CITY OF RIVERSIDE

City of Arts & Innovation

Economic Development Committee Memorandum

TO: HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

DATE: AUGUST 20, 2026

FROM: OFFICE OF THE CITY MANAGER

WARDS: ALL

SUBJECT: CONSIDERATION OF A POURING PROPOSAL PREPARED BY PEPSI, INC., TO BECOME THE PRIMARY BEVERAGE DISTRIBUTION AND SALES PARTNER FOR THE CITY OF RIVERSIDE

ISSUE:

Consideration and staff direction for a “pouring rights” proposal prepared by the Pepsi, Inc., to become the City’s primary beverage distribution and sales partner.

RECOMMENDATIONS:

That the Economic Development Committee:

1. Consider a proposal and offer staff direction for a “pouring rights” proposal (Exhibit A) prepared by the Pepsi, Inc., as part of a larger pouring rights marketing initiative for the City; and

2. Recommend negotiation of a pouring rights agreement between Pepsi, Inc., and the City led by the City Manager, or designee, and adhering to the parameters in this report, to be considered by the City Council at a future meeting.

BACKGROUND:

On February 20, 2025, the Economic Development Committee approved the opportunity to explore “pouring rights” for City. “Pouring rights” are contracts that give a beverage company the right to sell, serve, and market their drinks in specific setting(s) such as a park, municipal building, airport, or other municipal facility. In exchange, the company pays the City for sponsorship and other incentives. Vendor partners are generally required to pour the products of the selected firm to the locations specified by the City, appropriately restock and merchandise the product, and maintain applicable equipment. Beverages are services consumed on City property by the public and/or by City employees. The goal of the “pouring rights” process is to increase existing and generate additional revenue streams to the City. This report brings forward a proposal from Pepsi, Inc., to become the City’s primary vending and supplier of beverages for municipal buildings and specified municipal functions.

DISCUSSION:

Generally, the proposal submitted by Pepsi, Inc., to Superlative Group (the City's naming consultant) sets the following general parameters:

- This proposal is a medium-term (5 year) partner for pouring rights in facilities where these on-tap beverages are appropriate, and for vending rights for bottled beverages dispensed via machines.
- Beverages are non-alcoholic but may include soft drinks, energy drinks, sports drinks, bottled water, fruit drinks, and ready to drink tea products, among others. All beverages offered would be readily and legally available in the United States;
- Pepsi, Inc., would enter into a contract with the City for 100% exclusive rights to sell/vend drinks at City facilities not covered under an existing lease or management agreement, and at City sponsored events. The City would retain agreed upon flexibility for exceptions to exclusivity to be outlined during contracting.
- Pepsi, Inc., would offer their complete beverage line to the City, and would work with City staff to define the appropriate products for any given site.
- At no cost to the City, the vendor would install new state of the art vending machines at mutually agreed upon locations and actively service those machines (generally called Full Service Vending or FSV). Vending machines would be inventoried annually and damaged machines replaced by Pepsi. Beverage products would be promptly be restocked.
- The City will cooperate with Pepsi to place advertisement materials and run promotions or giveaways that feature Pepsi's products and stimulate sales. All costs will be at the vendor's expense. Pepsi, Inc., would make available $1000 in promotional products a year under the proposed agreement.
- The location of any machines will be at mutually agreed upon locations and the City reserves the right to request the vendor to adjust service as needs develop.
- Annually, the City and vendor would cooperate to review beverage sales and product availability at all City sites, and make any changes as agreed to ensure the appropriate and beneficial selection of available products.
- This proposed agreement would cover most City facilities where vending and beverage services could practically be located and would include the Riverside Convention Center. Excluded facilities would include the Fox Theater, Box Theater, Riverside Municipal Auditorium (because of an existing management agreement) and Riverside Fire Stations.

Pricing for the Pepsi Co., proposed agreement is as follows:

- $10,000 paid upfront;
- Years 1-4: $10,000 paid for sales for the year indexed to 4,000 cases/gallons and $15,000 annually for 6000+ cases/gallons (no difference for 4000-5999 cases);
- Rebates of $2.00 per 24pk case, $2.00 per 12pk case, and $1.00 per 12pk case for Aquifina water;
- 35% commission on vending. This commission could increase to 40% depending on agreed-upon sales prices for selected products;
- $1,000 marketing fund in the form of umbrellas, banners, tumblers, etc. (at Pepsi's discretion).

Superlative Group has worked with Pepsi, Inc., to negotiate this proposal and believes that it is a fair market value given its short duration and lack of beverage sales data history from the City. Under Superlative's agreement with the City, they will receive a 15% commission on the first-round agreement with Pepsi, Inc.

This report sets the parameters to partner with Pepsi a nationally recognized beverage supplier to enhance current municipal operations and service levels while maximizing the City's revenues. This partnership will create new opportunities to provide benefits for the City and its beverage supply partner. Based on comparable agreements in the Southern California market, it is estimated that the City could benefit from conservatively $25,000-$35,000 annually in pouring rights revenues, both directly in terms of exclusivity payment from the vendor partner, and indirectly from sales tax revenues. Revenues may be higher in the future based on actual sales volumes. All resulting revenues from pouring and vending rights would be unrestricted revenue for the City and could be spent at the direction of the City Council. It is anticipated that this pouring/vending rights initiative would establish a long-term relationship with Pepsi, Inc., that will be mutually beneficial to both parties. Ultimately, the City Council would set parameters for any pouring and vending rights partnership.

FISCAL IMPACT:

The fiscal impact of this report is estimated at $25,000-$35,000 annually to the City, but this amount may vary based on negotiations, decisions made by the City regarding the scale and specific features of a pouring and vending rights program for the City of Riverside, and ultimately product sales under an agreement with Pepsi, Inc.

Prepared by: Jeff McLaughlin, Grants Administrator
Certified as to availability of funds: Julie Nemes, Finance Director
Approved by: Edward Enriquez, Interim City Manager and Chief Financial Officer
Approved as to form: Rebecca McKee-Reimbold, Interim City Attorney

Attachment:
1. A - Proposal
2. Presentation