



MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects Committee Members

FROM: Jorge M. Gonzalez, City Manager

DATE: November 16, 2009

SUBJECT: **Follow-up Discussion relating to a Municipal Marketing (Corporate Sponsorship) program for the City**

BACKGROUND:

At the June 25, 2009 Finance and Citywide Projects Committee meeting ("Committee"), Committee members were provided information relating to the City's efforts to implement a Municipal Marketing, or corporate sponsorship, program. At that time, Committee members were also provided a copy of the three deliverables prepared by The Superlative Group, the entity selected to implement the first phase of the municipal marketing program. These deliverables include a draft policy statement; a draft strategic plan; and an asset inventory and valuation. In unison, the three documents provide the City with documents that will assist the City in developing and implementing a municipal marketing program, and form the framework for the anticipated second phase of the program – the identification, negotiation and contracting of sponsors.

A copy of the June 25, 2009 Committee memorandum explaining the origins of the City's efforts to implement a municipal marketing program, the process we have engaged in, to date, as well the proposed next steps, is attached to this memorandum for your reference. As noted, while the City regularly engages in securing sponsorships to cover the costs of certain City events, the types of municipal marketing opportunities that will generate significant revenue for the City involve engaging marketing and development personnel in large corporations that pursue municipal marketing opportunities as part of their brand promotion, advertising or sales programs. Our research indicates that cities that have engaged in municipal marketing use a combination of internal, city staff, and outside consultants.

As noted in the June 25th memo, the proposed agreement for municipal marketing was divided into two phases.

1. Phase I: Conducting an inventory of existing and prospective tangible and non-tangible marketing assets; 2) Developing a comprehensive sponsorship policy; and 3) Developing a strategic plan for marketing assets.
2. Phase II: At its sole discretion, the City could elect to
 - Terminate the corporate sponsorship program; or
 - Continue the program with the marketing of inventoried and valued assets with the vendor that performed work outlined in Phase I, paying earned commissions to the vendor through that process; or
 - Continue the program through issuance of an RFP for a new vendor to market the inventoried assets, paying earned commissions to the new vendor through that process.

This Phase II work would consist of marketing the City's assets, to include developing sample rights packages for the marketplace; assisting in the evaluation and development of sponsorship RFP's (as may be needed); preparing reports and presentations on the City's municipal marketing program, as directed by the City; assisting in contract negotiations; and providing advice in implementing/managing sponsorships.

The decision to enter into Phase II work, or to proceed to implement the sponsorship program, and with which consultant, is solely that of the City.

PROPOSED STRUCTURE OF A MUNICIPAL MARKETING PROGRAM:

Should the City Commission decide to proceed with the implementation of a municipal marketing program (Phase 2), it is proposed that an agreement with a professional municipal marketing company be considered to assist the City in identifying and pursuing municipal marketing opportunities with partners that include national and/or international brands. The City employee's responsibility is to act as contract monitor for the program. However, it is our expectation that the City employee will continue to pursue municipal marketing opportunities to assist with "one-off" events (grand openings, special events, etc.), advertising off-sets (such as the pooper scooper bags), and other opportunities generated or solicited to offset programming or other City hard costs. While it is anticipated that the contracted municipal marketing company shall serve as the primary City representative in pursuing the more lucrative municipal marketing opportunities, the City occasionally receives unsolicited expressions of interest from organizations or corporations interested in partnering with the City. The City will assess the opportunity and may decide whether to pursue the partnership in-house, or whether to request the assistance of the City's municipal marketing company. In those instances when the City pursues the partnership directly, there is no payment or other consideration provided to the municipal marketing company. It is important to note that these opportunities are likely to be less lucrative than the types of opportunities typically pursued and developed by municipal marketing companies.

PHASE TWO OPTIONS:

As previously noted, the City contracted with The Superlative Group to provide the services in Phase I of the Municipal Marketing program. In light of the potential for revenues, as well as brand recognition for the City, at this time it is recommended that the City consider pursuing implementation of Phase 2. Should the Commission decide to proceed with Phase 2, the Commission has the option of using The Superlative Group, as provided for in the previous RFP, or in engaging in another competitive process.

Staff researched typical contractual terms for municipal marketing programs, including models for commissions on agreements secured. Terms were negotiated with The Superlative Group for Phase 2 based on research on other similar agreements. These terms, delineated in Attachment 1, include a "draw versus commission" model that provides a payment to the company during the development of potential prospects, but that is recoverable by the City from any commissions resulting from agreements with corporate entities. This "draw" model has become more common in recent years, although models with direct retainers also exist. The draws are intended to cover the municipal marketing staff's investment in researching and negotiating potential municipal marketing partners for the City, especially as there is no guarantee that the City will ultimately approve any municipal marketing partnership presented by them for the City's consideration. In addition, this draw covers the cost of staff assisting in the development, review, etc. process relating to any competitive process that may be used for the selection of a municipal marketing partner, as well as their assistance in negotiating terms and in assisting staff with the development of subsequent agreements.

The attached also reflects a tiered commission model that reduces the percentage of commission that can be earned based on the value of the municipal marketing agreement. It should be noted that most typical municipal marketing agreements have a flat commission structure. The commission structure includes a percentage for new revenue opportunities, as well as for budgeted cost avoidance opportunities. Budgeted cost avoidance measures mean those items previously included in the City's annual adopted budget. This commission would be paid if and only if the City would have purchased these items from another source outside of the scope of the agreement. The City has no obligation to pay commissions where the benefits are of a non-cash nature, including but not limited to the provision of property or services to the City, when such property or services are either not currently provided or purchased by the City. A commission is also provided for any renewals.

A separate line item allocation is provided for reimbursable expenses. These expenses are typically travel, and TSG will follow the City's travel policies and standards utilizing a reimbursement model. This amount is capped as indicated.

The attached term sheet represents the current items as they have been discussed and negotiated, to date. Specific items relating to the period for renewal commissions, the nature of the agreement as a non-exclusive agreement, etc. are pending conclusion.

NEXT STEPS

Should the Committee approve the implementation of Phase 2 with The Superlative Group, it is anticipated that the following steps would occur:

- 1) Conclusion of negotiations with The Superlative Group.
- 2) Approval of agreement with The Superlative Group at the December 9, 2009 Commission Meeting, and subsequent execution of agreement.
- 3) Identification of top product/sponsorship categories and priorities (This includes both short-term and long-term prospects, as well as any appropriate community vetting to ensure understanding of the goals of specific targeted efforts)
- 4) Development of municipal marketing materials
- 5) Development of competitive processes (as may be appropriate); assistance in negotiating packages
- 6) Presentation of prospective municipal marketing partners for the City's consideration.

TSG will assist staff in determining what, if any, City ordinances may require amendment to accomplish some of the goals or particular municipal marketing strategies. These proposed amendments would, of course, follow the typical commission review and approval process.

CONCLUSION

While municipal marketing programs provide revenue enhancement opportunities for the City, it is recognized that whatever municipal marketing opportunity is pursued by the City needs to be compatible with the City's goals and expectations. There are many different opportunities for municipal marketing partnerships beyond naming rights, including opportunities that have the added benefit of assisting in the marketing of our destination. Direction from the Committee is requested on whether to conclude negotiations with The Superlative Group and present an agreement with TSG to the Commission for consideration at the December 9, 2009 meeting.

TERM SHEET
THE SUPERLATIVE GROUP, INC. (TSG) MUNICIPAL MARKETING AGREEMENT

1. Term	<p>Three (3) years commencing on December 1, 2009, and expiring on November 30, 2012.</p> <p>Optional: Two (2) One (1) year renewal terms at City's sole option.</p>
2. Fee	<p>\$5,500 per month recoverable draw for the purpose of soliciting, negotiating and developing corporate sponsorship agreements.</p> <p>This "draw against commission" is capped at nine (9) months or \$49,500.</p> <p>Commission structure: 15% commission on \$0-\$250,000 in gross revenues (GR) to City 12% commission on \$250,001-\$500,000 in GR to City. 10% commission on \$500,001-\$1,000,000 in GR to City. 6% commission on \$1,000,000+ in GR to City 7% commission on Renewals (% of GR) 35% commission: Licensing agreements (to include monitoring) 10% Commission on budgeted cost avoidance</p> <p>Reimbursable expenses capped at \$15,000 (for only actual costs of eligible expenses and subject to the City's policies relating to travel).</p> <p>Additional draw or reimbursable expenses may be negotiated only after the City has recovered at least 100% of initial draw and 100% of the actual costs of any reimbursable expenses; such additional draws and/or reimbursable expense allocations, if considered, shall be solely at the City's discretion.</p> <p>The City may, at its option, negotiate a commission structure on a case-by-case basis should the City wish to request the assistance of TSG with any municipal marketing agreement the City currently has in place or negotiates directly.</p>
3. Targeted Initiatives	<ol style="list-style-type: none"> 1) Develop and present within 90 days of agreement execution a list of corporate prospects (local, regional, national and/or international) to pursue, both short term (12 – 18 months) and long term (18-36 months), and develop a marketing and sales plan for these prospects 2) Develop, in cooperation with the City's Communications staff, marketing materials (within 90 days of agreement execution) 3) Assist the City in the development of Request for Proposals or "Invitation for Best Value Bids" or any such other process that assists the City in maintaining an open and competitive process for soliciting and securing corporate partnerships, as may be appropriate for each type of municipal marketing opportunity. This would include marketing the opportunity to potential partners, and assisting the City in the evaluation of proposals received. 4) Assist the City in negotiating the municipal marketing partnership agreement terms with selected partners, and in the development of the municipal marketing partnership agreement document. 5) Develop a plan for managing the fulfillment obligations for each successful municipal marketing agreement
4. Termination provisions	<p>For cause and for convenience.</p> <p>TSG shall not receive any direct compensation or financial interest from any business entity AGENT solicits (or presents to CITY) to enter into an</p>

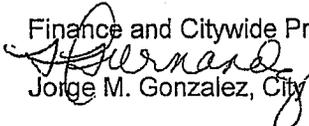
	<p>agreement with the CITY.</p> <p>Under no circumstances shall CITY be liable to TSG or any third party claiming by or through TSGT for consequential damages or lost profits.</p>
5. Sales After Terms	Should TSG be in negotiations with a potential sponsor during CITY contract expiration, non-renewal or in default, the CITY will be allowed to follow up on pending contacts/corporate sponsors.
6. Naming Rights and Sponsorships	City reserves sole right of approval over all naming and sponsorship opportunities, and shall retain all revenues derived there from.
7. Ownership of Documents	All writings, documents or information produced by the consultant pursuant to the provision of the agreement is the exclusive property of the City.



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COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects Committee Members
FROM:  Jorge M. Gonzalez, City Manager
DATE: June 25, 2009
SUBJECT: Discussion relating to a Municipal Marketing (Corporate Sponsorship) program for the City

The attached report is the product of a process to implement a municipal marketing program, otherwise referred to as a corporate sponsorship program, in the City of Miami Beach.

BACKGROUND:

Municipal Marketing, or corporate sponsorship, is designed to "*link complimentary corporate brands for mutual benefit.*" For cities, this represents an opportunity to generate non-tax revenues, to provide services or goods at no cost to residents, and to provide promotional opportunity for the City that may attract residents, businesses or visitors. For business partners, the benefit is typically some form of advertising, public relations or visible recognition, with an end goal of further promoting their brand. While the business gains financially by marketing advantage and/or customer loyalty enhancement, the advantage to the City is primarily financial. Corporations will pay the City for the ability to use or link with our City image and identity, especially as our City enjoys an excellent public image and is considered a strong "brand." Miami Beach is especially well positioned to implement this now well-established model for generating additional revenue.

The suggestion that that City implement a municipal marketing program was first introduced by the Parks and Recreation Programs Blue Ribbon Citizen's Committee as a mechanism to assist in funding program costs for our Parks Department. The City established a Development Coordinator position whose primary responsibility was to identify potential advertising and sponsorship opportunities. The Development Coordinator subsequently researched current successful corporate sponsorship consultant practices; reviewed other local government corporate sponsorship programs; formed and led a City of Miami Beach corporate sponsorship evaluation team; interviewed several leading national corporate sponsorship consultants; and determined that the City of Miami Beach had significant potential for success through a professionally structured and managed corporate sponsorship program.

Developing and implementing a successful Municipal Marketing program requires inventorying City assets, determining the sponsorship marketing value of the assets, developing sponsorship management policy, the actual marketing of the assets and negotiating sponsorship contracts. As such, the City determined that professional assistance was desirable and issued an RFP for services.

A competitive (RFP) process was issued in 2004. The City received proposals from a variety of consultants proposing to assist the City of Miami Beach with the development and implementation of a Corporate Sponsorship Program pursuant to Request for Proposals (RFP) No. 66-02/03. The Corporate Sponsorship Program was intended to broadly market the City of Miami Beach and to attract revenues to the City of Miami Beach by allowing corporate sponsoring entities to identify with the City. However, due to a bid challenge and subsequent investigation, no action was taken at that time. In 2005, a second competitive process was issued (RFP) for the Development and Implementation of a Citywide Corporate

Marketing and Sponsorship Program. Four responses were received for that competitive process, with the Commission selecting IMG , an industry leader in municipal marketing. In particular, IMG had supported municipal marketing plans in several U.S. Cities. The Commission further approved that if we were unable to negotiate an agreement with IMG, then we were authorized to negotiate with the second ranked proposer, The Superlative Group.

The proposed agreement was to be divided into two phases (as described in the RFP).

1. Phase I: Conducting an inventory of existing and prospective tangible and non-tangible marketing assets; 2) Developing a comprehensive sponsorship policy; and 3) Developing a strategic plan for marketing assets.
2. Phase II: At its sole discretion, the City could elect to
 - Terminate the corporate sponsorship program; or
 - Continue the program with the marketing of inventoried and valued assets with the vendor that performed work outlined in Phase I, paying earned commissions to the vendor through that process; or
 - Continue the program through issuance of an RFP for a new vendor to market the inventoried assets, paying earned commissions to the new vendor through that process.

This Phase II work would consist of marketing the City's assets, to include developing sample rights packages for the marketplace; assisting in the evaluation and development of sponsorship RFP's; preparing reports and presentations on the City's municipal marketing program, as directed by the City; assisting in contract negotiations; and providing advice in implementing/managing sponsorships. The decision to enter into Phase II work, or to proceed to implement the sponsorship program, and with which consultant, is solely that of the City Commission.

IMG proposed a fee structure that provided a monthly fee of \$20,000 per month for the first 12 months of the relationship (plus approved expenses), and a 20% sales commission on all amounts generated for the City; this included a credit to the City of up to 50% of any fees received against the commissions generated if they were selected for Phase 2. After several months of discussions, the City negotiated a fee of \$60,000 plus expenses. However, in February 2006, IMG notified the City that they would not be continuing their negotiations and would not execute their agreement with the City, as they were reconsidering the continued participation in municipal marketing programs at that time.

Following consultation with the City Attorney's office, and as approved by the Commission action, staff began negotiations with the second-ranked proposer, The Superlative Group, for Phase 1 of the program. A final agreement was executed effective March 22, 2007 for a contract amount of \$39,000 (plus expenses) to provide the three deliverables in Phase 1.

In consultation with the City's Development Coordinator, The Superlative Group developed a strategy for the compilation of the information for an Asset Inventory and Valuation Report. This process entailed interviewing City Departments, and conducting site visits to assess potential sponsorship opportunities within the City. Subsequently, The Superlative Group was to complete the second and third deliverables, the Strategic Plan and the Policy Document. The Asset Inventory and Valuation Report was completed in late 2007 and required revisions and updates. In early 2008, it was concluded that all three deliverables should be completed for presentation to the City Commission concurrently. The remaining deliverables were subsequently provided for review. The departure of the Development Coordinator (the contract administrator for this project) resulted in an unanticipated delay in completing the internal review of the documents. These are now presented for your consideration.

MUNICIPAL MARKETING DOCUMENTS:

Attached, please find the following three documents:

1. Asset Inventory and Valuation Report. This report provides an explanation of the municipal marketing approach, municipal marketing opportunities, successful examples of municipal marketing and a matrix

of assets identified throughout the City for potential sponsorship opportunities. The matrix provides a broad look at the types of assets owned by the City that may provide a value to a sponsor; these may be facilities, programs or events, or other intangibles. A brief description of each asset is given, as well as a description of the rights available, a value rating and an estimate of the level of difficulty in "selling" that asset. In some instances where no benchmarks may exist, it is difficult to assess a value for an asset. In other cases, sufficient information was not available at the time the report was completed to assess a value. The matrix also includes a listing of other assets or sponsorships the assets can be packaged with to maximize interest and value. In most cases, the value provided anticipates that the sponsorship includes a "package" of opportunities for the sponsor. It should be noted that although naming rights typically present the highest return, they are also typically the most difficult to negotiate, and may not be the priority of the City for aesthetic or other reasons.

2. Strategic Plan: This report uses the information from the Asset Inventory and Valuation Report to provide a recommended plan for the implementation of the municipal marketing plan. This Strategic Plan is a working plan that will incorporate the comments and suggestions of the Commission and other input, but presents the framework for the implementation of the program.

3. Policy Document: This deliverable was intended to outline the general policies to be considered in the implementation of a municipal marketing program. Much like the Strategic Plan, it is intended to provide an outline of suggested policies for the consideration of the City Commission based on typical municipal marketing programs, but reflecting our typical processes. It is expected that the document will be further amended following review and input by the Commission.

In unison, the three documents provide the City with documents that will assist the City in developing and implementing a municipal marketing program.

CURRENT/INTERNAL CORPORATE MARKETING EFFORTS:

An effective corporate marketing program involves market research and review of existing City assets to ascertain a value to the corporation. This "value" may be in the form of name recognition, association or access to possible "clients." The City has engaged in sponsorship efforts for events such as Sleepless Night and the Grand Opening of South Pointe Park. However, the City's only recent venture into corporate sponsorship was the agreement with Izod/PVH for the provision of uniforms for our Ocean Rescue, Pool Lifeguard, Fire Rescue and Golf Club personnel. This agreement provided uniforms at no cost to the City. In exchange, Izod was provided the ability to identify itself as "the official outfitter" of these departments, and place their logo (with city approval of location and size) on the products they provided at no cost. No cash commitment was made, and the marketing element of the program never fully materialized. The City is in the final year of deliverables and Izod has advised us that they will not be pursuing renewal. The identification of a replacement provider would be a priority under the corporate sponsorship program.

CONCLUSION:

The City of Miami Beach enjoys a positive brand image that is attractive to a variety of potential sponsors. The City has engaged in municipal marketing in a number of occasions, with the most recent example the Izod sponsorship agreement that provided free uniforms to our Ocean Rescue, Pool Lifeguards, Fire Rescue and Miami Beach Golf Club personnel, at no cost to the City. However, we believe opportunities exist to pursue sponsorship to offset existing operational costs for the City, and/or generate new revenue. We also believe such a program can be implemented in a manner that is sensitive to concerns regarding commercialization, especially in our historic city/districts. Should the Commission decide to proceed with Phase 2, the Commission has the option of using The Superlative Group, as provided for in the previous RFP, or in engaging in another competitive process.