



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: November 22, 2006 REPORT NO. 06-177
ATTENTION: Council President and City Council
Council Docket of Nov. 28, 2006
SUBJECT: Marketing Partnership Agreement with San Diego Metropolitan
Credit Union

REQUESTED ACTIONS:

1. Authorize the Mayor to enter into a Marketing Partnership Agreement with San Diego Metropolitan Credit Union which includes revenue to the City of \$500,000 for the term of the Agreement. The Agreement is based upon five one-year terms.
2. Authorize the expenditure of \$30,000 from Fund 100, Dept 601, Org 3305, Obj Acct 4151 for commission payment to The Pathfinder Group (Document No. C-13038).

STAFF RECOMMENDATIONS:

1. Approve the Resolution.

SUMMARY:

Introduction

On June 8, 1999, the City Council approved a Strategic Marketing Plan for corporate partnerships with the City of San Diego called the Municipal Marketing Partnership Program (MMPP). On January 18, 2000, the City Council approved a Marketing Partnership Policy to provide guidelines for the Program. A copy of the policy is included in this Report as Attachment A.

The MMPP, now called the Corporate Partnership Program (CPP), seeks opportunities for the City to generate cash and in-kind resources from partnerships with the corporate community in order to enhance municipal services and facilities in the City. To date, the CPP has generated over \$10,750,000 in new resources for the City through official marketing partnerships with the Pepsi Bottling Group, Verizon Wireless, General Motors, Cardiac Science, McCune Chrysler-Jeep, Sunroad Community Foundation and Evolution Film & Tape, Inc.

Background

The San Diego Metropolitan Credit Union (SDMCU) was formed in 1934 by a group of San Diego city employees for the specific purpose of making it easier for City employees to access money during one of the most difficult economic times in American history. Today, SDMCU has over 18,000 members of which approximately 75% are current, former or retired municipal employees and their families.

Serving the financial needs of San Diego city employees is the primary focus of SDMCU's marketing and outreach efforts. It is the only credit union in the City of San Diego whose target market is San Diego city employees. Several City employees sit on the Board of Directors of SDMCU.

SDMCU provides City employees with several special programs including conducting seminars for City employees and their families to educate them about various consumer financial issues. Seminar topics include budgeting basics, identity theft, purchasing a home, maintaining/improving credit scores, and investing basics. In addition to holding these seminars at credit union branch locations, SDMCU has conducted several seminars at City worksites, including the Water Department facilities at Topaz and Chollas.

SDMCU has also developed a special loan program for new Police Department recruits. The program assists recruits (and tenured officers, as well) by offering a pre-qualified loan with minimal underwriting for out-of-pocket and/or upgraded equipment purchases.

At year-end 2000, 2003 and 2005, SDMCU organized opportunities for City employees to purchase new computers and electronic equipment at discounted prices and provided special 0% financing for the purchases. Combined, more than 5,500 systems were purchased through these sales, and more than \$11 million in loans were processed.

City's Business Relationship with SDMCU

SDMCU is under contract with the City to process electronic payroll funds for the Department of Finance. This contract was awarded subject to an RFP. CPP staff has discussed the proposed marketing partnership with Jay Goldstone, Chief Financial Officer, and staff in the Department of Finance and determined that there are no conflicts with the City's current business relationship with SDMCU.

SDMCU has placed several ATM's on City property that are primarily used by City employees.

Process Followed To Develop This Partnership

Since the beginning of the Corporate Partnership Program in 1999, there have been informal discussions and meetings with SDMCU on various outreach efforts and special promotions to City employees. However, there has never been a formal marketing partnership agreement.

As the CPP has become more successful in developing marketing partnerships and effective in its' outreach efforts and special promotions to City employees, the benefits to SDMCU of entering into a formal marketing partnership with the City have become more compelling.

In the Fall of 2005, the CPP and the SDMCU began to discuss a formal marketing partnership relationship. Although, the CPP usually develops marketing partnerships through a competitive process in accordance with the Corporate Partnership Policy 000-40, staff determined that, based on the historic and current business relationship between the City and the SDMCU as described above, a competitive process was not appropriate because the proposed partnership was "unique and without interested competitors." (See Corporate Partnership Policy 000-40, paragraph d. 2. under General Principles).

Staff further determined that the proposed partnership fell within the "sole source" provisions of the Municipal Code Section 22.3037 (a) and did not require a competitive process; as to do so would be unavailing, would not produce an advantage and would be undesirable due to the unique relationship that already exists between SDMCU and City employees. A copy of this provision of the Municipal Code is included in this Report as Attachment B.

San Diego Metropolitan Credit Union Proposal

Included in Attachment C to this Report is the Marketing Partnership Agreement which has been negotiated between the City and the SDMCU. The Agreement is based upon five one-year terms.

The benefits to the City under this Agreement are as follows:

1. The SDMCU will pay the City a marketing rights fee in the amount of \$100,000 per year for the term of the Agreement. If the term of the Agreement is extended for the full five years, the City will receive a total of \$500,000 in marketing rights fees.

The marketing rights and benefits provided to SDMCU under this Agreement are as follows:

1. The right to be designated and referred to as the "Official Credit Union" of the City and the right to promote this designation
2. The right to offer its products and services to City employees, retirees and family members at preferred terms through various promotions including tabling opportunities and financial seminars
3. The right to have information about the Marketing Partnership with a link to the SDMCU's web site on the CPP web page of the City's internet and intranet web sites

4. The right to have the City facilitate introductions between the SDMCU and the City's existing corporate partners
5. The right to work with a representative of the CPP to fulfill each and every one of the rights and benefits that are listed in the Agreement and constantly strive to develop additional ways to make the partnership successful

The Marketing Partnership Agreement ensures that the City has the right to review and approve all logos and promotional activities that represent the SDMCU's efforts to publicize and/or promote their rights and benefits.

Conclusion

By developing this Marketing Partnership with SDMCU, the City is expanding its existing business relationship with an institution that was founded by City employees and has been serving their financial needs for 72 years. Not only does the partnership generate revenue for the City, it also directly benefits City employees through SDMCU's practical-financial seminars and special consumer lending programs.

This partnership is an example of the continued success of the City's Corporate Partnership Program to generate much-needed revenue for the City. The proposed partnership with the SDMCU is consistent with the City's Corporate Partnership Program and the City's Marketing Partnership Policy. No signage on City facilities or naming rights are involved and the marketing rights fee is not tied to rebates, incentives and any other contingencies.

FISCAL CONSIDERATIONS:

A \$100,000 annual marketing rights fee to be paid by the San Diego Metropolitan Credit Union to the City for each year of the Agreement. The term of the Marketing Partnership Agreement is five one-year terms.

In the first year of the Agreement, a transaction fee of \$10,000 will be paid to The Pathfinder Group, the City's consultant, as per the Marketing Consultant Agreement. An additional \$10,000 will be paid to The Pathfinder Group in the second year and in the third year if the marketing partnership agreement is extended. No commission fees apply to the fourth or fifth year of the Marketing Partnership Agreement. (Document No. C-13038)

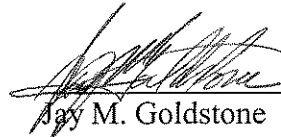
The overall fiscal impact will range from \$90,000 to \$470,000 depending on the renewal of the Agreement. Funding to be deposited in the General Fund as part of the revenue projection for the Corporate Partnership Program.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None

KEY STAKEHOLDERS AND PROJECTED IMPACTS: The Pathfinder Group, San Diego Metropolitan Credit Union


Jennifer Wolff
Director, Corporate Partnership Program


Jay M. Goldstone
Chief Financial Officer

- Attachments:
- A. Marketing Partnership Policy
 - B. Municipal Code Section 22.3037 (a)
 - C. Marketing Partnership Agreement with San Diego Metropolitan Credit Union