



Agenda Report

19-735

Agenda Date: 7/16/2019

REPORT TO COUNCIL

SUBJECT

Action on an Agreement with Ovations Food Services dba Spectra Food Services & Hospitality for Interim Food & Beverage Operations at the Santa Clara Convention Center

BACKGROUND

During its tenure as the Convention Center manager/operator, the Santa Clara Chamber of Commerce (Chamber) executed an agreement with Aramark Sports and Entertainment Services (Aramark) to provide food and beverages services at the Santa Clara Convention Center. The agreement was executed in 2008 and was subsequently amended in 2014 to extend the term through 2022 with one additional two-year option to extend through June 30, 2024.

The City terminated the Convention Center Management Agreement with the Chamber effective March 17, 2019 and executed an agreement with Global Spectrum L.P. dba Spectra Venue Management (Spectra) to manage and operate the Convention Center effective March 18, 2019.

Although contracts related to the Convention Center were executed by the Chamber who no longer managed or operated the Center, to maintain continuous service within the facility, Spectra transitioned nearly all of the Chamber contracts to new agreements with Spectra for an interim period. The interim contractual arrangements allowed Spectra to better understand the Convention Center operations while commencing simultaneous procurement processes to seek competitive pricing and updated contracts for services.

One of the most critical contracts for service at the Convention Center is related to the food and beverage operations. The food and beverage operator can have a significant impact on the revenue profile and reputation of the overall facility.

On May 13, 2019, the City released a Request for Proposals for Food and Beverage Operations for the Santa Clara Convention Center. The RFP seeks proposals that will provide the City and the Convention Center with not only high-quality food service but that also meets other City objectives such as a long-term partner focused on the Santa Clara market; provides for a strategic view on how to enhance Convention Center revenue; and, allows for monitoring and measuring of key performance indicators among other items.

After several months of discussion, the City and Aramark could not agree on the terms of a short-term agreement and on May 20, 2019 Aramark delivered a letter to the City stating their intent to cease food and beverage operations on July 26, 2019 if the City did not favorably respond to their proposed terms on a short-term interim agreement by May 22, 2019. The City did not respond to Aramark's demand.

While the City did not receive any further communication from Aramark after May 22, staff learned that Aramark provided notification to its employees and contractors at the Convention Center that it would exit the facility as of July 26, 2019. On June 9, the City sent Aramark a letter confirming its understanding that Aramark's decision to quit services was final and expressed its mutual desire to work together to ensure a smooth transition and minimize any disruption to building customers and/or clients.

With less than 60 days to secure and transition to a new food and beverage provider, in order to maintain services for the Convention Center and its clients, staff contacted Spectra who agreed to provide food and beverage services on an interim basis through another Spectra company (Ovations Food Services) until the current procurement process for a long term food and beverage agreement was complete and an operator was identified.

DISCUSSION

Interim Food and Beverage Services Agreement

Council approval of an interim agreement for the management and operation of food and beverage services with Ovations Food Services dba Spectra Food Services & Hospitality (Ovations) for the Convention Center is recommended.

The term of the Agreement is for the limited period of July 27, 2019 through December 31, 2019. As mentioned in the Background section, purchasing staff is currently in the process of procuring a new long-term contract through a Request for Proposals process. It is anticipated that the procurement will be complete by early fall 2019. To allow for a 60- to 90-day transition period for a new service provider, it is currently contemplated that the new long-term food and beverage provider would assume full food and beverage responsibilities on January 1, 2020.

To minimize transition issues, terms of the interim agreement with Ovations largely mirrors the fees contained in the former Aramark agreement. The table below compares the key terms in base management fee and incentive fee structure.

	<u>Aramark</u>	<u>Ovations Interim</u>
Base Management Fee	4.5% of gross revenue from \$0-\$3M, plus 5.5% of gross revenue over \$3M (on increment) or \$750,000 capped.	4.5% of gross revenue for \$0-\$3M plus 5.5% of gross revenue over \$3M (on increment)
Incentive Fees	2.5% of net profits if goals are met	No incentives

Maximum of up to 10% of net operating income (2.0% service standards, 2.0% net operating income, 2.5% key performance indicators). If all three are achieved can be increased to 10% of net operating income.

Transition of Food and Beverage Operations

Ovations has been working diligently with Aramark to transition operations and is on schedule to assume full operations on July 27, 2019.

- Ovations has made employment offers to the current management staff available for employment;
- The Aramark general manager and chef are being transferred to other locations within the Aramark company;
- An Ovations interim general manager and chef have been identified. While both individuals are from out of state, they both have extensive experience in high volume catering services locally;
- Ovations is notifying food service workers of the transition and will be retaining workers as required by the City's Worker Retention Ordinance;
- Notifications to current convention center clients who have events booked are being made to advise of the change in food and beverage service provider; and
- Ovations has prepared and is implementing a transition program including transfer of agreements; transfer of liquor license; banking; equipment and supplies; human resources/personnel and general operations.

Ovations has provided the City with a preliminary budget for start-up costs related to the transition including, but not limited to: the purchase of new computers for food and beverage staff, on-boarding supplies, license fees and relocation expenses. The anticipated budget for these start-up costs is \$134,000. The equipment purchased will remain property of the City after the expiration of the contract. Because Ovations will not be compensated with an incentive fee (as would have been paid to Aramark under the terms of its agreement), it is anticipated that the savings from the Aramark incentive fee will be more than the anticipated start up cost.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

FISCAL IMPACT

Revenues and expenditures related to projected food and beverage activities are included in the FY 2019/20 Adopted Budget. Estimated start-up expenses of \$134,000 are anticipated to be covered by the existing budget.

COORDINATION

This report has been coordinated with the Finance Department and the City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

ALTERNATIVES

1. Approve and authorize the City Manager to execute an Agreement with Ovations Food Services dba Spectra Food Services & Hospitality for Interim Food & Beverage Operations at the Santa Clara Convention Center;
2. Do not approve the Interim Agreement with Ovations Food Services dba Spectra Food Services & Hospitality and direct the City Manager to identify additional alternatives; and,
3. Any other Council direction.

RECOMMENDATION

Alternative 1:

1. Approve and authorize the City Manager to execute an Agreement with Ovations Food Services dba Spectra Food Services & Hospitality for Interim Food & Beverage Operations at the Santa Clara Convention Center.

Reviewed by: Ruth Shikada, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Interim Food & Beverage Service Agreement