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MIAMI BEACH

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

COMMISSION MEMORANDUM

TO: Finance and Citywide Projects Committee

FROM: Kathie G. Brooks, Interim City Manager

DATE: February 20, 2013

SUBJECT: DISCUSSION REGARDING RENEWAL OF THE PROFESSIONAL SERVICES AGREEMENT BETWEEN THE CITY OF MIAMI BEACH AND THE SUPERLATIVE GROUP FOR PROFESSIONAL SERVICES IN CORPORATE SPONSORSHIP MARKETING PURSUANT TO REQUEST FOR PROPOSALS NO. 06-04/05.

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 Superlative Group (TSG), has identified priorities for their efforts, while other activities have been identified to be pursued internally with the City's Development Coordinator. The City's Development Coordinator serves as the contract support staff for TSG.

Efforts have focused on identifying potential municipal marketing partners and opportunities for partnership, and reaching out to these potential partners to gauge interest. The current economic conditions have impacted the marketing budgets for many large corporations with histories of engaging in these types of partnerships; municipal marketing efforts are funded principally from marketing budgets, as they serve the primary purpose of promoting the corporation's brand and/or product. Not surprisingly, corporate marketing budgets have been impacted and are often the first affected when cost-cutting measures are initiated. While we continued to pursue various efforts in municipal marketing, as you know, we made considerable progress in the area of an Exclusive/Official citywide beverage partner, resulting in the ten-year exclusive, non-alcoholic beverage sponsorship with Coca-Cola Refreshments.

Most recently, TSG initiated discussions with Carnival Corp who was interested in collaborating with the City on South Pointe Park. The Finance and Citywide Projects Committee (FCWPC), which recommended against pursuing naming rights for public parks and requested the administration pursue development of park foundation, discussed the concept. TSG is currently assisting the City in negotiations with Energizer relating to a licensed sunscreen product ("official Miami Beach sunscreen").

TERM AND COMMISSION STRUCTURE

The Agreement has an initial term of three (3) years, which expired on February 1, 2013. The Agreement includes two (2) additional one (1) year renewal terms, upon the same terms and conditions at the City Manager's sole option and discretion.

The Agreement entitles the Consultant to receive a commission based upon a percentage of total gross revenues to the City (GR) generated by Sponsorship Agreements obtained by Consultant. The commission structure shall be as follows:

- (i) 15% commission on \$0 – 250,000 in GR to City;
- (ii) 12% commission on \$250,001 – 500,000 in GR to City;
- (iii) 10% commission on \$500,001 – 1,000,000 in GR to City;
- (iv) 6% commission on \$1,000,000+ in GR to City;

And, additionally,

- (v) 7% commission on renewals (percentage of GR for first renewal only);
- (vi) 45% commission on licensing agreements (to include monitoring); and
- (vii) 10% commission on budgeted cost avoidance measures, as defined in Section 3.1.6.

CONCLUSION:

The Administration is seeking direction from the FCWPC and the City Commission on whether or not to renew the Agreement with TSG.