

Event Budgeting

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Chapter Objectives

After completing the chapter, the reader should be able to do the following:

- Understand the budgeting process and develop event budgets.
- Identify appropriate revenue streams.
- Identify appropriate expense categories.
- Understand how to control costs and manage cash flows.

Industry Profile: Scott Crawford, Kansas Collegiate Athletic Conference

Scott Crawford became commissioner of the Kansas Collegiate Athletic Conference in August of 2007. He is responsible for organizing championship events for 23 different sports in addition to various special events. Since becoming commissioner, he has expanded the conference to 13 full and 7 associate members, implemented a statewide radio network, established a live video streaming network, and hosted multiple National Association of Intercollegiate Athletics (NAIA) national

championships. He was the recipient of the NAIA's Charles Morris Administrator of the Year Award in 2012-2013.

How do you go about developing your budgets?

I always try to come close to even when it comes to revenues versus expenses. We have an expectation of a certain amount of gate receipts from fans and family that come. Over time, I've built up a process where I use five years of comparable data, which gives me a really good idea about what to expect for gate receipts and gives me an idea of what to expect for expenses. Comparable data really is the foundation for any budget plan that I establish for any events that I run.

How do you control costs?

You have to say no a lot. I try to aim very conservatively on revenues and I try to project rather high on the expenses. We then work toward having expenses come in lower than expected and revenues come in higher than expected. That usually accounts for the adjustment in our margins.

What are some things that pop up that most people overlook?

You had better budget for extra equipment in the event the equipment that you currently use fails. I budget to acquire additional equipment over time, such as over a three-year period. If you can account for that in your budgeting, then you shouldn't really have that big of a surprise in a given year.

How do you save money promoting your events?

We spend the bulk of our time promoting events using our social media accounts. We drive people to our conference website. We also work with the visitors bureaus to fund radio, television, or newspaper advertising. We also try to stay in the same community as much as possible and get as much word-of-mouth advertising as possible by having stayed in those communities.

How do you deal with staffing costs?

If you're not able to acquire volunteers, then your budgets will get rather large. So, my advice is to find some things that the volunteers are willing to work for such as a small thank you gift, conference apparel, or souvenirs that only they have access to. Those kinds of things help them to feel good about giving up two, four, six, eight hours of their time in return for very little compensation. I always plan for having as good a hospitality room as possible for my volunteers. Feeding people well seems to be a great way to reward them.

What other advice would you give people who are planning events?

If you think it might happen, you had better plan for it, because if you think it might happen, it very well could.

An early and important step in the event planning process involves developing an event budget. An event budget is an estimate of revenues and expenditures over the life of the event, which helps align financial activities with the organization's overall strategy.

Additional benefits of budgeting include:

- Helps event organizers recognize and maximize revenue streams
- Reduces waste by identifying and scrutinizing expense categories
- Communicates financial limitations to management and employees
- Empowers management to make good decisions with their available funds

A budget provides event organizers with realistic estimates of upcoming revenues and expenses associated with the event. Good budgeting requires managers to project all potential revenues and anticipate relevant expenses, and the budgeting process requires significant information gathering and planning.

Event organizers should create two budgets during the budgeting process: a preliminary budget and a working budget.

- *Preliminary budget.* As the name suggests, preliminary budgets are constructed during the earliest phases of the event planning process. Event organizers spend time gathering information about projected revenues and expenses as they plan for the event. The preliminary budget represents a work in progress; event organizers continue to gather additional information and modify the event budget over time.
- *Working budget.* When organizers believe the numbers presented in the preliminary budget reflect their most informed and accurate estimates, the budget becomes a working budget. The budget numbers in this document should include more specific and expected revenues rather than just estimates. For example, sponsors may have signed contracts detailing that they will receive specified sponsorship benefits and pay a specified amount in return. Participants may have paid registration fees, and spectators may have purchased tickets. Similarly, event organizers may have signed contracts with vendors, agreeing to pay the suppliers a certain amount in exchange for the requested products. This document will help track how actual financial performances compare to detailed estimates. For instance, if incoming revenues are lower than expected, organizers may attempt to identify ways to increase the number of paying participants or spectators. If staffing costs are too high, organizers may look for ways to supplement staff through the use of volunteers.

Event Budgeting Process

The budgeting process is an in-depth and necessary exercise typically involving five basic steps: Align with organization goals, research, estimate revenues, estimate expenses, and project profits and losses.

Align With Organization Goals

Because budgets differ according to what the organization is trying to accomplish, organizers should set performance targets that are consistent with the organization's overall goals. The anticipated size, scope, and purpose of the event will dictate the budget.

Research

A budget is only as good as the information collected. Having good information helps organizers make more informed estimates and projections as they begin constructing a budget. Information gathering typically comes from both internal and external sources.

Sources of internal information

- *Historical information (past events and similar activities)*: Information from prior events can inform you about what to expect as you go forward.
- *Financial statements*: Look at revenues and expenses from previous events; notice where estimates varied from actual charges, and identify potential reasons for those variations.
- *Management and staff feedback*: Often, your own staff can be your best resource. Each department probably has a good idea of what they need in order to accomplish their tasks.

Sources of external information

- *Current and potential vendors*: Contacting vendors regarding goods and services needed for the event can generate initial cost estimates. Event organizers can also use online sources to investigate prices for various goods and services and gather information on credit terms, payment processes, and available discounts in order to make more accurate estimates.
- *Industry trends*: An examination of industry trends may help organizers identify potential opportunities and threats that could directly affect future activities. Opportunities include new customers, products, channels, and price increases, which could have a positive effect on sales. Threats include competitors and accompanying price wars, government regulations, and challenging economic conditions, which could have a negative effect on sales. Have new competitors or events arisen since the last time the organizers hosted the event? Do economic indicators show evidence of spending by spectators and participants on sporting events similar to this one?
- *Professional associations and trade publications*: Professional associations often provide information to members related to operating costs, participation numbers, industry trends, and other topics that can help organizers make more accurate estimates.

- *Competing events*: Examining how competitors are running their events, the services they offer, and the prices they charge can help provide benchmarks for comparison. Learning from other competitors may also help event organizers avoid potential mishaps and account for previously unexpected occurrences.

Estimate Revenues

Revenues represent funds coming into the event or organization through an exchange of money for goods or services. Most events will generate revenues from a variety of sources. The challenge for event organizers is to identify where money will come from and estimate how much will be generated in each category. Historical sales information can provide insights into the latest financial trends and seasonal patterns, will give organizers perspective regarding the types of sales generated from past events, and will help them make estimates about potential sales associated with the newest events.

When budgeting, event organizers have to forecast revenues and make projections about how much the event will generate. As part of these projections, organizers should consider using scenario analysis—estimating a best-case, worst-case, and most likely scenario. These scenarios allow event organizers to see the range of projected sales figures and make decisions based on several potential outcomes.

Estimate Expenses

Expenses represent money flowing out of the event or organization and are the costs associated with generating revenues. Organizers will incur expenses as they attempt to generate revenues. For example, the event may create sales through parking. Organizers will hire or contract employees to manage those parking transactions—collecting parking fees, directing traffic, and helping fans get to the event quickly and safely. Event organizers can calculate expense items by employing the same process used for forecasting revenues, such as reviewing historical data and examining how much was spent on similar events in the past. Have costs increased over time? What costs have other event organizers incurred related to operating or hosting the same or similar events? Do opportunities exist to minimize or reduce costs with the upcoming event? What other information can be gleaned from organizational financial information or external trade journals and economic indicators that may factor into expense projections? The opportunities and threats identified during the sales forecasting process may also provide insights into related expenses. For example, marketing and promotion expenses may increase with an influx of new competitors or waning economic conditions.

Event organizers can use this pool of information to develop an expense-related scenario analysis, projecting best-case, worst-case, and most likely scenarios that now incorporate revenues and expenses. The planning process should focus on getting the most out of every dollar spent, because every expense dollar represents a cost to the event and the organization and reduces the event's profit potential. Yet the adage "it takes money to

make money” remains true. Event organizers must spend money on a variety of expenses, from paying staff and other personnel to preparing the site for the event to promoting and marketing the event. These expenses may reduce the event's overall profit potential. The goal is to make sure that the event generates the biggest bang for its buck, meaning that each dollar spent leads to an accompanying increase in sales and profit generation.

Project Profits and Losses

After estimating revenues and expenses, event organizers should develop an event budget, which includes expected revenue projections and expense projections. A comparison of revenues and expenses will give organizers a snapshot of projected net income or net loss. Net income occurs when revenues exceed expenses, while net loss occurs when revenues do not cover the incurred expenses. Depending on how this budget matches performance targets, organizers may need to identify new revenues, look for ways to cut costs, or adjust their planning. A sample budget template is presented in figure 4.1.

Income category	Estimated income	Actual income
Entry fees (price × number of teams)		
Sponsorships		
Donations		
Silent auction		
Merchandise sales		
Food and beverage sales		
Totals		
Expense category	Estimated expense	Actual expense
Venue rental		
Board rental		
Participant gifts		
Staffing		
Awards		
Website hosting		
Printing		
Cost of goods sold		
Totals		
Revenues		
Expenses		
Net profit (loss)		

Figure 4.1. Sample budget template for a fundraising cornhole tournament

After projecting profits and losses, event organizers should examine industry data where possible, and use this information to determine whether the event estimates are in line with, or similar to, the competition. Did other events incur similar expenses related to this event's marketing and operating expenses? Did other organizers bring in similar sales on the number of athletes and spectators forecast for this event? Event organizers should feel greater comfort with their budgets when the estimates are similar to those of other events. Still, in some cases, event projections may not reflect the numbers of similar events. A thorough review may be required to determine where the differences lie and what justifications there may be for those differences. Differences from industry norms are not necessarily negative. Instead, they simply merit a second look, so that event organizers can provide adequate support or rationale for the variances.

Types of Revenues

Revenues represent money coming into an organization, resulting from an exchange of goods or services. Although high revenues do not necessarily guarantee financial success, they represent the cornerstone of, or the pathway toward, a more profitable event. Event organizers should understand their available revenue streams and determine where they will focus their revenue generation efforts for upcoming events. This section provides a listing of common revenue streams with examples from various sporting events.

Tickets, Registrations, and Memberships

Tickets, registrations, and memberships from attendance at or participation in an event are often the main source of an event's revenue. Spectator events such as a boxing match or a professional baseball game generate revenues from spectators purchasing tickets to attend the event. Participatory events such as the Chicago Marathon and Ironman generate revenue through participants paying registration fees. Other organizations such as USA Triathlon and the U.S. Tennis Association receive revenues when sporting event participants pay membership dues as part of their entry into the events. When estimating this source of revenue, it is important to adhere to the following steps. See table 4.1 for an example.

- *Define your inventory.* For a spectator event, your inventory may be limited by the number of seats you have or the space available to hold customers. For a participant event, you may be limited by how many participants you can effectively accommodate. For example, 18-hole golf scrambles are often limited to 144 players because any more players would significantly slow down the pace of play.
- *Classify your inventory.* Not all tickets have the same value, so you need to identify how much inventory you have available at each price point. For example, you may have 40 front row seats that sell for \$100 each, 800 seats that sell for \$50 each, and 400 seats that sell for \$25 each. Similarly, participant events may break into price tiers with different benefits for each tier.

- *Estimate sales at each price point.* Use sound research to estimate how many sales you will make at each price point. Numerous factors such as the type of event, where it is located, the type of consumer it attracts, and when it is scheduled will affect event sales. Given the uncertainty of event sales, it is usually best to be conservative with your estimates to avoid overestimating revenues in this area.

Table 4.1. Sample Registration Revenue Projections for a Tennis Competition

Registration type	Registration price	Capacity	Maximum revenue	Expected registrations	Expected revenue
Regular	\$45.00	48	\$2,160.00	40	\$1,800.00
Youth	\$25.00	24	\$600.00	18	\$450.00
Senior	\$30.00	24	\$720.00	18	\$540.00
Team	\$150.00	8	\$1,200.00	6	\$900.00
Totals			\$4,680.00		\$3,690.00

Sponsorships

Spectator and participatory sporting events often generate revenues through sponsorship rights by partnering with corporations and other organizations. Event organizers may agree to create signage, booths, or other displays promoting the sponsorship. In exchange for a sponsorship fee, the sponsor has the opportunity to reach a desired target market attending or participating in the event. Brands typically have different reasons for sponsoring events, for example:

- Red Bull sponsors extreme sporting events in order to connect with young consumers who have an affinity for those types of events (Collier 2018).
- Adidas sponsors the World Outgames, an LGBT-focused sporting and human rights event to reach out to the LGBT community (Kell 2017).
- Piper-Heidsieck, a French champagne house, signed a multimillion-dollar sponsorship with tennis's Australian Open in hopes of expanding champagne consumption beyond moments of celebration (Tabakoff 2018).
- Northwest Mutual sponsors NCAA championship events in order to engage with key

consumer groups and generate business leads (Vladem 2018).

Merchandising and Licensing

Sport organizations view sales of merchandise and licensing rights as another revenue opportunity. These products satisfy fans looking for ways to commemorate their attendance at various sporting events and to show their affiliation with a specific athlete, team, league, or sport. Spectators and participants alike appreciate the opportunity to purchase related merchandise. Event organizers can benefit financially from this revenue stream by offering a range of licensed products and merchandise to interested consumers. The following are some tips for maximizing merchandise sales.

- Location is key to maximizing sales.
- Know what customers are looking for and have those items in stock.
- Create souvenir and collectible items that would appeal to customers wanting to commemorate their attendance.
- Have sufficient space available for merchandise sales.
- Train your sales team to process sales quickly and efficiently.
- Have adequate staffing for high-volume sales windows (e.g., when fans enter and exit the facility).
- Use mobile credit card readers so you are not limited to selling only to consumers with cash.
- Prevent illegal sales of unlicensed merchandise in and around your facility.

Food and Beverage Sales

Food and beverage sales can be a major revenue stream for sporting events. While concession operations take a lot of time and effort, they can be very profitable if managed correctly. Issues related to menu, inventory, equipment, staffing, risk, and service can all cut into profits without strong planning. For this reason, many organizations choose to outsource their concessions to organizations that often can provide management expertise and purchasing power event operators may not have.

In addition to classic fan favorites like hot dogs, nachos, popcorn, and beer, concessionaires are expanding their offerings in order to provide a better, and more profitable experience (White 2017). Some of these trends include the following:

- High-end items such as sushi, crab cakes, stir-fry, and cappuccinos to appeal to more affluent consumers.
- Novelty items such as chargrilled octopus at San Francisco 49ers games, lobster poutine at Boston Red Sox games, and cricket tacos at Atlanta Hawks games.

- Locally sourced options to appeal to consumers preferring authentic food experiences.
- Healthy options including fruit, salads, and gluten-free items.
- Craft beers from local breweries.
- Upscale mixed drinks with specialty cocktails.
- Self-service options where consumers can grab items quickly without waiting in long lines.

Additionally, more event organizers have incorporated technology to better serve consumers interested in purchasing concessions. Using a mobile app, fans can place orders from their seats, enter their credit card information, input their seat locations, and wait for their items to arrive. This type of technology has the benefit of providing convenience to consumers and making them feel special, and at the same time providing an additional point of sale for the concessionaire (Attwood 2014).

Concession items typically have large markups because consumers at sporting events don't have other options and are typically willing to spend more on themselves when they are attending a sporting event. On the other hand, Mercedes-Benz stadium, home of the Atlanta Falcons and many other major events, went the opposite way by offering what they called Fan First Menu Pricing, charging 50 percent less for food and nonalcoholic beverages. As a result, they saw an overall increase in fan spending of 16 percent because fans arrived at games earlier and ate inside the stadium rather than in the surrounding area (Belson 2018).

Parking

Parking is a major revenue driver at many events. In addition to the traditional pay-per-car model, many events now maximize revenue through premium parking where consumers can receive a variety of amenities such as prime locations, shuttle service to the facility, on-site security, and dedicated facility entrances. In addition, many organizations have created special lots designed for tailgating or camping to provide additional benefits, at a cost, for consumers.

Publications

Many events derive revenue from the sales of souvenir or commemorative publications. For example, Churchill Downs creates special programs for its annual Kentucky Oaks and Derby events (Kentucky Derby 2018). These programs sell for a premium over the usual price on a non-Oaks or non-Derby day, and provide customers with memorabilia that may appreciate in value over time. Keeping in mind that not everyone will be interested in purchasing a program, some events choose to give away programs in order to put the materials in the hands of more consumers and to provide more value for program

advertisers.

Corporate Hospitality

Corporations and other large organizations may express interest in corporate hospitality, whereby sport organizations or event organizers set aside seats and space for a group of company employees plus their families, friends, and customers. These corporate hospitality packages provide benefits both for the event organizers and for the corporations purchasing them. Event organizers can work with a larger group of confirmed ticketholders, ensuring a large block of tickets sold. They also have the opportunity to upsell the event by offering additional amenities not always offered to individual ticketholders, such as dedicated support staff catering to the guests. In turn, corporations can use these offerings to provide incentives to productive employees, thank current customers for their support, or attract new customers.

- The Ryder Cup, a golf competition between teams from Europe and the United States, earns a significant amount of revenue off hospitality packages. The host organization sells a variety of packages such as chalets, suites, and reserved tables in hospitality tents. These packages are all-inclusive, providing a premium on-site experience with parking, food and beverage, and concierge service (Kirchen 2018).
- The NFL offers hospitality packages for the Super Bowl ranging from pre-game parties and concerts to access to in-stadium clubs and field access for the postgame trophy presentation. Tickets for these special experiences range from \$5,000 to \$17,500 per person (Tucker 2018).
- At Formula One races, consumers can experience races through private viewing facilities in addition to accessing pit tours, driver appearances, and exclusive entertainment (F1 Corporate Hospitality 2019).

Donations, Grants, and Subsidies

Depending on the size and type of event, additional funding may be necessary to make the event feasible. In such cases, events often reach out to public and private sources to acquire additional revenue. Sources include donors, grants, sports commissions, and government subsidies.

- *Donors.* Through capital funding campaigns, organizers can attract donors who express an affiliation with the organization and a willingness to contribute. The donors may reside in the same community where the organization is located and witness firsthand the event's or the organizer's impact. Donors also may share similar interests with the event or support the event's activities and feel excited to contribute to its longevity.
- *Grants.* Financial grants may be available to help fund events. Many governmental

and private foundations will consider funding events that align with their initiatives or their missions. For example, funding organizations may support events that reach underserved populations, at-risk youth, or people with disabilities.

- *Sports commissions.* Sports commissions often help fund events that will facilitate business growth in their communities.
- *Government subsidies.* Regional and national governments often subsidize sporting events and sport facilities in hopes of driving tourism, increasing employment, or enhancing the community's profile. The willingness of governments to subsidize sporting events varies from community to community.

Media Rights

The media can provide significant revenues and promotional opportunities. Event organizers may negotiate with various media outlets, exchanging the right to broadcast their events for contracted revenues. The largest and most popular events, such as the Olympic Games, the Super Bowl, and the World Cup, tend to command the largest media rights contracts. However, event organizers of regional and local levels may also have the opportunity to reach broadcasters and provide their events to a smaller but more targeted audience. Media rights exist for a variety of channels, including television, terrestrial and satellite radio, and the Internet.

- *Television.* The biggest sporting events typically negotiate media rights. Outlets for television include local broadcast, national broadcast, cable, satellite, and subscription networks.
- *Internet.* The Internet continues to expand its reach as a medium by which consumers can access sports. Organizations generate revenue by broadcasting on their own sites as well as through streaming sites or social networks. The Internet especially has given smaller events a chance to showcase their offerings to dedicated and potentially curious audiences alike.
- *Terrestrial radio.* Radio is the oldest of the media offerings. Television and the Internet typically capture more media attention, yet radio still plays a sizable role in broadcasting sporting events. Sport organizations and event organizers continue to use radio to reach fans, whether at home, in the office, or on the road.
- *Satellite radio.* Coupled with terrestrial radio, satellite radio is another way consumers access information about and tune in to various sporting events.

Event organizers can choose from a variety of agreement types and associated fees. These decisions are largely contingent on the size, scope, and popularity of their events. One of the more lucrative is a rights fee. A rights fee is an agreement whereby a broadcaster pays for the rights to broadcast an event and its associated content. The broadcaster is gambling it can sell enough advertising or generate other revenues to offset the cost of

the rights fee.

Traditional broadcasters pay large sums to televise big events. The following are a few examples.

- ESPN and Turner pay a combined \$2.6 billion per year to televise NBA games (Ourand 2018).
- Sky Sports pays nearly £200 million per year to televise Formula One events in the UK (Benson 2018).
- ESPN pays \$40 million per year for the US rights to broadcast Wimbledon (Kaplan 2017).
- Sky Germany and EuroSport share the rights to broadcast the Bundesliga, paying €1.159 billion per year (New Bundesliga 2016).

Nontraditional broadcasters have also entered the market. The following are examples of rights agreements between streaming companies and sporting events.

- Verizon agreed to pay the NFL about \$500 million per year to live stream on digital platforms (Adgate 2018).
- Amazon Prime pays up to £10 million per year to air ATP events in the UK (Sweeney 2017).

Other types of agreements include the following:

- *Time buy.* A time buy is different from a rights fee agreement. In a time buy, the event property buys the airtime and broadcasts the event itself. In this situation, the event assumes the risk of selling advertising and sponsorship, while keeping the revenue. Many smaller organizations choose this option when they need the exposure to promote their sport or to provide value for their sponsors.
- *Barter.* Barter agreements, or partnerships, involve some sort of split in advertising revenues between the event property and the broadcaster. This type of agreement reduces the risk for each party.
- *Syndication.* Event organizers can sell media rights to have their events broadcast simultaneously on multiple television and radio stations in different markets. This opportunity expands an event organizer's reach beyond a single channel or station, and it meets consumer sport consumption demands beyond a local market.
- *Pay-per-view.* Pay-per-view is an agreement whereby cable or satellite television providers offer the event, and viewers pay the provider a fee for the right to access the event. Pay-per-view is typically used for events that may attract a smaller but more passionate audience willing to pay a premium for access to the event. Mixed martial arts, boxing, and professional wrestling have made efficient use of pay-per-view, and other events have also found a use for this method.

Types of Expenses

Expenses represent money flowing out of an organization, or the costs incurred to generate revenue. The old adage that it takes money to make money best summarizes the concept of expenses. Event organizers need to incur expenses such as hiring staff or promoting the event in order to provide superior service and encourage potential attendees to purchase tickets. Having said that, event organizers should proceed with caution, because expenses can quickly erode the event's bottom line. Carefully planning and tracking expenses will also help ensure that the revenues generated lead to a financially more successful and viable event. Expenses typically fall into two categories: variable costs and fixed costs.

- *Variable costs* are costs that change in proportion to the event's activities. For example, a local YMCA hosting a youth soccer tournament may purchase T-shirts for each participant. At \$5 per shirt, the organization would pay \$500 to a T-shirt supplier if 100 children participate, but only \$250 if 50 children participate. In this situation, the cost varies according to the number of children participating.
- *Fixed costs*, on the other hand, remain the same, whatever the organization's activities. For example, the YMCA may hire a tournament director for \$1,000. This cost is a fixed cost because the tournament director will receive the same amount no matter how many children participate in the event.

This section provides a listing of the various expenses event organizers should expect when planning for and putting on events. Event organizers should consider these expense items and take a strategic approach in determining which of these expenses, and how much, to incur in their efforts to generate revenues for the event.

Event Operations

Event organizers have to budget for the expenses directly related to organizing and operating the event itself. These costs are basically the cost of doing business and vary according to the size and type of event. The challenge is to anticipate which expenses the event will incur and budget for them so that there are no surprises. Some typical event operations costs to consider are:

- *Administrative expenses*: accounting, phone and internet service, office supplies, legal services, office space, postage, software, storage, etc.
- *Staffing costs*: full-time staff salaries and benefits, part-time worker salaries and benefits, volunteer expenses, uniforms, training, travel, etc.
- *Medical costs*: first aid supplies, athletic trainers, physicians, emergency services, etc.
- *Officials*: referees, timekeepers, and statisticians, etc.

- *Competition equipment:* balls, goals, nets, specialized playing surfaces, whistles, signage, etc.
- *Competition services:* towels, laundry service, catering, water, ice, snacks, waste management, tents, tables, chairs, etc.

Facility or Venue Costs

Facility rental fees are often one of the larger costs an event incurs. Careful planning, site selection, and lease negotiation is necessary to ensure facility rental fees do not overwhelm the budget.

Estimating facility expenses will present different challenges based on the type of rental agreement. With a straight rental agreement, the event typically pays a flat fee for the use of the facility. In this case, the fee stays constant regardless of the number of participants. Some rental agreements may include a percentage of ticket sales or registrations rather than a flat fee. In that case each additional participant increases the fee paid to the venue. Other venues may include a combination of the two. For example, an organization renting a golf course for a fund-raiser may pay the course a \$1,000 guarantee plus \$45 for each golfer registered to participate. In cases such as this, event organizers have to consider both fixed and variable costs.



Additional equipment required for a golf scramble. © HUMAN KINETICS

In addition to facility rental fees, event organizers may have to budget operation expenses required by the facility. Following is a list of fees you may incur in addition to rental fees.

- Taxes
- Setup and teardown
- Security or police
- Ushers and guest services
- Ticket takers and box office
- Ambulance and emergency medical services
- Traffic and parking
- Maintenance and janitorial services
- Electrical and HVAC services
- Utilities
- Physical plant and labor
- Concession and merchandise fees
- Administrative fees
- Use of concession or kitchen areas
- Use of auxiliary facilities (e.g., practice room, driving range)

Insurance

Most events and facilities require some sort of insurance coverage to guard against potential damage to the facility, loss, or injury. Other types of insurance may be purchased to guard against cancellations, weather, or labor shortages. The amount and type of insurance you need will vary according to the event. For example, a mixed martial arts event, with a relatively high likelihood of injury, will have different insurance needs than a golf tournament. Similarly, events serving alcohol will likely incur more risks than those not serving alcohol.

Player-Related Costs

Player costs will vary by event and may include items such as appearance fees, prize money, transportation and accommodations, equipment and supplies, and player services. For example, in addition to prize money, many professional tennis tournaments offer sizable appearance fees to ensure their events have enough star power. Even if you are not compensating players, you may incur expenses related to food, lodging, travel, and any associated perks.

Capital Investment

Event organizers may purchase physical assets for use over multiple events. Large-scale sporting events such as the Olympic Games and the World Cup make major capital investments in their host cities and countries, including improvements to transportation and other community-wide infrastructure, in conjunction with investments directly associated with their events.

Traveling or tour sporting events may also make major capital investments, which may be used numerous times across multiple locations during the tour. For example, an extreme sporting event may have to invest in ramps and skate bowls. A bike race would need portable race clocks, cameras, and course markers. A rodeo tour may need to invest in portable gates, security walls, and seating. Further, event organizers who operate traveling events should also consider the logistical costs associated with transporting these capital investments and include the projected expenses in their budget.

Marketing and Promotion

Event organizers often have to incur significant costs to market their events. Sport organizations and events large and small regularly incur these expenses to generate interest and excitement, which eventually translates into ticket sales and registrations. Some potential marketing expenses include:

- Creative fees to develop logos, advertisements, and publications
- Advertising costs (outdoor space, space in print publications, radio and television time, and social media targeting)
- Promotional materials and giveaways
- Website hosting and management
- Social media content production and management
- Photography
- Media costs (credentials, media room, hospitality)
- Marketing staff

Sponsor Fulfillment

Event organizers must make sure they deliver on the terms of their sponsorships, fulfilling what they promised sponsors. Costs associated with sponsorship fulfillment involve everything promised to the sponsor, and these expenses should be included in the budget and tracked as they are incurred. Providing this level of service can be costly in terms of manpower, tickets, media, data, and other amenities. However, sponsorship fulfillment is a critical element in ensuring that sponsors are retained for future events. Common expense categories for sponsorship fulfillment include:

- *Activation*: All of the signage, vendor space, promotions, and advertising promised to the sponsor
- *Tickets and hospitality*: Free or discounted tickets to attend the event plus special access and hospitality while in attendance
- *Sponsor liaisons*: Designated staff to guide corporate sponsors during the event and attend to their special requests or needs
- *Postevent reporting*: Summaries of what the sponsors received in exchange for their monetary or product commitments, which may include detailed information about event viewership and attendance, the time and duration of their commercials, and the estimated number of potential consumers who saw or responded to promotional activities

Guest Management and Hospitality

Event organizers work with a variety of stakeholders to organize and host their events. These stakeholders may include participants, spectators, corporate sponsors and other corporations, staff and volunteers, and VIP guests. To keep this varied group happy, you may consider providing special amenities and services as part of your guest management and hospitality offerings. For example, the Olympic Games organizers traditionally have an athlete village for participants, where they can access a variety of services from housing to medical assistance to food and beverages.

Guest management may also come in the form of corporate hospitality, whereby event organizers make special arrangements for corporate sponsors and other corporate guests. These groups may use the hospitality offerings to reward employees and current customers, plus meet and attract potential customers. Event organizers often provide hospitality for coaches, volunteers, and officials to thank them for their assistance. These services also come at a cost, and organizers should consider the number of people required to staff the hospitality area and what items will be provided (e.g., food, beverages, seating).



Participants enjoying post-race snacks, which added to their event experience. TOM PENNINGTON/GETTY IMAGES FOR HONOLULU MARATHON

Event Presentation

One of the largest financial considerations is presenting the actual event from the opening ceremonies to the competition itself to the closing ceremonies. The opening and closing ceremonies are extensive events in and of themselves and require a detailed level of planning and budget forecasting. For example, the World Flying Disc Federation outlines cost considerations for its awards, ceremonies, and social events. These expenses include securing venue space and accounting for associated rental expenses, security and other personnel, tables and chairs, catering food and beverage costs, trash collection and disposal, lighting, entertainment, and a players' lounge. Additional expenses required for the closing ceremonies include medals and trophies awarded to players and teams (WFDF 2018). Event organizers should consider the complete costs associated with these activities. These activities will leave a lasting impression on the event stakeholders, including participants, spectators, sponsors, staff, volunteers, and other guests.

Miscellaneous Expenses

Miscellaneous expenses are those costs that are typically too small to need their own category. Event organizers should include a line for miscellaneous expenses in their budget to cover these costs.

Contingency Allowances

Contingency allowances are funds reserved for emergencies or cost overruns. With most events, there are additional or unanticipated costs, such as those incurred because of bad weather or price increases from suppliers. Plan for a contingency amount of 5 to 10 percent of your overall expenses.

Tips for Budgeting Success

The following tips outline how to make budgeting more successful.

- Do your research. The more information you have, the better chance you have to make good estimates. Look at similar events, contact suppliers, and involve employees in the process to make sure you have the most realistic and accurate information.
- Be conservative in your revenue estimates and liberal in your expense estimates. It is easy to balance a budget by nudging your revenue estimates up and underestimating expenses, but you are setting yourself up for failure. It is better to be realistic in expectations rather than to create an untenable budget.
- Monitor income and expense. It is important to monitor activities to identify where the organization is over- or underperforming.
- Reforecast. Actual revenues and expenses are likely to vary from estimated revenues and expenses. Therefore, organizations need to periodically reforecast their estimates. Reforecasting allows organizers to reassess and reallocate funds.
- Maximize revenue. Develop and implement plans to obtain all income.
- Control costs. Identify ways to save money and avoid unnecessary expenses.
- Be prepared for the unexpected. Budget for emergencies and contingencies. Anticipate additional costs and be prepared to cover those costs.

Controlling Costs

The process of controlling costs is an important facet of event management. Event organizers may spend significant time making meticulous budgetary estimates and forecasts. However, it becomes equally important to control costs throughout the event to ensure those estimates become a reality. Cost overruns can quickly turn a potentially successful event into a financial nightmare.

Event organizers are encouraged to follow a few recommendations to keep costs under control. They should take advantage of cost procurement procedures by finding low-cost goods and services through auctions, bids, or negotiations. They can use their working budget in conjunction with a spreadsheet-based tracking system to monitor their

expenses. A spreadsheet may take some time to create, but once a suitable template is created, event organizers can more readily make changes in one section of the budget and have those changes update across the spreadsheet.

Spreadsheets can also be used to estimate expected costs. Updating the spreadsheet throughout the event allows for tracking revenues and expenses in real time, allowing event organizers to make changes quickly to various line items or to examine the effects of adjusted estimates. Adding additional columns to the spreadsheet allows organizers to input actual costs and calculate the variances between forecast and actual expenditures. This exercise will help organizers quickly see where cost overruns exist and determine ways to rein costs in for future expenditures. This information may prove useful during the postevent process as you assess the successes of your events and highlight best practices and improvement opportunities for future events. Spreadsheets also create a paper trail and critical documentation for future events.

Controls should be put in place to determine who can make spending decisions. Event organizers should limit who makes these decisions and the spending amounts they can authorize. Restricting spending authorizations and amounts to relatively few people will help make sure that spending is monitored and will leave fewer chances for spending to spiral out of control. Similarly, controls should be established for who can use the organization's credit card or submit purchase orders. These spending options typically have higher authorization limits and allow users to make larger purchases. Organizers should have proper knowledge of products and be authorized to purchase them to ensure that spending remains in control.

In conjunction with limited use, event organizers should create spending checks and balances with proper controls and oversight. For example, if one person uses the event or organization credit card or submits a purchase order, someone else in the organization should examine this cost to determine whether this was a necessary and approved expense. Once purchases have been made, organizers should ensure adequate documentation of this spending through credit card receipts and bank statements. This documentation creates a paper trail from the original approval of the expense to evidence of its occurrence. Additionally, event organizers should retain this documentation, inputting the appropriate numbers into the spreadsheet, so others can easily see what has been spent thus far and determine whether spending is on track.

Finally, organizers may utilize a petty cash fund (typically \$100 or less in loose currency) to make small purchases. A tracking mechanism should exist for these funds as well. People using the petty cash account should submit receipts, and this spending should be documented in the tracking spreadsheet. Guidelines for spending—who can use petty cash and for what items—should be determined in advance and carefully monitored throughout the event. Proper tracking and documentation of spending will help organizers keep costs under control and may help with related cash flow and cash management considerations.

Cash Flow and Cash Management

Cash flow and cash management address the timing of revenues and expenses. Event organizers often incur expenses before they receive adequate revenues to cover them, especially early in the event planning process. For example, a 5K organizer may need to purchase flyers and other promotional materials to market the upcoming event, but athletes are not likely to register until they learn about the event through these marketing activities. In this case, there is a delay between when the organizers incurred expenses to market the events and when they received revenues in the form of registration fees to offset the marketing expenditures. This means that event organizers may face a cash flow problem, where they need to pay their vendors but wonder where they will get the funds to do so. Organizers may need to seek out government agencies, sponsors, private sources, and financial institutions to help defray the costs. Providing evidence of a clear budget, cost controls, or previous event and organizational financial statements may help in the effort to secure funds if organizers can show a clear connection between these expenditures and subsequent revenue opportunities.

Summary

Event budgeting begins early in the event planning process and is key to making sure the event's financial activities align with the organization's mission. An event budget is an estimate of revenues and expenditures over the life of the event, and good event budgeting empowers management and staff to make sound financial decisions.

Budgeting requires significant information gathering and planning in order to identify and project revenues and expenses. An organization's net profit (net loss) will be the difference between actual revenues and expenses, therefore it is vital for organizations to identify and maximize revenue streams by simultaneously accounting for associated expenses and controlling costs.

In conjunction with putting together the budget, organizers are encouraged to compare the estimated figures to the actual numbers after the events take place. This exercise will give them the chance to see where their estimates were correct and where variances existed. Taking time to examine these variances will provide a valuable reference when planning future events.

Learning Activities

1. Research event bid proposals from sport events and examine their revenue requirements and anticipated expenses. Where could they be making more money? How could they control expenses?
2. Identify a local sporting event and develop a preliminary budget. How would you go about estimating revenues? How could you estimate expenses?

CASE STUDY: FUND-RAISING GOLF SCRAMBLE

Golf scrambles are popular fund-raisers for organizations. For these events, organizers rent a golf course for a day and charge golfers to participate for fun and prizes. Well-organized events can raise a lot of money, but poorly organized events can struggle to make money.

Assume your organization has taken over operations for an annual golf scramble. The organizing committee has asked you to investigate probable income and expenditures and prepare a budget for next week's committee meeting. After some initial investigation, you have come up with the following information:

Revenues

- *Entry fees:* Each player is charged an entry fee to play. The organization has total control over how much to charge. The challenge is to charge enough to maximize revenue but not so much as to inhibit participation. Your research suggests that the most someone would pay for an event like this is about \$120.
- *Sponsorship:* Organizers sell sponsorships for the event. In the past, they have been able to generate between \$1,000 and \$3,000 for this event.

Expenses

- *Facility Rental:* To secure the golf course for the event, the facility charges a \$1,000 fee, which allows players access to the driving range and pro shop.
- *Promotion:* The event organizers promote the event via the local media (newspaper, radio, and television advertisements plus social media sites).
- *Equipment and rentals:* Not much equipment is needed for the actual event because the golf course provides most everything. However, organizers do usually need to rent items such as wireless radios, tents, umbrellas, etc.
- *Supplies:* Organizers need to budget for supplies to run the event, such as printing, office supplies, postage, etc.
- *Insurance:* A short-term accident and general liability policy covers organizers from risks.
- *Photographer:* Organizers hire a photographer to document the event and to provide photos to the participants.
- *Awards and trophies:* Trophies are provided for first-, second-, and third-place teams.
- *Greens fees:* The golf course charges \$45 per player. There is a 72-player minimum and a 144-player maximum.
- *Food and drink:* Lunch is provided for the players. To make the event more

hospitable, organizers provide water, soft drinks, and snacks on the course. The golf course charges \$12 per player to provide these items.

- *Participant gifts:* A goody bag is provided to each participant. Goody bags include balls, tees, and a gift commemorating the event. In the past, the event has provided logoed water bottles, shoe bags, hats, and T-shirts. This past year, each participant received a shot glass engraved with the event logo and date. The cost per participant was \$8.

Summary of 2018 Event

The 2018 event registered 100 players at a price of \$100 per player. They were able to generate \$2,000 in sponsorship.

Entry fees (\$100 per player x 100 players)	\$10,000
Sponsorship	\$2,000
Total revenues	\$12,000
Facility rental	\$1,000
Promotion	\$650
Equipment and rentals	\$400
Supplies	\$150
Insurance	\$250
Photographer	\$200
Awards and trophies	\$350
Greens fees (\$45 per player x 100 players)	\$4,500
Food and drink (\$12 per player x 100 players)	\$1,200
Participant gifts (\$8 per player x 100 players)	\$800
Total expenses	\$9,500

Case Study Application

1. What was the event's profit (loss) last year?
2. What was the break-even entry fee?
3. Based on the same number of players and the same amount of sponsorship, how

much would the entry fee have to be increased to make a profit of \$4,000? What would be your concerns with increasing the entry fee?

4. Based on the same entry fee and the same amount of sponsorship, how many players would have to be recruited to make a profit of \$4,000? What would be your concerns with adding more players?
5. Other than increasing entry fees or adding players, how could you generate additional revenue?
6. How could you reduce expenses?