

DATE ISSUED: September 4, 2002

REPORT NO. 02-194

ATTENTION: Honorable Mayor and City Council  
Docket of September 9, 2002

SUBJECT: Marketing Partnership with General Motors

REFERENCE:

SUMMARY

Issues -

1. Should the City Council select General Motors as the official “Vehicle Partner of the City of San Diego?”
2. Should the City Manager enter into a Marketing Partnership Agreement with General Motors?

Manager=s Recommendation -

1. Select General Motors as the “Official Vehicle Partner@ of the City of San Diego.
2. Authorize the City Manager to enter into a Marketing Partnership Agreement with General Motors.

Other Recommendations - None

Fiscal Impact – Thirty-five vehicles will be loaned to the City by General Motors (GM) during the first two year term of the Marketing Partnership Agreement. The full term of this Agreement is two years with the option to extend the Agreement for one additional two-year term. If the Agreement is extended for a second two-year term, GM will replace the original thirty-five vehicles with new models. The financial value of these vehicles to the City is approximately \$350,00 a year, or \$1,400,000 over four years.

Under the Agreement, the vehicles will be assigned to the following divisions:

<b>Department</b>	<b>Number of Vehicles</b>
Lifeguards	29
Police Department	3
Fire Department	1
Equipment Division	1
Mayor's Office	1

Actual budgetary savings in the City's motive equipment replacement fund is moderately different than the value of the partnership due to three factors. First, five of the thirty-five loaned vehicles are not budgeted. Second, a number of the loaned vehicles are of higher value than those currently provided in the motive equipment budget. Finally, the length of the term of the agreement impacts the amount of fees needed to replace the vehicles once the partnership ends. Estimated budgetary savings under a two-year term, is approximately \$157,689 annually. If the term of the partnership is extended to four years, the annual savings for the second, two-year term will average \$481,689. Savings under this program have already been assumed in the fiscal 2003 budget. The City also anticipates significant savings in maintenance during the term of this Agreement.

A transaction fee of \$23,969 will be paid to the Pathfinder Group, the City's consultant, per the Municipal Marketing Partnership Program Agreement. This fee represents an 8% commission for the first two years of the contract reduced by 10%. This fee will be partially funded from the savings in the Corporate Sponsorship and Development Program. The City Manager will work with the Auditor and Financial Management to generate savings to fund the balance of the fee. An additional fee will be paid to The Pathfinder Group in the third year of the Agreement if it is extended. No commission fees apply to the fourth year of the Marketing Partnership Agreement.

## BACKGROUND

On June 8, 1999 the City Council unanimously approved a strategic marketing plan for corporate partnerships with the City of San Diego called the Municipal Marketing Partnership Program (MMPP). The MMPP, now called the Corporate Partnership Program (CPP), 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. Following that decision, on January 18, 2000, the City Council approved a Marketing Partnership Policy to provide guidelines for the CPP. A copy of the policy is enclosed as Attachment 1. The City currently has four official partnerships with Pepsi Bottling Group, Verizon Wireless, Cardiac Science and Travelex. Since the Program's inception, the City has received \$3.5 million in cash or budget-relieving in-kind goods and nearly \$250,000 in in-kind service enhancements through the Corporate Partnership Program. Over the next ten years, the current partnerships alone are estimated to raise nearly \$15 million in new cash and in-kind goods and services for the City.

The main objective of the Corporate Partnership Program is to generate revenue to fund existing

and additional facilities, projects, programs and activities. One area where the City spends a significant amount of general fund monies is in fleet purchases. Subsequently, staff researched opportunities to develop a marketing partnership with a motor vehicle company. It was determined that the motor vehicle industry was an ideal candidate for the City's CPP because of the competitiveness of the marketplace and the extensive sponsorship activities of motor vehicle companies. After discussions with City Fleet Managers, CPP staff limited the number of possible corporate partners to those vehicle brands in the medium and light-duty categories that the City currently operates and maintains.

## DISCUSSION

On September 27, 2001, the City mailed a Request for Sponsorship to the San Diego County dealers or the dealer associations for Ford, GM, Chrysler/Plymouth/Jeep and Toyota. Each company was afforded the opportunity to notify the City within a specified time frame of its interest in the Corporate Partnership Program. Three of the four companies responded with interest in the program. After initial discussions, only GM remained interested in a comprehensive marketing partnership with the City.

GM is currently the world's largest motor vehicle company. The company is an active sponsor of several San Diego-based special events including Torrey Pines Buick Invitational, San Diego County Fair and the City's upcoming Super Bowl. In addition to this Marketing Partnership Agreement, GM and the City of San Diego have partnered together to test neighborhood electric vehicles (NEVs). NEVs are zero emission, environmentally friendly, two-passenger vehicles that are designed to reduce reliance on gas-powered vehicles in controlled environments such as parks, stadiums and business campuses. Under a separate agreement, the City will test drive 63 NEVs for one year at no cost.

### **GM Marketing Partnership Proposal**

Included, as an Attachment, is the negotiated Marketing Partnership Agreement between the City and GM. The Agreement with GM is based upon a two-year term with an option for an additional two-year extension. The benefits to the City of San Diego of San Diego under this Marketing Partnership Agreement are as follows:

1. GM will loan thirty-five (35) 2002 model year, factory-equipped vehicles for use by the City during the two-year term of the Agreement. If the additional two-year option is exercised, GM will replace the thirty-five loaned vehicles with thirty-five new model vehicles. Specific models and option content will be mutually agreed upon between the parties.
2. GM will develop a special employee promotional program for City of San Diego employees.
3. GM will provide the City with twenty-five (25) 4-color public service signs, which will prominently feature a public service message on beach safety and include mutually agreed upon GM marks. A sign will be located at twenty-five City-owned lifeguard

towers at mutually agreed upon City-owned beaches.

As a marketing partner, GM has requested 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 GM=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. Recognition as the “Official Vehicle of the City of San Diego” during all events hosted by the City on City beaches. Said designation will be included in all City promotional materials produced by or on behalf of the City for the events. GM shall have the right of first refusal to sponsor other City-hosted special events. City will notify GM of any events not hosted by the City on City beaches and provide contact information to enable GM to negotiate sponsorship of such events.
2. Commitment from the City to draft future Request for Proposal documents (RFP) that are inclusive of GM vehicles in the light and medium duty categories, and at City’s discretion, identify GM vehicles in the RFP documents.
3. Right to host four (4) City-approved events on coastal area beaches per year, times, locations and durations to be mutually agreed upon by parties. City will provide permit fees at no cost. If GM elects to display vehicles at these events, City will provide GM with prominent space, measuring 900 square feet for GM to use.
4. Right to an annual City-hosted meeting with City Fleet Managers and representatives of GM and its San Diego Area Dealers to discuss any new developments related to vehicle models and maintenance. This meeting may include the opportunity for City to test drive GM vehicles. City will be responsible for the costs of the meeting that are related to the location, furnishings and refreshments.
5. Right to a City-hosted media event and reception to announce the partnership to be attended by the City’s fleet managers; key fleet staff and personnel; the Mayor; and representatives of the City Manager's Office and City Council. City agrees to draft and distribute a press release regarding the partnership to a minimum of fifty (50) media outlets.
6. Right to feature its marks and partnership designation on all vehicles loaned to the City except those vehicles that are used by the Mayor, police, fire and the lifeguard chief. City reserves the right to approve the method, size, color, language, marks and all other aspects of placing signage on vehicles. City will be responsible for all expenses for the design, layout, fabrication, production, installment and maintenance of the vehicle signage and of the removal of the vehicle signage at the expiration or termination of the agreement.
7. Automotive exclusivity for the right to utilize the parking lot at Qualcomm Stadium for new vehicle sales events. If the City awards a contract for a third party entity to manage the parking lot, the right will be terminated on the effective date of the management contract unless this right is provided for under the new management contract.

## CONCLUSION

By utilizing the Corporate Partnership Program, the City has forged a true partnership with GM with the following highlights: 1) An association with the largest motor vehicle company in the world; 2) A loan of thirty-five vehicles for two years, with the possibility of a second, two-year term; 3) A Marketing Partnership Agreement between the City and GM which has an overall value to the City between \$700,000 and \$1,400,000 depending on the length of the Agreement.

The proposed partnership with GM is consistent with the City's Corporate 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 GM including the right to be designated as the "Official Vehicle of the City of San Diego" during all events hosted by the City on City beaches. .

ALTERNATIVE

Do not approve the Marketing Partnership Agreement with General Motors.

Respectfully submitted,

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Mary L. Braunwarth  
Director of Development

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Approved: Bruce Herring  
Deputy City Manager

Note: The attachment is not available in electronic format. A copy is available for review in the Office of the City Clerk.

Attachment: City of San Diego Marketing Partnership Policy