QQQQ 960530 PBRP
(FOR BOARD ACTION REFER TO
MINUTES DATED JUNE 10, 1996)

May 30, 1996

SUBJECT: CORPORATE SPONSORSHIP - COLD BEVERAGE AWARD

RECOMMENDATION:

1) THAT the Board award a 10 year contract to Coca Cola Bottling Ltd. for the exclusive supply of soft drink syrup and other specified cold beverages.

2) THAT Coca Cola Bottling Company pay the Board an annual payment of $217,000, which includes compensation for existing revenues of approximately $80,000, resulting in a "real" sponsorship value of $137,000 per year.

3) THAT Coca Cola Bottling Company pay the Board a commission of 30% of all gross vending revenues over 9,000 cases of canned drinks per year.

4) THAT no legal rights shall be created by the passage of these resolutions and none shall arise hereafter except by the signing of the contemplated document.

POLICY

The Board's strategic plan "Vision for the Future" states that Corporate Sponsorship and advertising will be sought consistent with other Board aims, objectives and policies.

BACKGROUND

On January 10, 1994 the Board approved the invitation of proposals from qualified corporate fundraising companies to serve as agents to acquire agreements.

On April 18, 1994 the Board awarded a three year contract to Spectrum Marketing Corporation that commenced on July 1, 1994.

After a lengthy public process involving the Community Centre Presidents, the VanDusen Botanical Gardens Association President and special information meetings, the Board approved Corporate Sponsorship guidelines on June 19, 1995 (Appendix I).

On September 11, 1995 the Board approved a one year extension to the contract with Spectrum Marketing Corporation to June 30, 1998.

DISCUSSION

Proposals have been received from Coca Cola and Gray Beverage and evaluated by staff and our corporate sponsorship agent, Spectrum

Marketing Corporation.

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The recommendation of Coca Cola as our exclusive supplier of cold beverages for a ten year contract is based on the following criteria:

1. Annual Guaranteed Payment

    The annual guaranteed payment of $217,000 by Coca Cola over the life of the contract was the best proposal.

    After deducting present vending commissions that will be replaced by Coca Cola commissions ($80,000) and Spectrum's fee (17«% of $137,000), the net return to the Board is $113,025 per year, or $1,130,250 over ten years.

2. Additional Vending Commissions

    Coca Cola have offered the Board 30% of all vending revenues over 9,000 cases (24 cans/case). The present approximate vending business in community associations and other Board locations is 9,800 cases.

    Vending revenues from the community associations were in some cases difficult to obtain. From the information gathered commissions varied from 5% to 25%. In a few instances community associations buy their own drinks and fill the machines themselves. Their net revenue, as a result, was nearer to 50% of the gross revenue.

    Coca Cola have also agreed to add 44 new machines to the present total of 38 machines for a total of 82. This is considerably more than the number of machines proposed by Gray Beverage.

    It is recommended that if an agreement with Coca Cola is approved, the associations receive a flat rate of 30% from all cold beverage revenue generated through vending machines on their properties.

    In previous discussions with the community associations the Board guaranteed that the associations would receive at least the present revenue generated in a full fiscal year plus 10%.

    Since new machines will be installed at all locations it is forecast, however, that gross revenues will increase significantly at all community centres.

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In discussions with Coca Cola they identified opportunities for growth and indicated sales could double from the present volume.

The result would be projected sales of about 19,000 cases of vended product with a commission to the Board of $72,550. As already stated, any increase in community centre vending sales will result in commissions being passed on to the associations and this could represent 50% of these sales. The other 50% would be in new locations and subject to the approval of the General Manager.

3. Product Cost and Price Protection

Product Cost Differentials

After receiving the proposals from both Coca Cola and Gray Beverage, Spectrum requested clarification over the pricing of various products. The final proposal identified product costs that were either similar or slightly higher than our "pre-sponsorship" tender awards.

During the term of the contract Coca Cola have stated that prices will be fixed for one year with C.P.I. adjustments or 3% whichever is greater, applicable thereafter.

4. Coca Cola Products

The following is a product listing of cold beverage drinks that would be provided by Coca Cola:

Coca Cola Classic
Diet coke (regular/caffeine free)
Sprite
Canada Dry Ginger Ale
A & W Root Beer (regular/diet)
C Plus Orange
Fresca
Minute Maid Orange/Apple/Pink Grapefruit/Apple Grape
Five Alive
Fruitopia (9 flavours)
Powerade Lemon Lime/Fruit Punch/Berry Blast
Volvic Spring Water
+ one local brand
Nestea Lemon/Diet Lemon/Raspberry/Peach

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Coca Cola would also allow one brand (all products/flavours) of an alternate beverage (i.e. Koala)

As can be seen above, there is a wide variety of non-carbonated products. Gray Beverage proposed a similar selection.

5. Signage

It should be noted that the Coca Cola proposal does not include any free standing signage of any kind. The only exterior signage proposed will be part of the Board's concession renovation program and would consist of a modest logo on the exterior of the concessions (Appendix II). In addition signage would be permitted on ice rink boards during the term of the contract which would be at Coca Cola's cost and require the agreement of the local community association. Possible locations have been identified as Killarney, Riley Park, Sunset, Trout Lake and the West End.

JUSTIFICATION

Coca Cola's proposal to the Board offers the greatest financial return. All conditions in the Board's corporate sponsorship guidelines will be achieved and it is expected that concession and vending revenues will increase as a result of this relationship.

Attach.(2)

Prepared by:

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