

# Agenda Report

**TO:** CITY COUNCIL **DATE:** MARCH 6, 2000  
**THROUGH:** BUSINESS ENTERPRISE COMMITTEE  
**FROM:** CITY MANAGER  
**SUBJECT:** AUTHORIZATION TO NEGOTIATE A CORPORATE  
SPONSORSHIP/MARKETING AGREEMENT

## RECOMMENDATION

It is recommended that the City Council authorize the City Manager to seek out and negotiate a corporate sponsorship/marketing agreement with a suitable corporate sponsor within the parameters outlined herein. The proposed agreement is exempt from Competitive Bidding pursuant to City Charter Section 1002[F], contracts for professional or unique services.

It is further recommended that the City Council exempt this transaction from the requirement of issuing a request for proposals, pursuant to Section 4.09.060 of the Affirmative Action in Contracting Ordinance, contracts for which the City's best interests are served. All other requirements of the Affirmative Action in Contracting Ordinance will remain in effect.

## BACKGROUND

A number of public agencies have entered into corporate sponsorship/marketing agreements with the two large soft drink distributors, Coke and Pepsi. The commonality among the agreements is that they provide the corporate sponsor the exclusive right to place food and drink vending machines on public property in exchange for an annual fee/percentage of revenue. Some of these agreements extend beyond vending machines to include advertising, exclusivity for fountain drinks at certain venues and/or the right to stage promotions. But fundamentally these agreements revolve around vending.

Staff believes that the City of Pasadena could benefit from entering into a similar arrangement with Coke, Pepsi or other suitable entity. Presently, there are a number of vending machines located at various City facilities. Last count put the number at forty-two (42). Some of these machines are located in employee areas and others are placed in areas used by the general public. A few of the machines in the employee areas are operated by the employees themselves with the proceeds used to fund social and other activities. In most cases, neither the

City nor the employees, are receiving a return from vending machines located on City property. Nor are most of these machines properly permitted to operate on City property. Moreover, there are numerous recreation and parks facilities that currently have no vending machines at all.

Given that recreation and parks facilities are prime locations for vending machines coupled with the desire to reinvest in parks and parklands, staff believes that a sponsorship agreement focusing mainly on these facilities could yield substantial benefits.

Staff first presented this concept to the Recreation and Parks Commission in April 1999. The Commission gave conceptual approval and referred the item to its Capital Improvement/Revenue Sub-committee for further consideration. Staff held discussions with the sub-committee, focusing mainly on the placement of vending machines at various recreation and park facilities.

At its September 7<sup>th</sup> meeting the Parks and Recreation Commission formally endorsed the idea of generating additional revenue for recreation and parks programs through corporate sponsorships/marketing agreements. The Commission agreed to support staff's efforts in developing such partnerships and assigned the Capital Improvement/Revenue sub-committee to work with staff in this regard.

There are several ways in which the City could proceed in establishing a corporate sponsorship/marketing arrangement. The City could follow standard purchasing procedures and issue a request for proposals for corporate sponsorship/marketing; hire a representative or broker to seek out such arrangements on behalf of the City, or enter into negotiations directly with Coke, Pepsi and other potential sponsors.

Staff recommends the latter approach. The list of potential corporate sponsors is rather short. To staff's knowledge Coke and Pepsi are the only firms seeking to establish sponsorship/marketing agreements of the nature discussed herein. Given such a limited field, there does not appear to be value in issuing a formal request for proposals. At this time, staff does not believe that employing a third-party is likely to add sufficient value to warrant the cost. The deal points of agreements reached between other public agencies and Coke and Pepsi are known, thus providing benchmarks by which to determine the relative value of any offers to Pasadena. Rather than obtain a proposal, bring it before City Council and request and exemption from the request for proposals process at that time, staff is seeking to obtain Council approval of the exemption prior to moving in this direction.

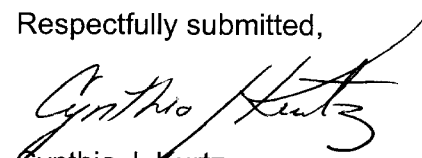
Should the City Council approve this recommendation, staff will seek proposals from potential sponsors. Although no specific discussions have been held, the parameters of a corporate sponsorship arrangement are expected to include:

- Placement of beverage and where appropriate food, vending machines at various City facilities, but not in the public right of way.
- Preservation of existing vending owed by employee associations.
- Revenues from vending placed in employee-only areas segregated for employee appreciation activities.
- Release of liability for the City for damage to vending machines.
- Compliance with all applicable permitting, business license and health requirements.
- City reserving the right to approve any proposed signage on City property.
- City retaining authority over use of its facilities, seal and other official likeness' in advertising.

#### FISCAL IMPACT

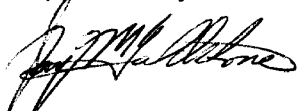
It is anticipated that the establishment of a corporate sponsorship/marketing agreement will yield significant financial benefit to the City.

Respectfully submitted,



Cynthia J. Kurtz  
CITY MANAGER

Approved by:



Jay M. Goldstone  
DIRECTOR OF FINANCE

Prepared by:



Steven B. Mermell  
PURCHASING ADMINISTRATOR