

DATE ISSUED: November 14, 2001

REPORT NO. 01-242

ATTENTION: Honorable Mayor and City Council
Docket of November 19, 2001

SUBJECT: Marketing Partnership with Cardiac Science

SUMMARY

Issues -

1. Should the City Council select Cardiac Science as the official "AED Partner" of the City of San Diego in conjunction with the award of the contract for AEDs (Automated External Defibrillators.)
2. Should the City Manager enter into a Marketing Partnership Agreement with Cardiac Science?

Manager's Recommendation

1. Select Cardiac Science as the official "AED Partner" of the City of San Diego in conjunction with the award of the contract for AEDs.
2. Authorize the City Manager to enter into a Marketing Partnership Agreement with Cardiac Science.

Other Recommendations - None

Fiscal Impact - \$100,000 marketing rights fee to be paid by Cardiac Science to the City during the first year of the Marketing Partnership Agreement. The term of this Agreement is one year with the possibility of four, one-year extensions. If the Agreement

is extended to a second year, Cardiac Science will pay the City a \$50,000 marketing rights fee. If the Agreement is extended for a third year, Cardiac Science will pay the City a \$25,000 marketing rights fee. Cardiac Science will also pay the City an Incremental Marketing Fee (Incremental Fee) based upon the sale of AEDs in San Diego County during the term of the Agreement, and the sale of AEDs to Rural/Metro Corporation nationally. On each anniversary of this Agreement, when Cardiac Science reaches a minimum sales level of AED units sold under the Marketing Partnership, Cardiac Science will pay the City an Incremental Fee based on the following graduated scale:

| <u>Cumulative Sales Level</u> | <u>Incremental Marketing Fee</u> |
|-------------------------------|--|
| Up to 500 units | \$100 per AED and \$10 per wall mount case |
| 501-1000 units | \$125 per AED and \$15 per wall mount case |
| 1001 units + | \$150 per AED and \$25 per wall mount case |

The minimum sales levels are: 226 units sold in year 1, 113 units sold in year 2, and 57 units sold in year 3. If the Agreement is extended beyond the third year, the Incremental Fee is paid on all units sold during the extension. The calculation of the Incremental Fee will be based on cumulative sales throughout the full term of the Agreement.

The overall fiscal impact is estimated to range from \$175,00 to \$600,000 depending on the length of the Agreement and the total number of AED units and wall mount cases sold. Funding will be deposited into the San Diego Emergency Medical Services Enterprise Account to fund the operations of the City's Public Access Defibrillation Program.

BACKGROUND

San Diego Fire and Life Safety Services (SDF&LSS) and San Diego Emergency Medical Services Enterprises (SDMSE) LLC have embarked on a new Public Access Defibrillation Program (PAD Program) which has a goal of improving the survivability of sudden cardiac arrest victims in San Diego. The PAD Program's objectives over the next five years are to saturate the San Diego region with AEDs, educate the community about this important life-saving technology, and provide training in the use of AEDs. Target occupancies include all City facilities, Lifeguard Services, private businesses and industries, health care facilities and public schools. In June of 2001, SDMSE was awarded its first contract in this area as the oversight, training and consulting services provider for the San Diego Unified Port District, San Diego International Airport AED Program.

The City's PAD Program has received initial funding of \$100,000 from Councilmember Jim Madaffer, Council District 7 and \$5,000 from San Diego Fire Fighters Local 145 for the purchase of AED units. This funding will allow for the purchase of 40 AEDs, which will be placed in City facilities and Lifeguard towers and vehicles. SDMSE plans to develop into a PAD consulting and training business with an established income stream that will provide a self-funding management structure for the City's PAD Program.

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. One methodology the MMPP uses to develop marketing partnerships is to utilize the occasion of soliciting proposals for major goods and services contracts as an opportunity to introduce and discuss marketing benefits with companies within a specific business category. By utilizing the competitive Request for Proposal (RFP) process, all companies in a business category have the same opportunity to learn about the MMPP and participate if they are interested. There is no requirement that companies participate in the MMPP in order to compete in the City's procurement process. The City

currently has three marketing partnerships with Pepsi Bottling Group, Verizon Wireless and Travelex. Together, these marketing partnerships will provide between \$8 million and \$23 million in new resources for the City.

Staff from SDF&LSS, SDMSE, Purchasing and the MMPP determined that the procurement of AEDs would be an ideal candidate for the MMPP because of the competitiveness of the AED marketplace and the sales opportunities in this emerging market. As a result, language about the MMPP was added to the RFP for AEDs and additional information was provided at the mandatory pre-proposal conference.

DISCUSSION

In June of 2001 the City issued a RFP for the provision of AEDs in conjunction with the MMPP. The overall objectives of the RFP for this procurement were: 1) To secure the best AED technology for the City at the most affordable price; 2) To develop a partnership with an AED provider which encouraged the sharing of resources to develop a successful PAD Program in San Diego; 3) To give the AED companies the opportunity to develop a marketing partnership where the City receives cash or in-kind services from the company in return for marketing opportunities available through the City and the PAD Program. In response to the RFP, the following four companies indicated an interest in the MMPP: Agilent-Heartstream, Medical Research Laboratories, Medtronic Physio-Control, and Survivalink (Now Cardiac Science.)

Process

The process of negotiating a marketing partnership with the participating AED companies proceeded along parallel lines with the process of selecting the finalist vendor for the AED goods and services contract. The City's Director of Development for the MMPP negotiated the marketing partnership, while SDF&LSS staff reviewed the proposals and selected the finalist vendor for the goods and services contract.

To ensure fairness in the MMPP process, MMPP staff 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; and provided the same number of opportunities to meet and discuss the program. In addition, the AED 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 finalists in the goods and services contract process were requested to provide a final marketing proposal which reflected the value they placed on entering into a partnership with the City.

As a result of discussions and analysis of the final pricing proposals for the AED contract, staff from SDF&LSS selected Cardiac Science as the most cost effective provider for the City. Once Cardiac Science was selected, the final marketing proposal from Cardiac Science was reviewed and also accepted. Staff has determined that the selection of Cardiac Science as the City's AED provider meets all the goals established for the AED procurement.

Cardiac Science Marketing Partnership Proposal

Included as an Attachment is the negotiated Marketing Partnership Agreement between the City and Cardiac Science. The Agreement with Cardiac Science is based upon the same term as the AED contract: one year with four, one-year renewal options. Cardiac Science will pay the City \$100,000 during the first year of the Agreement, and an additional \$50,000 if the Agreement is extended for a second year and an additional \$25,000 if the Agreement is extended for a third year. Cardiac Science will also pay the City an Incremental Fee based upon the sale of AEDs in San Diego County during the term of the Agreement, and the sale of AEDs to Rural/Metro Corporation nationally. For each year of the Agreement, when Cardiac Science reaches a minimum sales level of AED units sold under the Marketing Partnership, Cardiac Science will pay the City an Incremental fee based on the following graduated scale:

| <u>Cumulative Sales Level</u> | <u>Incremental Marketing Fee</u> |
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| Up to 500 units | \$100 per AED and \$10 per wall mount case |
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| 1001 units + | \$150 per AED and \$25 per wall mount case |

The minimum sales levels are: 226 units sold in year 1, 113 units sold in year 2, and 57 units sold in year 3. If the Agreement is extended beyond the third year, the Incremental Fee is paid on all units sold. The calculation of the Incremental Marketing Fee will be based on cumulative sales throughout the full term of the Agreement. For example, once Cardiac Science sells 500 units, the Incremental Marketing Fee for the 501st unit will be \$125 regardless of which year the unit is sold.

Cardiac Science, Inc. is a publicly held U.S. company that develops, manufactures and markets life-saving external cardiac defibrillator devices and proprietary disposable defibrillator electrodes that monitor and automatically treat patients who suffer life-threatening heart rhythms. The recent merger of Survivalink Corporation and Cardiac Science will create innovations across the combined product lines including the Survivalink Automated External Defibrillators (AEDs) which allow non-medical persons to quickly provide a life-saving defibrillation shock to a sudden cardiac arrest victim. The combined company, which will operate as Cardiac Science, Inc., is the fastest growing defibrillation company in the world.

As marketing partners, Cardiac Science has 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 Cardiac Science's efforts to publicize and/or promote the rights and benefits granted it by the Marketing Partnership Agreement. The specific marketing rights and benefits requested are as follows:

1. The right to be designated and referred to as the "Official AED Partner of the City San Diego" and to use said designation in promotional and marketing efforts including press releases, stories, features, cable television programming, public service announcements and other publicity initiated by Cardiac Science or the City.
2. Cardiac Science shall be named on all promotional materials used in connection with the branding of the PAD Program as the Official AED Partner of the City of San Diego. @ Production costs to produce the logo and collateral materials for the PAD Program

including brochures, stickers, and posters will be paid by the City. The PAD program logo will also be placed on up to four official vehicles used to operate the PAD Program.

3. A Web site link from the San Diego Medical Services Enterprise Web page and MMPP Web page to a Web page that highlights the PAD Program. The PAD Program Web page will include a link to Cardiac Science's Web site and, in both form and content, will be consistent with all current and future City policies related to Web sites including Council Policy 000-40, Marketing Partnership Policy, and the City's Web Sponsorship Guidelines. The City will produce all content for the initial Web page on the PAD Program. The cost of any expansion to the Web page will be negotiated by the parties.
4. The right to participate with San Diego Medical Services Enterprise in a maximum of three national trade shows or speaking engagements per year, as mutually agreed upon by the parties, to represent the PAD Partnership. Costs associated with participating in attending the trade shows and/or speaking engagements shall be borne by both parties.
5. The right to participate in a maximum of three City-hosted health and safety events per year. Costs for attendance and participation will be borne independently by both parties.
6. The right to advertise in the San Diego region to promote the PAD Partnership and offer Cardiac Science products and services to businesses, municipalities, and school districts. The City agrees to pay for all costs associated with the production of direct mailing materials for the PAD program, and Cardiac Science agrees to pay the postage for any direct mailing campaigns; provided, however, that any direct mailing campaign shall be mutually agreed to by the parties.
7. The right to include product information in City promotional materials and host informational seminars to train City employees on the AEDs. The City shall provide Cardiac Science with quarterly reports on the status of marketing and advertising of the PAD program.

CONCLUSION

By utilizing the City's Municipal Marketing Partnership Program in conjunction with the RFP for AEDs, the City has forged a true partnership with the selected provider, Cardiac Science. This procurement process resulted in a partnership with the following highlights: 1) A partnership with the fastest growing defibrillation company in the world; 2) Top quality AED technology at a cost effective price; 3) A Marketing Partnership Agreement between the City and Cardiac Science which will generate between \$175,00 to \$600,000 in new revenue to help fund and expand the City's PAD Program.

The proposed partnership with Cardiac Science is consistent with the City's MMPP, 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 Cardiac Science including the right to be designated as the "Official AED Partner of the City of San Diego." The benefits do not include signage on City buildings or naming rights.

ALTERNATIVE

Do not approve the Marketing Partnership Agreement with Cardiac Science.

Respectfully submitted,

Mary L. Braunwarth
Director of Development

Approved: Bruce Herring
Deputy City Manager

Approved: Chief August F. Ghio
Deputy Chief - Emergency Medical Services