

DATE ISSUED: November 15, 2000 REPORT NO. 00-232

ATTENTION: Honorable Mayor and City Council  
Docket of November 20, 2000

SUBJECT: Marketing Partnership with Verizon Wireless.

REFERENCE: City Manager's Report No. 00-87, issued April 26, 2000

### SUMMARY

#### Issues -

1. Should the City Council select Verizon Wireless as the official "Wireless" partner of the City of San Diego in conjunction with the award of the contract for wireless telephone services and equipment?
2. Should the City Manager be authorized to enter into a Marketing Partnership Agreement with Verizon Wireless?

#### Manager's Recommendation -

1. Select Verizon Wireless as the official "Wireless" partner of the City of San Diego in conjunction with the award of the contract for wireless telephone service and equipment.
2. Authorize the City Manager to enter into a Marketing Partnership Agreement with Verizon Wireless.

#### Other Recommendations - None.

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Fiscal Impact - \$200,000 annual marketing rights fee to be paid by Verizon Wireless to the City for each year that Verizon has the City's contract for wireless telephone services and equipment. The term of this contract is two years with the possibility of three, one year extensions. A transaction fee of \$28,800 will be paid to the Pathfinder Group, the City's consultant, as per the Municipal Marketing Partnership Program Agreement. This fee represents an 8% commission for the first two years of the contract reduced by 10%. An additional \$16,000 will be paid to The Pathfinder Group in the third year of the wireless telephone contract if it is extended. No commission fees apply to the fourth or fifth year of the marketing partnership agreement. The overall fiscal impact will range from \$371,200 to \$955,200 depending on the length of the wireless contract. Funding to be deposited in the General Fund as a part of the revenue projection for the Municipal Marketing Partnership Program in the Fiscal Year 2001 Budget.

### BACKGROUND

On June 8, 1999, the City Council approved the Municipal Marketing Partnership Program (MMPP), a strategic marketing plan for corporate partnerships with the City. The

MMPP seeks opportunities for the City to generate revenue from partnerships with the corporate community in order to enhance municipal services and facilities in the City. The specific objectives of the MMPP are as follows:

1. To establish and guide relationships with existing and potential business partners who share the City's commitment to provide the highest quality civic environment through the City of San Diego.
2. To generate revenue to fund existing and additional facilities, projects, programs and activities.
3. To minimize the perception that the City has become "corporatized" by limiting the number of corporate partners while maximizing the cumulative revenue from the partners.

Following that decision, on January 18, 2000, the City Council approved a Marketing Partnership Policy to provide guidelines for the MMPP. A copy of the policy is enclosed as Attachment 1. During April, 2000, the Communications Division of the Information Technology and Communications Department (IT&C) initiated work on a Request for Proposal for Wireless Communications Goods and Services. The largest component of the wireless contract is for wireless telephone equipment and services.

Staff working on the MMPP, along with staff from IT&C, concluded that the purchase of wireless products and services was an ideal candidate for the MMPP and Request for Sponsorship (RFS) process rather than a Request for Bid. The attributes which made wireless products and services appropriate for a RFS process were the competitiveness of the wireless marketplace and the extensive sponsorship activities of wireless companies.

On May 1, 2000, the City Manager requested and received approval from the City Council to utilize the MMPP and the RFS process to obtain proposals for wireless products and services. The RFS process is identical to the Request For Proposal (RFP) process except that the Marketing Partnership Policy guidelines must be followed, and the following language about the City's MMPP is included: "This Request for Proposal is issued in conjunction with the City's Municipal Marketing Partnership Program (MMPP). The MMPP seeks opportunities for the City to generate revenue from partnerships with the corporate community. Respondents to this RFP are encouraged to consider furnishing the goods and services based on a Marketing Partnership with the City. The City defines a Marketing Partnership as a mutually beneficial business arrangement between the City and a third person, wherein the third person provides cash and/or in-kind services to the City in return for access to the commercial marketing potential associated with the City."

The City currently has one official marketing partnership with the Pepsi Bottling Group, which was awarded in November of 1999. In order to secure additional marketing partners, the City plans to use the occasion of soliciting proposals for major goods and services contracts as an opportunity to introduce and discuss the MMPP and benefits of partnership with various industries. The RFP for Wireless Products and Services was the first opportunity to seek a marketing partnership in conjunction with a contract for goods and services.

## DISCUSSION

On May 8, 2000, the City of San Diego issued a RFP for Wireless Communications Goods and Services in conjunction with the MMPP. The overall objectives of the RFP for this procurement were: 1) To secure the best wireless products and services for the City at the most affordable price; 2) To develop a partnership with a wireless vendor which encouraged the sharing of technological advancements during the life of the contract; 3) To give the wireless companies the opportunity to develop a marketing partnership where the City received cash or in-kind services from the vendor in return for marketing opportunities available through the City. In response to the RFP, four companies indicated in their proposals that they were interested in participating in the MMPP. These companies included Verizon Wireless, Pacific Bell Wireless, GTE Wireless and Nextel.

## **Process**

The process of negotiating a marketing partnership with the participating wireless companies proceeded along parallel lines with the process of negotiating the wireless products and services contract. The City's Development Director and The Pathfinder Group, the City's consultant to the MMPP, worked solely on negotiating the marketing partnership. Concurrently, IT&C staff negotiated the goods and services contract.

To ensure fairness in the MMPP process, Development staff and the consultant undertook the following: participated in the pre-proposal conference and all negotiations with the finalists; provided each company with the same written information about the MMPP; provided the same number of opportunities to meet and discuss the program and allowed for three opportunities to submit revised marketing partnership proposals. In addition, the wireless companies were all encouraged to involve their marketing staff in the partnership negotiations in order to assess the value of a partnership with the City in relation to the companies' overall marketing objectives. The final marketing partnership proposals reflected the value each company placed on entering into a partnership with the City.

As a result of negotiations and analysis of the final pricing proposals, staff from IT&C selected Verizon as the most cost effective plan for the City. The analysis for this selection is provided in the companion City Manager Report. Once Verizon was selected for the wireless telephone contract, staff from the Development Program completed the negotiations for the marketing partnership and provided IT&C with the final marketing partnership proposals. Although the marketing partnership proposal is negotiated separately and is not a requirement for the goods and services contract, in this case the Verizon marketing partnership proposal proved to be the best proposal from the four participating wireless companies. The Verizon proposal was superior in that it offers the greatest economic value to the City; it requests benefits which the City is able to provide; and it is not tied to rebates, incentives and any other contingencies in the wireless telephone contract.

## **Verizon Proposal**

Included in Attachment B is the negotiated Marketing Partnership Agreement between the City and Verizon Wireless. The Agreement with Verizon is based upon the same term as the wireless telephone services and equipment contract: two years with three, one-year renewal options. Verizon is prepared to pay the City \$200,000 per year for each year that Verizon has the wireless telephone contract. In addition, Verizon will provide the following in-kind services to the City:

1. Verizon will commit 2 - 4 volunteer teams annually with a minimum of 25 volunteers per team to assist the Library and/or the Parks and Recreation Department. These will include, but are not limited to, Library maintenance efforts, beach clean-ups and park clean-ups. Verizon will work with the City to determine appropriate team events.
2. Verizon will facilitate at least one "technology tutoring" session annually in conjunction with the City's literacy/education/digital divide focus. Content may include topics ranging from wireless data applications to internet or computer training. Verizon will work with the City to determine appropriate tutoring events.

Verizon's commitment to improve the quality of life in San Diego through employee volunteer programs is consistent with the company's overall community relations programs. Verizon has a strong tradition of contributing to the communities where it operates. Two notable programs include the Safeguard Our Schools program (S.O.S.) where Verizon donated 10,000 phones to all participating public high schools in California in order to enhance the safety of students and faculty members. In addition, domestic violence prevention has been a primary area of corporate philanthropy for Verizon. Nationwide, Verizon has donated thousands of wireless phones to domestic violence shelters which are pre-programmed to dial 911 for use by victims.

In addition to its community programs, Verizon has been recognized within the wireless industry as a top performer in customer service. Verizon, which serves more than 25 million wireless customers, was ranked number one in customer satisfaction in the San Diego area according to the prestigious J.D. Power and Associates 2000 Wireless Customer Satisfaction Study.

As marketing partners, Verizon's proposal requested that specific marketing opportunities be afforded them by the City. The Marketing Partnership Agreement ensures that the City has the right to review and approve all logos and promotional activities that represent Verizon's efforts to publicize and/or promote the rights and benefits granted it by the Marketing Partnership Agreement. The marketing rights and benefits requested are as follows:

1. The right to be designated and referred to as the "Official Wireless Partner" of the City and to use said designation in promotional and marketing efforts including press releases, stories, features and other publicity initiated by Verizon or the City.
2. Logo designation as the "Official Wireless Partner" of the City in newsletters and other publications published by the City including Business Matters, City Page, Covering New Ground, Spectrum, Check Us Out, Tideline, and CityLine.
3. Website link from the City's MMPP's webpage and from the Community Service Center computers to a page which highlights the wireless partnership. The partnership page will include a link to Verizon's website that is consistent with all current and future City policies on disclaimers and privacy.
4. Logo identification on the City's Special Events website with a link to the "Verizon 7-day Outlook" which highlights special events occurring in San Diego in the next week.
5. The right to do not more than 4 direct mailings per year to City residents and commercial business owners that promotes the partnership with the City and offers Verizon's products and services.
6. The right to offer Verizon products and services to City employees via City distribution, at preferred rates, not more than 4 times per year.
7. The right to set up a kiosk or other appropriate table or booth at various City-owned or

controlled sites for the purpose of providing assistance to existing customers under the Wireless Telephone Contract and to provide information to potential customers. On-site presence will be limited to not more than two visits per City location per year.

8. The right to offer Verizon prepaid products in all San Diego City Stores and seasonal kiosks. No City staff will be involved in implementing this right.
9. The right to offer Verizon products and customer service at Community Service Centers and at special events hosted by Community Service Centers. No City staff will be involved in implementing this right.
10. The right to co-sponsor up to four mutually agreed upon, City-hosted events per year, at no additional cost, if there is not a wireless telephone company that is currently an exclusive sponsor of the event. Benefits shall include on-site sales opportunities, logo identification in collateral materials, category exclusivity, and other appropriate promotions.
11. The right of first refusal to sponsor additional City-hosted special events if there is not a wireless telephone company that is currently an exclusive sponsor. For these events, the parties will agree on a sponsorship fee as well as all rights and benefits associated with the sponsorship.
12. The right to be informed, on a preferential basis, by City staff of additional special events in the City that require a permit from the City to take place.
13. The right to promote Verizon's sponsorship of these events through selective, mutually agreed upon, City publications and other communications devices as well as through commercial media and other appropriate promotional opportunities.

14. Verizon shall not have the right, under this Agreement, to have access to, or participate in, any event or activity being held in or at Qualcomm Stadium.

## CONCLUSION

By utilizing the City's Municipal Marketing Partnership Program in conjunction with the RFP for Wireless Communications Products and Services, the City has forged a true partnership with the selected provider, Verizon Wireless. This negotiated procurement resulted in a partnership with the following highlights: 1) An agreement with a national company recognized for its superior customer service and leading edge technology; 2) A cost effective pricing plan for wireless telephone services and products with new wireless features; 3) A technology partnership where Verizon will share technology advancements, provide ongoing training for the City's technical staff and use the City as a test site for new products; 4) A Marketing Partnership Agreement between the City and Verizon Wireless which will generate between \$371,200 and \$955,200 in new funding for the City of San Diego over the next two to five years. In addition to the annual payment of a marketing rights fee, Verizon will provide teams of 25 volunteers 2 to 4 times per year to assist the Library and Park and Recreation Departments. Verizon will also facilitate at least one technology tutoring session per year to further the City's efforts in education and literacy.

The proposed partnership with Verizon is consistent with the City's Municipal Marketing Partnership Program, which was approved unanimously by the City Council in June of 1999 and the City's Marketing Partnership Policy. The proposed Marketing Partnership Agreement includes specific benefits awarded to Verizon including the right to be designated and referred to as the "Official Wireless Partner" of the City of San Diego. It is important to note that the Agreement is simple, straightforward and easy to manage. The benefits do not include signage on City facilities or naming rights, and the marketing rights fee is not tied to rebates, incentives and any other contingencies in the wireless telephone contract.

## ALTERNATIVE

Do not approve the Marketing Partnership Agreement with Verizon Wireless.

Respectfully submitted,

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Mary Braunwarth  
Director of Development

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Approved: Bruce Herring  
Deputy City Manager

MB/mlb

Attachments: 1. Marketing Partnership Policy