



Agreement for the Management and Operation of the SCCC

Item # 6

February 5, 2019



Agenda

- Background
- Procurement and Proposal Evaluation Process
- Recommended Operator
- Protest of Recommended Contract Award
- Recommended Contract Terms with Spectra
- Destination Marketing Services
- Transition
- Next Steps

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City of Santa Clara
The Center of What's Possible

Background

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City of Santa Clara
The Center of What's Possible

Background

- Management Agreement executed with Santa Clara Chamber of Commerce in 1984
- May 2018 - Council directed a performance audit be conducted on Convention Center and Convention & Visitors Bureau (CVB) operations
- June 2018 - CVB contract expired

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Background

September 2018

- TAP International presented its audit findings
- Directed City Manager to issue a 180-day notice to terminate the 1984 Management Agreement
- Engage in a competitive procurement process for a convention center operator

180-day notice issued on September 18 - effective as of 12:01 am March 18, 2019

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Background

- On October 9, 2018, Council approved:
 - Procurement Strategy for RFP
 - Procurement Process Integrity and Conflict of Interest Guidelines
- The Procurement Strategy included:
 - Seeking proposals for management of Convention Center only **OR** the Convention Center and CVB services
 - Two Phase Evaluation process

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Procurement and Proposal Evaluation Process

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RFP Timeline

EVENT	DATE
Phase 1 of the RFP Process	
RFP released on BidSync	October 17, 2018
Mandatory Pre-Proposal Conference (tour of the Convention Center)	November 2, 2018
Addendum of compiled online and postcard business community engagement responses issued	November 14, 2018
Santa Clara Convention Center Governance and Business Engagement Meeting	November 15, 2018
Proposals Due Date	December 7, 2018
Proposal Evaluation – Phase 1	December 8-20, 2018

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RFP Outreach

- October 17, 2018 - Request for Proposal (RFP) issued
- The RFP was published on BidSync, the City's e-procurement tool to:
 - maximize vendor outreach (10,000 registered vendors and 40 vendors viewed RFP)
 - facilitate the procurement process

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RFP Outreach, cont.

- Community Stakeholders
 - Community survey regarding Convention Center
 - direct mail
 - on-line
 - Council Governance and Visioning Workshop – November 15, 2018

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Community Survey

- Online survey: 38 responses as of January 28
- Feedback from survey:
 - More entertainment and performance options; New transportation options for ease of travel within the region; Improve the current convention facility; and Arts/cultural offerings and performance venues
- Postcard survey: 56 responses as of January 29
- Feedback from survey:
 - Deliver high-level service for all attendees; Host conventions and meetings from out of the area; Host community-based events; and Host consumer shows

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Proposals Received

- The City received two proposals by the December 7, 2018 proposal deadline:
 - SMG for the management and operation of the Convention Center and Convention Visitors Services OR management and operation of the Convention Center only
 - Global Spectrum L.P. dba Spectra Venue Management (Spectra) for the management and operation of the Convention Center only

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Evaluation Team

- **Alison Best**, Executive Vice President, Membership Engagement, Destinations International
- **John Caldon**, Director of City Hall Events, City and County of San Francisco
- **Manny Gonzales**, VP & General Manager, California's Great America
- **Walter C. Rossmann**, Chief Operating Officer
- **Ruth Shikada**, Assistant City Manager
- **Angela Kraetsch**, Finance Director
- **Craig Mobeck**, Public Works Director

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RFP Scoring Criteria

CRITERIA	WEIGHT, PHASE 1	WEIGHT, PHASE 2
Quality of Proposal	5%	--
Experience of Firm	25%	--
Experience of Team	25%	--
Technical/Project Approach	25%	--
Value Added Products/Capabilities	20%	--
Oral Presentations	--	50%
Financial Proposals	--	50%
Total	100%	100%

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Phase 1 – Written Proposal

- The proposals were evaluated and scored against the following:
 - Quality of Proposal (5%)
 - Experience of Firm (25%)
 - Expertise of Team assigned to the Project (25%)
 - Technical/Project Approach (25%)
- The overall scores between the two proposals were very close (within 10%).
- The evaluation team unanimously agreed that both proposers would advance to the second and final phase of the evaluation process.



Phase 1 Scoring Summary

CRITERIA	SPECTRA	SMG
Written Proposal		
Quality of Proposal (5%)	4.4	4.7
Experience of Firm & Team (50%)	41.5	45.1
Value Added Products/Capabilities (20%)	12.0	14.3
Technical/Project Approach (25%)	20.7	21.8
Total Score	78.6	85.9



RFP Timeline – Phase 2

EVENT	DATE
Phase 2 of the RFP Process	
Notified highest ranked proposers and invited them to Oral Presentations	December 22, 2018
Financial Proposals Due	January 10, 2019
Onsite Oral Presentations	January 15, 2019
Evaluation and scoring of Financial Proposals and Oral Presentations	January 10-22, 2019
Best and Final Offer	January 17-22, 2019
Evaluated and scored Best and Final Responses	January 23, 2019
City issued Notice of Intended Award; Protest Period Began	January 23, 2019
Protest Period ended	February 2, 2019
Response to Protest issued	February 4, 2019



Phase 2 - Oral Presentations

- Oral presentations - January 15, 2019.
- The City provided the proposers with a set of presentation topics to address specific to Santa Clara’s requirements.
 - General/Marketing, Transition Plan, Financial Plan, and Community Benefits
- Requested proposed General Manager, Transition Team Leader, Finance Liaison, Operations Manager, and Sales and Marketing Director attend/lead presentation.

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Oral Presentation Scoring Summary

CRITERIA	SPECTRA	SMG
Oral Presentation		
General Marketing	8.8	8.1
Transition Plan	8.0	8.6
Financial Plan	8.3	8.7
Community Benefits	9.2	7.6
Overall Presentation	9.0	8.2
Oral Presentation Subtotal (50%)	43.3	41.2

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- ## SMG - Oral Presentation
- Strong convention center management presence in California, including San Francisco’s Moscone Center
 - Discussed a general approach to managing Santa Clara Convention Center; did not highlight many ideas or details specific to Santa Clara market and Convention Center.
 - General Manager assigned to City was not identified
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Spectra - Oral Presentation

- Business presence in California (e.g., Avaya Stadium) but no current convention center presence in California
- Discussed a more Santa Clara-specific approach to managing Convention Center, highlighting ideas to partner with the local community, marketing and immediate cosmetic changes to enhance attendee experience
- The General Manager identified to be assigned to the City's account was in attendance and led parts of the presentation.

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Phase 2 - Financial Proposals

- Financial proposals were independently evaluated and scored by the evaluation team against the following criteria and weights:
 - Financial Plan
 - Management Fee Proposal
 - Financial Resources
 - Other Submissions

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Financial Proposal Scoring Summary

CRITERIA	SPECTRA	SMG
Financial Proposal		
Financial Plan	11.1	10.3
Management Fee	11.3	10.2
Financial Resources	10.7	10.1
Other Submissions	10.6	10.1
Financial Proposal Subtotal (50%)	43.7	40.7
Phase 2 Final Score	87.0	81.9

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Initial Financial Proposals

TERMS	SPECTRA	SMG (CC Management Only)
Base Management Fee	\$175,000 (with CPI adjustments capped at 3% annually)	\$150,000 (with annual CPI adjustments capped at 5% annually)
Quantitative Incentive Fee	Sliding scale up to 12.5% of revenue growth from previous year, net of \$175,000 base management fee.	Capped at 25% of base management fee and based on meeting income projections
Qualitative Incentive Fee	Up to \$20,000 awarded at discretion of City on criteria such as customer surveys, achievement of economic impact goals, etc. with specific targets to be negotiated	Capped at 75% of base fee and paid based on meeting agreed upon measures

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Initial Financial Proposals

TERMS	SPECTRA	SMG (CC Management Only)
Capital Improvement Commitment	\$1.75 million amortized over 15 years with \$1M in year one	\$750K amortized over 15 years with \$250K in year one
Advertising Commitment	\$50,000 annually under partnership with Comcast	Market through SMG co-opportunities
Agreement Term	Initial 5 years; plus two, five-year options to extend at City's discretion (15 total years)	Initial 5 years; plus two, five-year options to extend at City's discretion (15 total years)

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Best and Final Offer (BAFO)

- Request for BAFO issued on January 17
- Allows proposers to revise their financial proposals and propose any new concepts or guarantees.
- The BAFOs responses were not separately rated.
- Both proposers improved their initial financial positions by increasing their capital improvement commitments and annual advertising investments.

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BAFO Financial Proposals

BAFO TERMS	SPECTRA	SMG (CC Management Only)
Base Management Fee	\$165,000 (with CPI adjustments capped at 3% annually)	\$150,000 (with annual CPI adjustments capped at 5%)
Quantitative Incentive Fee	Sliding scale up to 12% of revenue growth from previous year	Capped at 70% of base management fee and based on meeting income projections
Qualitative Incentive Fee	Up to \$20,000. Awarded on agreed upon criteria such as customer surveys, achievement of economic impact goals, etc.	Capped at 30% of base management fee. Awarded based on meeting agreed upon measures
Annual Cap of Base and Incentive Management Fees	Capped at \$400,000 Annually	Capped at \$300,000 in year one; base fee cap adjusts annually with CPI (max of 5%) ²⁷



BAFO Financial Proposals Cont.

BAFO TERMS	SPECTRA	SMG (CC Management Only)
Management fee rebates	Up to 50% of incentive fees starting in year 2.	No Management Fee Rebate Offered
Capital Improvement Commitment	\$2 million amortized over 15 years with \$1.15M in year one	\$1.2 million amortized over 15 years with \$400K in year one
Advertising Commitment	\$65,000 annually/\$975K over 15 years (with Comcast) plus discounted advertising rates	Close to \$70,000 in trade show participation (year one only)
Agreement Term	Initial 5 years; plus two, five-year options to extend at City's discretion (15 total years)	Initial 5 years; plus two, five-year options to extend at City's discretion (15 total years) ²⁸



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Recommendation: Spectra

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Spectra

- Spectra operates in more than 330 venues on behalf of nearly 200 clients.
- Areas of expertise:
 - Venue Management
 - Food Services
 - Hospitality and Partnerships

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Spectra Proposal

- The evaluation team scored Spectra slightly higher and agreed that their proposed management approach and financial proposal was the better value for the City.
- Key differentiators:
 - Spectra financial proposals (initial and BAFO) was more aggressive.
 - Spectra presentation/proposals were more Santa Clara-specific: market; physical changes to Center, etc.
 - Additional benefits through Comcast partnership.
 - General Manager identified

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Spectra Experience

Reference calls were made with several convention centers of similar size:

- Duke Energy Convention Center, Cincinnati, OH
- Miami Beach Convention Center, Miami Beach, FL
- Overland Park Convention Center, Overland Park, KS
- Palm Beach County Convention Center, Palm Beach FL

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Spectra vs. Current Operator

Proposed Fees and Commitments	Spectra	Current Operator (SC Chamber of Commerce)
Base Management Fee*	\$165,000 (with CPI adjustments capped at 3% annually)	Agreement contains no Management Fee. (Note: Over years, Fee of \$45,000 was paid and administratively increased to \$145,292).
Quantitative Incentive Fee*	Sliding scale up to 12% of income growth from previous year, net of \$165,000 base mgmt fee.	Not included.
Qualitative Incentive Fee*	Capped at \$20,000 based on established criteria	Not included.

* **Combined Management and Incentive Fees capped at \$400,000 annually**

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Spectra vs. Current

Proposed Fees and Commitments	Spectra	Current Operator (SC Chamber of Commerce)
Management fee rebates if income projections are not met	Up to 50% of incentive fees starting in year 2.	No Management Fee in Agreement, General Fund serves as backstop to cover unfavorable financial performance of Convention Center.
Capital Improvement Commitment	\$2 million amortized over 15 years with \$1.15M in year one	No Capital Improvement Contribution, General Fund serves as funding source to cover capital needs.
Advertising Commitment	\$65,000 annually/\$975,000 over 15 years (with Comcast) plus discounted advertising rates	Not included. General Fund covered Convention Visitors Bureau contract for marketing and advertising of Santa Clara.

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February and March Timeline

Next Steps	Date
Protest received from Rutan & Tucker on behalf of SMG	February 1, 2019
Complete Protest Process, Review Protest and Respond	February 2 – 4, 2019
Authorize City Manager to negotiate an agreement	February 5, 2019
Transition Activities	Late February to March 17
Last day of services under current Management Agreement with the SC Chamber of Commerce	Sunday, March 17, 2019
Commence activities under new Management Agreement	Monday, March 18, 2019

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Protest of Recommended Contract Award

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Protest of Contract Award

- Protest from Rutan and Tucker on behalf of SMG was received on February 1, 2019 requesting that Notice of Intended Award should be rescinded and the RFP re-noticed or concurrent negotiations should take place with both SMG and Spectra
- Protest Hearing Officer – Linh Lam, City Auditor

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Summary of SMG Protest and City Response

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Protest	Response
There was arbitrary weighting of Phase 1 vs. Phase 2 Evaluation Criteria	This is not a valid protest criteria per the rules of the RFP. The evaluation criteria, weights, and selection process were advertised in the RFP for over three months
The City failed to consider SMG's relevant in-state experience	The seven member evaluation panel <u>did</u> consider this under the "experience" evaluation criteria. SMG received a higher score for "experience" in Phase 1, and this was further explored during Oral Presentations
The City failed to disclose Phase 2 evaluation criteria	Detailed Phase 2 evaluation criteria was released to the proposers on December 22 and 23, 2018

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Protest	Response
There was inequitable weighing of the Phase 2 evaluation criteria (too much weight on "community benefits" and insufficient weight on "transparency", "financial plan", and "marketing plan". There was illusory consideration of the Best and Final Offer due to the 24 hour turnaround between receiving the BAFO and issuing the Notice of Intended Award	Community benefits", was weighted at 10% of the final score, while "transparency", "financial plan", and "marketing plan" carried 80% of the Phase 2 weight BAFO scoring was optional per the RFP. 24 hours was ample time for the City to understand that both proposers improved their initial financial offerings; Spectra's BAFO was more advantageous. Spectra would have improved upon their financial score over SMG

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Protest	Response
There was a lack of transparency in identifying all evaluation criteria	All Phase 2 evaluation criteria was communicated to proposers on December 22 and 23, 2018, when proposers were invited to Phase 2
There were flaws in conducting the oral presentations – the use of the word “informal” by the City to describing meeting format led SMG that the oral presentation was not as important, and SMG should have been allotted more time to present their combined SCCC/CVB solution	Proposers had the opportunity to seek clarification regarding the importance of the oral presentation, which was always weighted at 50% - both proposers were given <u>equal</u> time to address their proposed business model

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Recommended Contract Terms with Spectra



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Incorporate Audit Recommendations

The TAP International audit recommended that the Convention Center Agreement include the following key principles:

- Clear financial and operating performance benchmarks
- Implementation of key internal controls like City review of financial transactions, safe data storage, and facility use policies
- Implementation of financial disclosure rules

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Incorporate Contract Outcomes Per RFP

- Strategic Marketing and Sales Model for the Convention Center and broader CVB activities (** work with new Destination Marketing Organization)
- Convention Center Capital Investment
- Eliminate or minimize any City subsidy (e.g., Cost Recovery model or City subsidized model) in conjunction with optimizing economic performance

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Incorporate Contract Outcomes Per RFP

- Enhanced transparency and contractor accountability
 - Clarity that all business documents, systems and information are available to the City for possession and/or review
 - Value of Community Benefits – Establish a Policy for Community Use
- Reporting that delivers desired results
- Use of key performance benchmarks and measures
- Commitment to high quality service levels

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Agreement Terms (per Spectra proposal)

- Term:
 - Initial five year term with two additional five year options to extend the agreement at the City's sole discretion.
- Termination Rights:
 - City shall have the right to terminate the agreement with notice – details to be negotiated with Spectra

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Agreement Terms (per Spectra proposal)

- **Administrative and Management Services:**
 - Operation and management of all aspects of the facilities including but not limited to purchasing, payroll, security, repairs, preventative maintenance, janitorial services.
 - Administration of all contracts required for the operation.
 - Adherence to the City's Worker Retention Policy.
 - Collection of all revenues generated
 - Establish objectives to enhance the financial success of the Facilities.

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Agreement Terms (per Spectra proposal)

- **Operating Services:**
 - Ensure that the Facilities are maintained in good order and in a clean, safe and sanitary condition.
 - Establish and provide City with a schedule of preventive maintenance and renovation action items
- **General Facility Management Services**
- **Community Engagement and Partnerships**
 - Active partner with future DMO – joint metrics/goals
 - Partnerships with Mission College and Triton Museum
 - Joint Development of a Community Benefit Policy approved by Council

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Agreement Terms (per Spectra proposal)

- Fees and Performance Measures:
 - Annual **Base Management** fee of \$165K in the initial year one of the contract, subject to annual adjustments subject to CPI and not to exceed 3% annually.
 - **Quantitative Inventive** fee using historical averages to establish a baseline with incentives based on year over year improvement.

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Agreement Terms (per Spectra proposal)

- Fees and Performance Measures Continued:
 - **Qualitative incentives** not to exceed \$20K annually and subject to criteria including but not limited to the following:
 - Customer service surveys administered by third parties
 - Achievement of economic impact goals
 - Achievement of annual event goals
 - Community and stakeholder involvement
 - Repairs and maintenance, capital planning and asset protection
 - Desired event mix
 - **Annual Cap** of all Fees of \$400,000
 - In the event that key performance measures are not met, Spectra shall **rebate** back to City up to 50% of **incentive fees**.

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Agreement Terms (per Spectra proposal)

- **Capital Investment:**
 - \$1.15 million during the initial twelve months of the agreement on capital improvements as prioritized and approved by the City.
 - Additional \$550K in Year 6 and \$300K in Year 11
 - Capital investments shall be amortized over 15, ten, and five years, respectively. In the event of early termination, City shall be obligated to reimburse Spectra for the unamortized portion.

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Agreement Terms (per Spectra proposal)

- **Advertising:**
 - \$65,000 annually (\$325,000 for the initial five year agreement term; \$975,000 over 15 years) for advertising spots with Comcast to be used to promote events and the region.
- **Financial Reporting:**
 - Quarterly reports
 - Systems integration with City's financial systems

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Destination Marketing Services

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The RFP Request

- The RFP sought proposals for management of Convention Center only **OR** the Convention Center and CVB services (i.e. destination marketing services)
- SMG included a convention and visitor services component in their proposal; Spectra did not
- Evaluation Panel discussed the merits of the inclusion of destination marketing services within the Convention Center operation

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TID and Destination Marketing Org.

- Concurrent with the RFP process, the Tourism Improvement District (TID) has been working to develop a long term framework and governance structure for delivery of convention and visitor services
- TID and City (with the assistance of JLL) will work together to determine the next steps for a future Destination Marketing Organization (DMO) for future Council discussion

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Transition Process

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Existing Employees/Vendors

- The Chamber has advised that it will facilitate the transition and provide the new operator with access to records and its current employees.
- Chamber will also facilitate transition with its current vendors and partners
- Spectra has advised that an ideal transition period is 90 days, but had experience and is prepared to engage to implement in a significantly shorter timeframe.
- Early outreach has already begun.

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City Worker Retention Ordinance

- Adopted in 2017
- Ordinance will cover food service and building service workers at the convention center who worked more than 8 hours a week during the last 90 days
- Ordinance requires new contractor to hire workers for a minimum of 90 days.
- At end of 90 days, new employer must keep employee unless new employer completes a performance evaluation and found a reason for discharge

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Transition Process

- Spectra and Convention Center vendors/partners have been advised of the City's Worker Retention Ordinance
- Parties are preparing for appropriate transition under its requirements.
- Parties have indicated a desire to transition maintaining continuous service for Convention Center clients and attendees.

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Next Steps

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Next Steps

- Council approval and authority to:
 - Negotiate and execute agreement with Spectra
 - If necessary negotiate and execute an interim agreement with Spectra, SMG, or Santa Chamber of Commerce for limited term management

- Transition to new operator as soon as possible:
 - Workers/employees and administrative functions
 - Vendors and partners agreements

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Staff Recommendation

Adopt a Resolution authorizing the City Manager to negotiate and execute a Management Agreement, including two 5-year options to extend the agreement, with Global Spectrum L.P. dba Spectra Venue Management (Spectra) for the management and operation of the Santa Clara Convention Center consistent with the proposal submitted, including the Best and Final Offer, and Report to Council as well as an Interim Management Agreement, if necessary, to allow for transition of management and operation of the Convention Center by March 18, 2019.

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SPECTRA & SANTA CLARA CONVENTION CENTER



Powerful Ownership Group

MAJORITY OWNER



SIGNIFICANT MINORITY OWNER



COMCAST  NBCUNIVERSAL



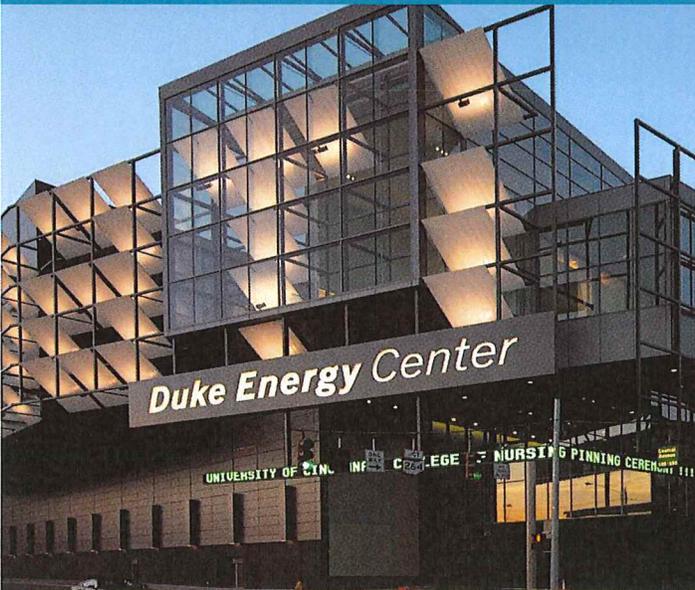
COMCAST SPECTACOR



Miami Beach Convention Center - Miami Beach, FL



Duke Energy Convention Center - Cincinnati, OH

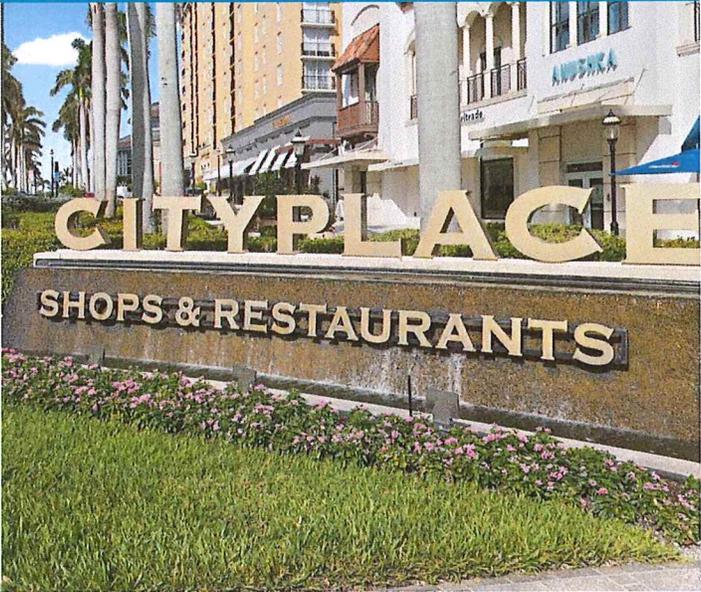
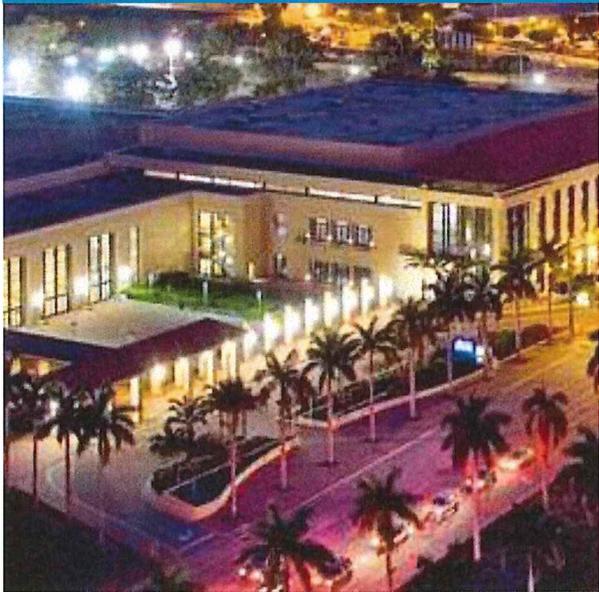


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Palm Beach County Convention Center, West Palm Beach, FL

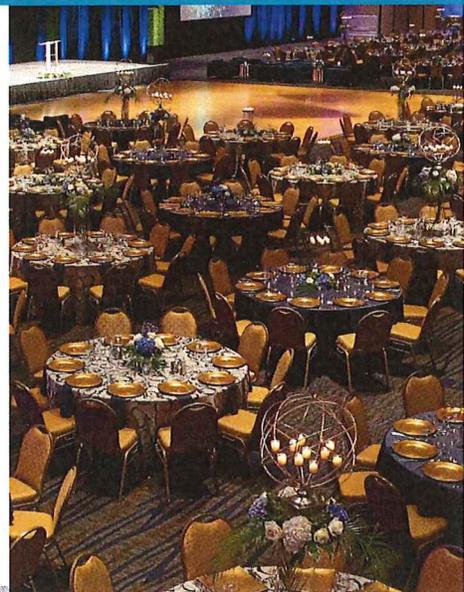
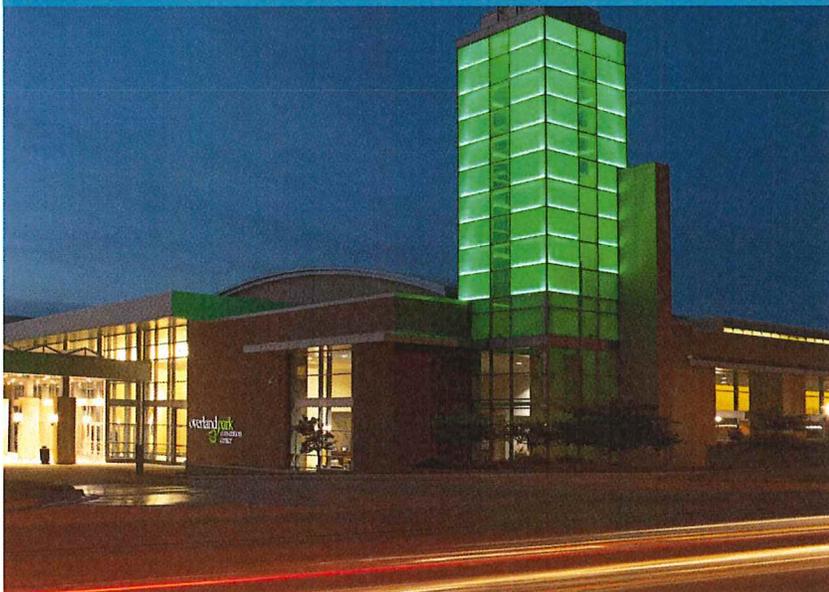


February 5, 2019

Item # 6 / File ID 19-159



Overland Park Convention Center, Overland Park, KS





SANTA CLARA & SCCC VISION

- STRONG, INDEPENDENT CVB
- FOCUSED SALES & MARKETING
- FINANCIAL PLAN & SYSTEMS
- GUEST EXPERIENCE
- CLEAN, OPERATIONALLY EFFICIENT FACILITY
- FUTURE PLANNING
- RESOURCES/TRAINING & SUPPORT

CUSTOMIZED TRANSITION PLAN

DEDICATED RESOURCES & DEPARTMENT

COMPREHENSIVE 30/60/90 DAY PLAN

COMMITMENT TO CURRENT EMPLOYEES

30+ TRANSITIONS IN THE LAST 2 YEARS

90% AVERAGE EMPLOYEE RETENTION RATE

VENDOR AGREEMENTS

EXISTING VENDOR RELATIONSHIPS

COMPREHENSIVE REVIEW & AUDIT

ADJUST FOR CITY'S BEST INTERESTS

TRANSITIONAL AGREEMENTS



LABOR RELATIONS

COMMITMENT TO MAINTAIN AGREEMENTS

PART OF THE TEAM

TRAINED WITH SPECTRA STAFF

SEAMLESS GUEST EXPERIENCE



COMMUNITY PARTNER

- **COMMUNITY EVENTS/
ASSET FOR THE COMMUNITY**
- **PUBLIC EVENTS**
Commitment to Book & Grow
- **COMMUNITY INCLUSION**
Local Universities, Museums, etc.
- **COMCAST**
Established Relationships



REPORTING & TRANSPARENCY



THANK YOU



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CONVENTION CENTER

