



CITY OF RICHMOND

REPORT TO COUNCIL

TO: Richmond City Council
FROM: Bill McNulty
Chairman – City Sponsorship Committee

DATE: March 6, 2000

FILE: 1216-01

RE: Cold Beverage Sponsorship

STAFF RECOMMENDATION

That Council not pursue the concept of a cold beverage exclusivity contract for the supply of cold beverages at all City facilities and that staff so advise Coca Cola Bottling and Spectrum Marketing of this decision.

Bill McNulty

Bill McNulty
Chairman,
City Sponsorship Committee

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CONCURRENCE OF GENERAL MANAGER
[Signature]

STAFF REPORT

ORIGIN

At the January 24th meeting of the General Purposes Committee, staff recommended that the City enter into a 10 year exclusivity contract for the supply of cold beverages at all city owned facilities. Upon reviewing the terms of the proposal, Committee questioned the financial viability and future opportunities associated with the proposal. The terms that had now been provided were significantly different from the original beliefs for financial gain. As such the Committee was not prepared to consider entering into the agreement until such time as the new terms had been reviewed with all the Community Associations. This report is the follow up to staff meetings relative to the proposed contract review.

ANALYSIS

Staff have now had the opportunity to review the final terms associated with the contract proposed by Coca Cola. Staff met with the Council of Community Associations and explained the changes in the proposal in relation to the original concept that all the associations had bought into. Staff requested each association to review the new proposals with their respective boards and then advise the City if they were still interested in pursuing the partnership concept.

The Associations have all responded and the general consensus is that there is now no appetite to pursue the cold beverage sponsorship opportunities. The Associations do not believe that the guaranteeing of an exclusivity contract will generate a source of funds that they could not realize on their own. As well some of the other concerns expressed with the contract approval weigh as heavily in the decision process.

The Sponsorship Committee met on February 28th to review the feedback from the Community Associations and it was unanimous that we should not pursue the exclusivity concept. A table detailing the responses from the Community Association is attached.

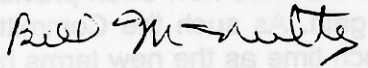
FINANCIAL IMPACT

When staff first initiated the exclusivity concept for a cold beverage sponsor, there was the opportunity for a rights fee from the supplier. As well, a commission system offered a higher revenue source based on an aggressive sales and marketing system. The City had hoped to realize just in excess of \$3.0 million of new revenue from the rights fee. Subsequent to the initial work on this project, the market for cold beverages has undergone some significant changes. These changes have in fact eliminated the rights fee and the revenue stream is now solely based on commissions.

This now really would in fact only realize the City approximately \$300,000 in rights revenue and \$250,000 in new commission revenue. This revenue amount is an accumulation over a 10 year period.

CONCLUSION

That the financial return to the City and the Community Associations from offering an exclusivity contract for the supply of cold beverages is not substantial enough to pursue the concept.



Bill McNulty
Chairperson,
City Sponsorship Committee

BM:naw

Attach. 1

STAFF REPORT

ORIGIN

ANALYSIS

FINANCIAL IMPACT

COLD BEVERAGE SPONSORSHIP

APPROVAL STATUS

ASSOCIATION	NO	YES
South Arm	✓	
West Richmond	✓	
City Centre		✓
Hamilton	✓	
Nature Park		✓
Cambie	✓	
Thompson	✓	
Sea Island		✓
Steveston	✓	