

10/29/19



City Council Meeting

Item #6. Action on the Resolution Approving the Award of Agreement to Levy Premium Foodservice Limited Partnership for Food & Beverage Operations at the Santa Clara Convention Center

October 29, 2019



City of Santa Clara
The Center of What's Possible

Agenda

- Background
- Procurement and Proposal Evaluation Process
- Recommended Food and Beverage Operator
- Recommended Contract Terms with Levy
- Transition
- Staff Recommendation

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Background

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Background

- May 13, 2019 – the City released a Request for Proposals for Food and Beverage Operations.
- May 20, 2019 – Aramark delivered a letter to the City advising that they would be ceasing food and beverage operations at the Santa Clara Convention Center, effective July 26, 2019.
- June 9, 2019 – the City sent a letter to Aramark confirming their decision to quit services as final.
- July 16, 2019 – City Council approved an interim agreement Spectra company, Ovations Food Services for food and beverage operations for the term July 27, 2019 – December 31, 2019.

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Procurement and Proposal Evaluation Process

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RFP Key Dates

EVENT	DATE
RFP released on BidSync	May 13, 2019
Mandatory Pre-Proposal Conference	May 24, 2019
Proposals Due Date	June 24, 2019
Proposal Evaluation – Phase 1	June 26 – July 10, 2019
Oral Presentation & Food Tasting	July 29 & 31, 2019
Best and Final Offers Due	August 7, 2019
City issued Notice Intended Award; Protest Period Began	August 16, 2019

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Evaluation Team

- Consultant Jones Lang Lasalle (JLL) provided technical assistance during the evaluation process.
- Prior to receiving proposals, evaluators were required to complete a Conflict of Interest form.
 - **Manny Gonzalez**, Vice President and General Manager, California's Great America
 - **Robin Reynolds**, Associate Vice President for Auxiliary Services, Santa Clara University
 - **Ruth Shikada**, Assistant City Manager, City of Santa Clara
 - **Nadine Nader**, Assistant City Manager, City of Santa Clara
 - **Angela Kraetsch**, Finance Director, City of Santa Clara

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Proposals Received

- The City received three proposals by the June 24, 2019 proposal deadline:
 - Levy Premium Foodservice Limited Partnership (Chicago, IL)
 - Ovations Food Services L.P. d/b/a Spectra Food Services & Hospitality (Philadelphia, PA)
 - Volume Services, Inc. d/b/a Centerplate (Stamford, CT)

Evaluation Process

- The evaluation process consisted of two phases.

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Phase 1 – Written Proposal

- The proposals were evaluated and scored against the following:
 - Quality of Proposal (5%)
 - Experience/Innovation (20%)
 - Operating Considerations (30%)
 - Staffing Plan (20%)
 - Financial Proposal (25%)
- Upon conclusion of this phase, Centerplate voluntarily notified the City of their decision to withdraw from the process.
- Both Levy and Ovations advanced to Phase 2.

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Phase 2 – Presentation & Tastings

- The City requested Levy and Ovations to:
 - Create a guest experience;
 - Specifically present on: Guest Experience: Local Workforce, Creativity, Financial Plan, Sustainability, Space Activation, Quality Control, and Customer Satisfaction;
 - Prepare food and beverage samples, of varying price points, from their proposed menus; and
 - Invite the general manager and executive chef candidates to be part of the presentation.

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RFP Scoring Criteria

CRITERIA	WEIGHT, PHASE 1	WEIGHT, PHASE 2
Quality of Proposal	5%	//////////
Experience/Innovation	20%	10%
Operating Considerations	30%	25%
Staffing Plan	20%	10%
Financial Proposal	25%	25%
Oral Presentation (Finalists only)	//////////	30%
TOTAL	100%	100%

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Best and Final Offer (BAFO)

- Allowed proposers to revise their financial proposal and propose any new concepts or guarantees.
- The BAFO responses were not separately rated.
- Both proposers improved their initial financial positions by offering rebates of fees in the event key performance indicators are not met and increased their commitments to engage the local community.

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BAFO Financial Proposals

Terms	Levy	Ovations
Capital Investment	\$5,000,000 in the first five years	Year 1: \$5,000,000 Year 6: \$1,500,000 Year 11: \$500,000 Total of \$7,000,000
Amortization schedule	Straight-line over 15 years	Straight-line over 15 years
Community enrichment investment	\$750,000	\$10,000 annual contribution to non-profit organizations
Management Fee	4.5% of gross receipts	2% of gross receipts

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BAFO Financial Proposals

Terms	Levy	Ovations
Incentive Fee	8% of net receipts	6% on net operating profits up to \$3,000,000, and 13.5% on net operating profits over \$3,000,000
Fee rebates if key performance measure(s) are not met	Up to \$200,000 of the management fee	Up to 50% of the incentive fee
Projected operational costs	\$39,434,000	\$46,172,188
Projected City net revenue for the five-year initial term	\$22,896,100	\$16,447,193

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Final Evaluation Scores

Criteria	Weight	Levy	Ovations
Experience/Innovation	10	10	9
Operating Considerations	25	23	22
Staffing Plan	10	9	9
Financial Proposal	25	20	22
Oral Presentation	30	30	25
TOTAL	100	92	87

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Notice of Intended Award

- A Notice of Intended Award (NOIA) announcing the City's recommended food and beverage operator was issued on August 16, 2019.
- Initiated the ten-day protect period and ended on August 26, 2019.
- No protests were received.

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Recommendation: Levy Premium Foodservice Limited Partnership

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Recommendation

- Staff recommends award of contract to Levy Premium Foodservice.
- Evaluation team agreed that Levy's unique approach, product quality, and philosophy were the best value for the City and would position the Convention Center very competitively in the market.

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Levy – Key Differentiators

- Presented a high-quality, creative food offering unique to Santa Clara;
- Committed to fully fund a capital investment of \$5 million to pay for start-up costs and ongoing innovation and transformation projects;
- Committed to invest additional \$750,000 to drive community enrichment and develop local partnerships;
- Committed to purchase a minimum of 25% locally sources and produced products;

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Levy – Key Differentiators (cont.)

- Presented a well-designed financial model to control costs by leveraging its national purchasing power and using their own in-house bakery to reduce costs;
- Uses proprietary data analytics software to predict measurable guest outcomes to drive customer satisfaction and create sales and marketing opportunities;
- Has a local trained workforce of 10,000+ to draw from to scale up operations when needed; and
- Presented an aggressive proforma budget with an accountability plan.

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Levy Experience

- References were highly pleased with Levy's performance in food quality, service delivery, and ability to meet or exceed financial targets.
 - Kentucky International Convention Center (Louisville, KY)
 - Greater Columbus Convention Center (Columbus, OH)
 - Puerto Rico Convention Center (San Juan, Puerto Rico)

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Recommended Contract Terms with Levy

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Agreement Terms

- **Term**

- Initial 5.5 year term: November 1, 2019 to June 30 2025 to align with the City's Fiscal Year.
- Two additional five year options to extend the agreement at the City's sole discretion.
- Includes 60-day operations transition for Levy; assumes full food and beverage operations January 1, 2020.

- **Termination Rights**

- City shall have the right to terminate the agreement with written notice.

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Agreement Terms (cont.)

- **Food and Beverage Operations**

- Operation and management of all aspects of food and beverage operations at the Convention Center: foodservice areas, bars, refreshment stands and vending operations.
- Adherence to all food preparation and quality standards including, but not limited to, safety and inspections and sanitation.
- Adherence to the City's Worker Retention Policy.
- Establish objectives to operate a first-class, high-quality, food and beverage operation at the Convention Center.
- Regular communication and coordination with the City and the Convention Center Operator.

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Agreement Terms (cont.)

- **Local Purchasing Requirement**
 - Commitment to purchase a minimum of 25% locally – Northern California grown and produced food, beverage, and supplies to the fullest extent possible.
- **Recycling and Sustainability Program**
 - Five-year road map to implement recycling and sustainability strategies.
 - Partner with local food pantries, etc. to donate unserved food meeting donating requirements.
 - Use of compostable products and implement recycling practices.
 - Annual target to achieve a “zero waste” operation.

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Agreement Terms (cont.)

- **Community Impact/Accessibility**
 - Implementation of training kitchen focused on career training, internships and apprenticeships, job placement, and mentorship.
 - Work with City to determine the right opportunities to partner with local organizations such as LifeMoves, Habitat for Community and Second Harvest Food Bank.
 - Levy staff volunteerism to give back to the Santa Clara community.
 - Public space activation.

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Agreement Terms (cont.)

- **Fees and Key Performance Measures (KPIs)**
 - Annual Management Fee of 4.5% of gross receipts
 - Fee rebate of up to \$200,000 annually of earned Management Fee if KPIs are not met
 - Incentive Fees tied to KPIs
 - Customer Service Survey Results Score
 - Overall Profit and Loss
 - Community Impact Scores – Community Accessibility
 - Sustainability Goals – Zero Waste
 - Workforce Development/Training
 - Local Purchasing Requirement
 - Sales Activity – New Business Development
 - Retail Revenue/Public Space Activation
 - Room Night Generation

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Agreement Terms (cont.)

- **Capital Investment**
 - \$5,000,000 investment during the initial term
 - \$2,825,750 (immediate investment upon contract award)
 - \$2,174,250 (unrestricted innovation & transformation)
 - Amortized over 15 years. In the event of early termination, City shall be obligated to reimburse Levy for unamortized portion.
- **Community Enrichment Investment**
 - \$750,000 for programs that drive community enrichment, develop local partnerships, and promote economic development of the City.
- **Financial Reporting**
 - Monthly and quarterly reporting
 - Contractor to provide annual certified audit report

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Transition

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Transition

- Spectra, Ovations and Levy are preparing for appropriate transition under the requirements of the City's Worker Retention Ordinance.
- Ovations and Levy have engaged in mutual hiring for specific positions to allow for continuity for new hires.
- Levy conducted final walk-through of Convention Center on October 15.
- City, Spectra, Ovations and Levy transition meeting October 25.
- City/Spectra Addendum to the City-Spectra Convention Center Management Agreement.

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Staff Recommendation

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Staff Recommendation

Adopt a Resolution:

- 1.** Authorizing the City Manager to negotiate and execute an Agreement with Levy Premium Foodservice Limited Partnership (Levy) for Food and Beverage Operations at the Santa Clara Convention Center consistent with the terms and form of agreement in the staff report for an initial term starting on November 1, 2019;
- 2.** Authorizing the City Manager to take ministerial actions consistent with the terms of the agreement; and
- 3.** Authoring the City Manager to execute two-five year options to potentially extend the term of the Agreement through June 30, 2035.

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