

February 19, 1998

SUBJECT: CORPORATE SPONSORSHIP - CRITERIA FOR THE USE OF FUNDS

**RECOMMENDATION**

***THAT the Board approve the use of Corporate Sponsorship Funds by applying the following criteria:***

- A. To fund one-time expenditures to a limit of \$50,000 that will support revenue-generating activities and the money repaid into the Corporate Sponsorship account from the increased revenues within a period of three years.***
- B. To fund initiatives with one-time expenditures to a limit of \$50,000 that will result in improved efficiencies.***
- C. To fund one-time expenditures over and above the existing funding level in the operating budget which are beneficial to the overall Parks and Recreation system.***
- D. All expenditures require Board approval.***

BACKGROUND

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

Spectrum Marketing Corporation were awarded a three year contract on April 18, 1994 that was extended by one year in 1995. The contract expires on June 30, 1998.

The Board approved Corporate Sponsorship guidelines on June 19, 1995.

DISCUSSION

In 1995 the City retained Paul Audley and Associates and C.J.Becker and Associates to explore the policy implications of sponsorship.

Audley and Becker reviewed literature on corporate sponsorship, conducted interviews with knowledgeable people on the sponsorship issue, looked at the experience in other municipalities, solicited general public comment, and commissioned an Angus Reid survey.

### **Dependence on Sponsorship Revenue**

One policy issue addressed by the consultants was dependence on sponsorship revenue. It found that sponsorship can vary with the business cycle and with the marketing objective of particular firms. Therefore, it cannot be considered to be a stable source of revenue upon which the City should depend to fund regular programs. The same conclusion would apply to the Board.

There is also a fear that the ability to generate sponsorship revenue could bias the Board's budgeting process towards particular programs, which would then become vulnerable if a sponsorship agreement expired and was not renewed. In order to avoid any program or service becoming dependent on sponsorship for operating revenue, the consultants recommended that the City should limit acceptance of sponsorship to capital projects and to special projects and events.

### **The Board's Current Situation**

To date the Board has approved the award of three corporate sponsorship agreements, to Coca Cola (10 years), Kodak (5 years) and Blenz coffee (5 years).

Total net sponsorship revenues for 1997 and estimated revenues for 1998 total **\$271,828**. As of this date the Board has allocated \$22,000 in 1997 for a Youth Services Practice Leader and \$60,000 in 1998 for marketing the Stanley Park Shuttle.

On February 16, 1998 the Board approved the borrowing of \$19,000 from the sponsorship account for the expanded light display at the Stanley Park Miniature Train and Farmyard. It is anticipated that this money will be repaid in full after the 1998 event. At present unallocated monies in this account total **\$157,495**.

### **Recommended Criteria for spending Sponsorship Monies**

In order to give both the Board and staff some guidelines as to how these corporate sponsorship monies are spent it is recommended that the following criteria be approved as policy for future expenditures:

- A. To fund one-time expenditures to a limit of \$50,000 that will support revenue-generating activities and the money repaid into the Corporate Sponsorship account from the increased revenues within a period of three years.**

**Rationale:** There are often projects that will generate increased revenues for the Board but require an initial infusion of funds. If the payback period is short (three years or less) then the monies could be borrowed from the Corporate Sponsorship account and repaid as soon as possible.

**Examples:** The recent need to request funds for improvements to the Stanley Park Xmas Train and Farmyard is a good example. This amount should be repaid in the first year. Other examples would be new projects in the Income Operation Division or enhancements to existing operations.

**B. *To fund initiatives with one-time expenditures to a limit of \$50,000 that will result in improved efficiencies.***

**Rationale:** There are various initiatives that could be undertaken by the Board that are not revenue-generating but will result in a cost-saving due to improved efficiencies. These initiatives could require an expenditure in order to realise long-term benefits and should be considered as part of this process.

**Examples:** New technology or machinery that will improve and enhance employee performance.

**C. *To fund one-time expenditures that are beneficial to the overall Parks and Recreation system over and above the existing funding level in the operating budget.***

**Rationale:** This will give the Board the freedom to implement any one-time program or purchase that was not budgeted in advance.

**Examples:** The funding of a youth services practice leader in 1997 would fit this category. Another example would be the marketing monies approved to promote the first year of the Stanley Park Shuttle.

The recommended limit of \$50,000 in 'A' and 'B' is the usual amount that differentiates an N.N.R. expenditure with a Capital account expenditure. Therefore a ceiling of \$50,000 is recommended for these two criteria.

JUSTIFICATION

Corporate Sponsorship monies should be used for specific one-time projects and the recommended criteria will enable the Board to make decisions based on an approved policy.

There would be an objective evaluation of all applications and only existing funds could be accessed for projects.

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