

Sponsorships and Donations as Funding Sources

Transcript of Podcast, September 2014

Good morning welcome to our podcast today. We have some Advance Transit [staff] from Vermont in New Hampshire. We have Van Chestnut, the executive director, and Gary Daniels, the Director of Philanthropy. Advance Transit has a unique, I wouldn't call it advertising, but they call it sponsorship; and it is important to use the distinct term here so they have sponsorships for their vehicles.

And their transit system, and one thing you should know right at the start before we even get into the nitty gritty, is that Advance Transit is fare free and that plays into this a little bit, just in terms of their philosophy and their relationship I think with their riders. So then we have Van Chestnut, the Executive Director, and Gary Daniels, the Director of Philanthropy; so I'm going to ask you guys first, how did you think of getting sponsorships for your transit system, as distinguished from advertising?

Van: I think one of the differences is the focus on is not so much on the answer as it is sort of a shared focus in terms of supporting the transit's service as well as providing exposure to the business. But it is more of a dual purpose for it's advertising as purely for commercial purposes only toward the profit for the most part.

Sheryl: And then would you compare to something that people will be more familiar with perhaps to illustrate that distinction?

Van: I like to compare it to public television and public radio because that's something that everybody is familiar with. We all notice that wording for their messages are always a little bit different and maybe we don't really [know] this why, but IRS goes out things like call to action and comparative statement are things that you don't use.

Another thing is the reason that a lot of nonprofits use sponsorships. Other than advertising is, advertising would be revenue that is not related to the company's primary reason for existing. And whether it will be public television or public radio or public transportation, and, as such, advertising revenue's a subject to unrelated business income tax and that is generally something that affects the bottom line adversely of nonprofits and it should be avoided.

Gary: Couple of additional comments on this. Number one, many of the people who are sponsors are employers in the area and have employees who come to work using Advance Transit and so that is great advantage for them.

Many of them are in retail business here and an extreme profit and parking problem Advance Transit helps relieve that problem and third I think if we did a survey in our area of nonprofit Advance Transit will be right on top of the list with just a couple of others in terms of public perception, so linking their sponsorship with us, I think, raises their credibility within the community because of the community general great sponsors of Advance Transits.

Sheryl: Do you think that you get in some ways a double benefit from having sponsorship as opposed to advertising: (1) It's not as much as self promotion for the businesses and (2) you get that tax advantage?

Van: From the eyes of the sponsors you are saying?

Sheryl: No from the eyes of the transit system.

Van: That is also true from the eye of the sponsor because they get their message out with this great modal medium, but they are also seen as not only promoting their riches, but supporting the community service.

Sheryl: And can you talk a little bit more about Advance Transit and your fare free status and your status also at the private nonprofit and how that everything plays into this as well?

Van: Sure we are in the Upper Valley area of New Hampshire and Vermont, right over junction Vermont. Hannover, New Hampshire area, best known for Hannover being the home of Dartmouth College and it is more often the case and the university town you will have a public transit system or all public transport system being fare free so that does point into it because we have a rather congested down town where the campus is in Hannover and that certainly influences the market and how we approach it.

Land is highly valued, so surface parking is not the most valuable use of that land where space is needed for academic buildings and things like that. So that plays into it and many years ago Dartmouth was among those that wanted to see us go fare free mainly because it makes it more attractive to ride the bus and the idea was to make it a little more attractive for people who had a car available to give that up and not bring it to the down town area.

Fortunately we were able to grow the sponsorship program to the point where we can make our entire system fare free, so no fare collection, no tickets, no passes, and all the costs that go with that, not to mention the higher ridership that results from that and even though we are technically a rural system our total service population is about 40,000; but that is fairly spread out.

We are all free for the most part; we have complimentary paratransit, of course, to go with that; but we have a rather unusual higher ridership given the size of our system. Very high productivity on our routes, and, as a result, we actually, we have had an equality analysis done and it is has been documented that we have a cleaner air in the Upper Valley once you even take into consideration the emission from the telex pipes from the boxes.

We are still making a net contribution to air quality, not to mention impacts on traffic and parking that are all positive. And naturally as a by-product of that people with low income certainly take advantage of the program, and helps them out; so we really see about half of ridership being people choosing to ride could have and the other half being people that really depend on the service and it makes it more affordable for that.

Sheryl: And Gary I know you have been instrumental in the sponsorship campaign to get new sponsors and also have the leverage and the public participate in the donating to the transit system. Can you talk a little bit about that please?

Gary: We were pleased with the response from the sponsorship with the community when we originally set a goal for this for about five or six years ago. We thought about 16, 18 thousand dollars a year in annual income would be a good goal. Our budget for the next year for the funds in the busses, both in the interior and the exterior, and the vast majority is from the exterior side our goal next year is about \$100,000, 99 and change. So we are obviously very pleased with the sponsorship and that's a modest goal we will certainly retain that work about \$80,000 this year.

So that is the part of the sponsorship side. On the general community support, we have been very fortunate. We take in just a little less than three quarters of a million dollars in the past seven years, about 230,000 of that 240,000 was related to a capital campaign that we are very pleased with that. We have some foundation and business support in some fairly large numbers on that, in the 40 and 50 thousand dollar range, and then the balance of it, \$480,000 or so have come from biannual appeal.

That we send out to the community and we have about 1400 donors now and we send a major appeal round in December, and then in the summer we send an appeal out that cultivates our annual news letter. So between the appeal that goes out in the community and the sponsorship program and some degree of foundation support, we are able to raise \$150,000 a year. I would like to get that up \$200,000 in the next few years.

Sheryl: Well that is very impressive and do you have sort of a name for your sponsorship campaign that you think resonates with people?

Gary: No, I mean the sponsorship for Advance Transit, the name that resonates with people in the Advance community we already have and that is Advance Transit. You know there is staring for our buses that are out there; people see them every single day in the roads literally a hundred thousand of people see our buses everyday, and, as I say, the support has been tremendous. So we don't need a name other than that.

One thing that I forgot mention on the philanthropy program is our planned giving program, which we just initiated, and we have been pleased that most recently we received a [sizable] annuity from a loyal donor in the community and a year and half ago we received some stock from a gentleman who wanted to donate that to Advance Transit. And those two donations probably net us \$50,000.

Sheryl: Wow and do you think that widespread obviously enthusiastic support is related to your effort to keep Advance Transit fare free?

Gary: Absolutely, I think it is related to a couple of things: Number one, yes we are fare free, but even if we had a modest fare people recognize you know that in a lowly support of very small percent of our operating cost. The other bit that is so important is the service we provide in the community and we have good routes; we have excellent riding on those routes. The most

important thing we have fantastic drivers who always receive the very best reviews when we do our planned survey of our riders.

Van: I should add in terms of describing Advance Transit, that as a private nonprofit as opposed to say public entity, our transit authority all of our revenue we don't have a dedicated source of revenue, so we do receive a fair amount on the municipal support. Of course we get state federal grants and that's probably half of our operating revenue for our four million dollar a year budget. But the people ask me a lot can philanthropy be a major source of operating funds basically.

And it can't replace other main line sources of support, but it makes a tremendous difference on the margins. You end up with sometimes restricted funds, but for the most unrestricted fund, that you can use to match all kinds of other programs. And for the municipalities themselves, again each year we go to them and ask for money. We get that and we don't have a dedicated source and that kind of operating environment even marginal revenue that this program has created has made a tremendous difference and we do have a small operating reserve.

And I can attribute that entirely to the philanthropy program that we have been able to retain those earnings to create a small operating reserve, which is of course appropriate to any non-profit.

Sheryl: And with that sponsorship, I mean the outside and the inside of your buses, have you received any negative response to those people on the community who are riders?

Van: No, I have not received one negative comment with regards to the signs. The most negative thing we have as regards to our signs is during construction we had to relocate our garage and maintenance facility for the bus and we were not able in the winter to wash the busses. So the signs were covered with the typical New England [winter] sludge; they would get the snow and the rain and sludge.

So I actually did not charge our sponsors for a few months. Now we have a new garage and we have a drive-through bus wash facility and the signs are beautiful and clean year round. And so we have not received any negative, as a matter of fact, because the signs are attractive and I believe the graphic designers competed for their signs to be attractive they have they have not received any negative comments.

Sheryl: That is great. It seems like from what you say that the sponsorship campaign not only do you get a good [response] in sponsoring [from] the community in terms of money, but it would seem to me that this is a way of communicating with people in the community about what you do and what is needed to sustain your services?

Van: I think it's, we are serving six different municipalities within our by service area and I would like to think that busses are a thread, that we do through this area, and if you are familiar with this area I mean each community has its own flavor; but it really is one big community and we [Advance Transit] are one of the common threads. That we use to it, you know, you will shop in this town and work in that town and live in that town and that is entirely normal for our area.

And these are all businesses that have a regional focus and they get great exposure through doing this program and also for the most some of our bigger you might say corporate sponsors especially those that donated to the capital campaign have not necessarily been the ones that have done the sponsorship signs those tends to be companies that want to something.

But they don't have much money available for supporting community philanthropy and it is a more affordable way for them to contribute so it really links: we are just companies that supported that transit. And so when we send out a newsletter now or an appeal letter and we list all the different Upper Valley entities and corporations, business that do support us, it's turning into a rather impressive list.

Sheryl: And can you tell me about what some of those businesses are maybe what a couple of those sponsorship signs looks like?

Gary: Sure, let's start with one of our first ones is Northern State, which operates a theater company right over the junction, an excellent company. There are four signs on the back of four [buses] in sponsors and those signs typically has some of the characters from some of the plays that they are going to be involved in producing during the course of the year. The same with the entrepreneurs all do the same thing.

We have college on the bus; and we usually have the football players something related to the football players on the bus. We have a Norwich animal hospital, which has several signs in the bus and they have some great pictures of golden retrievers and kittens, you but it certainly works well. We have a company that is new to the area and they're in the painting business, so they have got some pictures of house and painting.

We have a bank on the bus and they have signs related to home mortgages commercial mortgages, car loans. And so we have the [inaudible] museum. Right now, they have a display up there now, the largest T-Rex that is on display to the country, the travelling T-Rex. Not by its own motion, but by tail, it's a huge T-Rex, that's probably redundant; but so there is a picture of the T-Rex that is on the bus. So we have a nice variety and they look really good.

Sheryl: And what do you charge for this sponsorship? What is your fee schedule like?

Gary: The fee schedule is fairly common. You know, we have done some research on this and we try to price ourselves in our little bend below the market. The typical signs are \$200 a month for one sign. If you wanted for the space for a year, we give a discount. When somebody leases the space for 24 months, we drop it to 175. But if you, I will give you an example of the best deals if you lease three signs for two years – the \$200 a month goes down to \$141 a month.

So we get a discount for volume and we are discounting for time. The cost of [mounting the sign to] about \$300 to about \$900, depending on the size of the sign because this is pretty related to the number of square feet, inches of the sign. And we work with just one printer because the signs are [made of] Mylar and they need some pretty sophisticated printing equipment.

And we don't want half dozen different printers making signs to go on the buses that as you know, cost three hundred to four hundred thousand dollars. And so we have one sign company that is very well known and they do signs that are found in the Boston Garden and other spots.

And they do an excellent job. The color fidelity is tremendous and we have signs that are on the buses that have been there for three years and they still look really good.

Sheryl: That is really good. It sounds like you worked hard to create something that looks effortless, but isn't, that works very well?

Van: I think that is very good point and a few years ago when we were preparing this program, Gary was preparing it, we took our time to make sure that we had put it together where we addressed all those details. And once we started it, we were ready to go. In other words, we didn't want to kind of make it up as we went along. And we expected a lot of criticism for that, for taking the extra time, from at least one of the municipalities that tends to contribute the most of the six communities that we serve. And so they actually withheld part of their contribution that year pending the start of our program, until we demonstrate that we had at least a couple of sponsorships on the contract. And that wasn't really hard for us because we knew the program was just about ready and we had no doubt that we had lined up the contract when it started. And as Gary mentioned, before we long exceeded the modest [inaudible] that we started with.

Gary: And that is the point. It hasn't been necessarily been easy. One thing we try to do is consider that though it is a sponsorships program, we consider ourselves really in a retail business and we have customers we need to satisfy. I don't want to be in the position of, occasionally you get not-for profit arrogance, now that you are doing us a favor. These folks aren't doing us a favor; this is a product. This is to enhance the image of their businesses and we need to do everything we can to make sure that they get what they are paying for.

Sheryl: That is very good point and I think also a great way to view these business sponsors as a different customer base for you.

Van: You know it is a simple adage, you get what you pay for, often applies. And it was necessary for us in developing this program to invest some money upfront and fortunately we have the area available as somebody who is dedicated to this program and not required to do fifty other things.

So he is available to provide a kind of customer support and service that has really helped to roll the program as well as nurture the relationship with the [inaudible] and the sponsors and make sure that all the communication happens at a timely manner. With those, and I can't emphasize enough how important that is, and I can't begin to imagine how we would serve our customers properly if we were having have to do it in our spare time, which we don't have.

Sheryl: Right well I thank you both, Van and Gary, for joining me today to discuss the details of how you came upon and carry out this sponsorship program.

Van: You are welcome.

Gary: Thanks.

Sheryl: And we are also post the IRS documents that discuss that distinction between sponsorship and advertising as well for anybody who would like to look into this further.

Gary: Thank you for doing that.

Sheryl: And thank you both for taking time to me today and explaining this valuable information to everyone.

Gary: Well I hope it helps and if it does we would love to hear about it.