elements,
3. Direct staff to modify ordinances, permits, fees that may require updating to implement the Sponsorship Program,
4. Authorize the expenditure of up to \$39,500 for PEG to design and implement Phases 2 and 3.

BACKGROUND:

At the August 2, 2004 meeting, City Council awarded a contract to the Public Enterprise Group (PEG) to conduct a feasibility study to determine the potential for a skatepark sponsorship program (along with a corporate partnership/sponsorship program). At the October 11, 2004 Study Session, staff provided Council the draft copy of the report and provided a brief explanation of each element that is considered marketable and feasible for implementation. PEG has now completed the study and presents the final Feasibility Study for discussion (Attachment 1).

ANALYSIS:

With the goal of the partnership/sponsorship program to develop an ongoing revenue stream to support the maintenance and operations of the skatepark so that the skatepark does not negatively impact the City's general fund, and taking into account the opportunities and constraints noted in the Study Session report (Attachment 2), PEG has developed three programs (Asset Management Program, Rental Program, and Naming Rights Package) containing various individual elements that are considered feasible for implementation:

Asset Management Elements:

1. Banner advertising on six light poles
2. Bleacher signage
3. Entry monument sign
4. Information kiosks
5. Redemption/recycling kiosks
6. Shade shelter signage
7. Radio Station Licensing fee
8. Vending machines/concessions
9. Trash receptacle advertising
10. Webcast Licensing

Rental Program Elements:

11. Commercial rentals
12. Film permitting
13. Picnic shelter rentals

Naming Rights Benefits Package: This package was not introduced at the October 11, Study Session as PEG was refining the elements and it was not ready for discussion at that time. This sponsor package involves combining several “rights” (as opposed to licenses, or physical assets) to allow a company/sponsor to attach their name to the skate park, in return for fees. The various rights will be discussed in Attachment 3, but include the right to place the sponsor name on the entryway monument signs, place a link on the City web page, and space in the Recreation Review.

Attachment 3 lists the three Programs (Asset Management, Naming Rights, and Rental Program), the individual elements, a brief explanation, and the consultant’s estimate of the minimum amount that could be derived on an annual basis from the sponsor for each element.

In addition to these three programs, there are several other revenue generating options, such as direct donations and donor walls/brick programs. Experience indicates that there should always be options for philanthropic donations, but because this type of revenue is anticipated to be sporadic and minor, PEG suggests that this not be the major emphasis of the revenue-generating program. Programs such as a “donor wall” or “sponsor bricks” also have the potential to raise some revenue, although generally, they are not long-term solutions, and require City resources to coordinate, install and maintain.

Based on their research and experience, PEG believes long-term contracts that provide fixed revenue streams are the most viable option that will enable the City to budget for the skate park operations. From the sponsor’s perspective, their marketing program produces the best results when used to create a positive and lasting image the public will remember. In some cases, this may not even involve large-scale use of the sponsor’s name or logo at the facility. It is not in the best interest of the sponsor to over-commercialize any facility because the negative impact in the community could create an adverse reaction to the product/service.

PEG feels that there are several ways to market these programs to potential sponsors that maximize the City revenue and fulfill the long-term needs of the sponsor. First, the programs could be marketed to a single sponsor who would receive all elements (all 3 programs noted above) for use (or re-sale) in return for a long-term contract. This type of marketing works best where there is significant exposure, such as when a skate park is located on a major arterial or part of a larger entertainment venue. Because of the skate parks semi-secluded location, PEG believes that the city simply cannot offer enough exposure to a single sponsor to command a significant annual payment.

Second, the City could market each program element individually to potential sponsors. This approach would require separate negotiations with many different sponsors and result in significant staff time being assigned to writing, negotiating, monitoring and maintaining many separate contracts. PEG does not believe this approach would raise more revenue than other approaches, and in fact, may result in a smaller revenue stream since many sponsors may prefer to package elements together for maximum impact.

The final approach, and recommended by PEG, is to package several of the skatepark's assets in order to offer potential partners/sponsors various exposure opportunities. Sponsors may be willing to pay more for a select set of elements that fit their culture and marketing plan, and will reduce the workload for staff because there will be fewer contracts to administer.

In August, Council authorized the now-completed Feasibility Study (Phase 1). Council approval is requested regarding Phase 2 (Approval Process) and Phase 3 (Implementation).

The Approval Phase involves PEG's preparation of the Asset Management Plan, which defines each element, various benefit packages to be offered, the exposure to the target market, number of visual impressions, and other marketing data that is important to the sponsor. Although named the "Approval" process, this activity is really the preparation of marketing and sales material to show the benefits and advantages of the elements to the potential sponsors. PEG's fee for Phase 2 is proposed at \$19,000.

Phase 3 - Implementation, is PEG's actual negotiation with sponsors, preparation of concession agreements and other contracts to put the plan in place and have various Council/Commission meetings to present and discuss the negotiations and agreements. PEG's fee for Phase 3 is proposed at \$20,500

ALTERNATIVES CONSIDERED:

The implementation alternatives are:

Alternative 1: Receive the feasibility report and take no further action on the Skate Park Sponsorship Program.

Alternative 2: Approve only selected programs (Asset Management, Naming Rights, and Rental Program), and/or individual elements. Depending on the individual program or element eliminated, the revenue for the city may be reduced.

In order to implement the actual sponsorship program, Council has the following alternatives relative to design and implementation of Phases 2 and 3.

Alternative 1: Receive the feasibility report and take no further action on the Skate Park Sponsorship Program.

Alternative 2: Authorize staff to work on Phases 2 and 3 with minimal involvement of PEG. Staff would be responsible for the plan design and negotiating with sponsors, and writing concession agreements. PEG was selected because of their knowledge and proven record with municipal marketing. Staff would request expenditure authority of up to \$10,000 to meet with PEG for background discussion and direction for moving forward with revenue development. While this would result in a short-term savings of consultant fees, staff does not have the technical expertise to approach sponsors nor does staff have the industry contacts to know which sponsors to approach. Although PEG has estimated the City could expect up to \$65,000 in sponsorship revenue, staff believes that the final total would be lower under this alternative since the City does not have the industry contacts or reputation in this type of venture.

Alternative 3: Direct PEG and staff to combine efforts. There may be opportunities for staff to assist PEG in the implementation of the program, such as attending meetings in PEG's place, which may impact the fees charged by PEG. However, the proposal from PEG is for them to perform all tasks outlined in the scope of work. Any change to the proposed fees would be by negotiation and mutual consent of both parties.

FISCAL REVIEW:

The total proposed cost for all three phases of this project is \$50,500, which is included in Recreation's adopted budget for FY 2004-2005. This funding is appropriated under Program 40244, Special Recreation Programs. On August 2, 2004, Council authorized the expenditure of \$11,000 for the preparation of the Feasibility Study. The remaining balance of \$39,500 will be applied towards Phase 2 and 3 of the project.

LEGAL REVIEW:

There is no legal review of this item necessary at this time.

CONCLUSION:

The Public Enterprise Group Feasibility Study indicates the skate park has sufficient marketability to approach potential sponsors in an effort to secure a long-term revenue stream to assist in offsetting the operational costs of the skate park. City Council direction is being requested regarding the implementation of the plan and the elements to be included.

Signatures on Following Page

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DISTRIBUTION: City Manager
Assistant City Manager
Corporate Sponsorship Program Committee

ATTACHMENTS: 1 [Feasibility Study: Costa Mesa Skate Park Sponsorship Plan](#)
2 [October 11, 2004 Study Session Report](#)
3 [Discussion of Elements and Potential Revenue](#)