



## Agenda Report

19-614

Agenda Date: 10/29/2019

### REPORT TO COUNCIL

#### SUBJECT

Action on the Resolution Approving the Award of Agreement to Levy Premium Foodservice Limited Partnership for Food and Beverage Operations at the Santa Clara Convention Center and Authorizing the City Manager to Negotiate and Execute Agreement, to Take Ministerial Actions to Implement the Terms of the Agreement, and to Execute Two Five-Year Options to Potentially Extend the Term of the Agreement Through June 30, 2035.

#### EXECUTIVE SUMMARY

The City conducted a Request for Proposal procurement process to solicit proposals from qualified firms to operate a first-class, high-quality food and beverage service at the Santa Clara Convention Center. Following an extensive evaluation process by a five-member evaluation panel, staff is recommending the selection of Levy Premium Foodservice Limited Partnership (Levy) as the new food and beverage operator. Staff is requesting City Council authorize the City Manager to execute an agreement with Levy to provide food and beverage services at the Santa Clara Convention Center effective November 1, 2019 with actual food and beverage operations to commence January 1, 2020, and to authorize the City Manager to make minor modifications to the final agreement consistent with this Report to Council.

#### 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 the agreement, ending on June 30, 2024 if the final option year was exercised.

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.

In order to maintain continuous operations within the facility, Spectra transitioned nearly all the contracts previously executed with the Chamber to agreements with Spectra for an interim period. This approach allowed Spectra to better understand Convention Center operations and, where necessary, conduct simultaneous competitive procurement processes to seek competitive pricing and updated contracts for services.

One of the most critical service contracts is for the management and operations of the food and beverage services. The food and beverage operator has a significant impact on operating revenues at the Convention Center as well as the reputation of the overall facility.

After several months of discussion, the City and Aramark could not agree on the terms of an interim agreement. 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 by May 22, 2019. On June 9, the City sent Aramark a letter to confirm its understanding that Aramark's decision to cease operations was final and to express its desire to work together to ensure a smooth transition to a new interim provider with minimal service disruptions.

With less than 60 days to secure and transition to a provider, staff contacted Spectra who agreed to provide food and beverage services on an interim basis through another Spectra company, Ovations Food Services L.P. d/b/a Spectra Food Services & Hospitality (Ovations), to allow sufficient time for the City to conduct a competitive Request for Proposal to select a permanent provider. On July 16, 2019, City Council approved an interim food and beverage agreement with Ovations Food Services dba Spectra Food Services & Hospitality for a limited term ending on December 31, 2019.

On May 13, 2019, the City released a Request for Proposal (RFP) for Food and Beverage Operations for the Santa Clara Convention Center. The RFP solicited proposals from qualified firms to provide the City and the Convention Center with the highest-quality food and beverage services as well as meeting other City objectives such as a long-term partner focused on the Santa Clara market; provide a strategic view on how to enhance Convention Center revenue; and the monitoring and measuring of key performance indicators.

## **DISCUSSION**

The City published the RFP using BidSync, the City's e-procurement tool, and outreached directly to firms that provide food and beverage services, as well as firms that expressed interest in receiving the RFP prior to its release. A total of 53 companies viewed the RFP.

On May 24, 2019, the City held a mandatory pre-proposal conference at the Convention Center that was attended by seven food and beverage companies. The purpose of the meeting was to give potential proposers a better understanding of the City's requirements by providing an overview of the RFP, a tour of the facility, and a forum for questions. The City's consulting firm, Jones Lang LaSalle (JLL), highlighted the City's goals and objectives for the food and beverage operation at the Convention Center.

Three proposals were received by the June 24, 2019 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)

## **Proposal Evaluation Process**

The evaluation process consisted of two phases. In Phase 1, the written proposals were evaluated and scored against the criteria and weights demonstrated in Table 1 below. Firms that earned the highest scores were invited to advance to Phase 2 of the evaluation process, where they were required to provide an oral presentation and tasting samples from their proposed menus including both concession and catering offerings.

**Table 1 - RFP Evaluation Weights**

<b>Evaluation Criteria</b>	<b>Phase 1 Weight</b>	<b>Phase 2 Weight</b>
Quality of Proposal	5%	////////////////////
Experience	20%	10%
Operating Considerations/Innovation	30%	25%
Staffing Plan	20%	10%
Financial Proposal	25%	25%
Oral Presentation (finalists only)	////////////////////	30%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Evaluation Team

A five-member evaluation team was named with both internal and external representation as follows: Manny Gonzalez (Vice President & 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), and Angela Kraetsch (Finance Director, City of Santa Clara). Prior to receiving the proposals, the evaluators were required to complete a Conflict of Interest form to ensure that there were no financial or personal conflicts that might influence their ability to score the proposals fairly and objectively.

Evaluators were required to score independently. At the conclusion of each phase of the evaluation process, the evaluators discussed their scores in a team setting facilitated by a City Contracts Manager from the Purchasing Division. Evaluators were permitted to adjust their scores based on the discussion. During the evaluation process, consultant JLL was utilized to assist the evaluation team by providing information that was pertinent to the goals of the Convention Center.

Phase 1 of the Evaluation Process

In this phase, the evaluation team reviewed and scored each written proposal against the criteria set forth in the table above. 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 of the evaluation process.

Phase 2 of the Evaluation Process

This phase consisted of an on-site oral presentation and tasting at the Convention Center. Both firms were required to explain their approach to providing a high-quality food and beverage services incorporating programs that engaged the local workforce, created sustainability, and enhanced customer satisfaction. In addition, the proposers were asked to prepare designated food and beverage samples from their proposed menus to demonstrate how their philosophy and approach are presented in their food and beverage offering. The level of innovation and breadth of services proposed was a clear indication of the success of the RFP process and future opportunities for food and beverage services at the Convention Center.

Best and Final Offer

Following oral presentations, staff issued a Best and Final Offer (BAFO) that provided a final opportunity for Levy and Ovations to revise their financial proposal and propose any new and innovative concepts or guarantees. As summarized in Table 2 below, both proposers improved upon their initial financial positions by increasing their capital investments, offering rebates of fees in the event key performance indicators are not met, and boosting their commitments to engage the local community.

**Table 2 - Comparison of Best and Final Offers**

<b>Financial Term</b>	<b>Levy</b>	<b>Ovations</b>
Capital investment	\$5,000,000 (amortized)	\$7,000,000 (amortized)
Community enrichment investment	\$750,000 (amortized)	////////////////////
Management fee <sup>(a)</sup>	4.5% of gross receipts	2% of gross receipts
Incentive fee <sup>(a)</sup>	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 gross receipts for the five-year initial term	\$67,589,000	\$67,784,050

<sup>(a)</sup>Levy submitted an alternate fee model (\$500,000 fixed management fee per year plus 10% of gross receipts over \$8 million). Based on calculations using the income projections provided by Levy, the City did not find this alternate fee model advantageous.

Final Evaluation Scores and Award Recommendation

Staff recommends award of contract to Levy Premium Foodservice Limited Partnership as the most advantageous and best value proposal based upon the scores from Phase 2 as summarized in Table 3 below:

**Table 3 - Phase 2 Scores**

<b>Evaluation Criteria</b>	<b>Weight</b>	<b>Levy</b>	<b>Ovations</b>
Experience	10	10	9
Operating Considerations	25	23	22
Staffing Plan	10	9	9
Financial Proposal	25	20	22
Oral Presentation	30	30	25
<b>Total</b>	<b>100</b>	<b>92</b>	<b>87</b>

Levy and Ovations are both foodservice industry leaders with extensive client lists in both the private and public sectors. The 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.

The following are key differentiators that were noted by the evaluation team which resulted in a higher score for Levy:

- Levy presented a high-quality, creative food offering unique to Santa Clara.
- Levy committed to fully fund a capital investment of \$5 million (amortized over 15 years) to pay for start-up costs as well as ongoing innovation and transformation projects such as activating the public space of the Convention Center.
- Levy committed to invest an additional \$750,000 (amortized over 15 years) to drive community enrichment and develop local partnerships.
- Levy presented a sustainability program supported by a five-year roadmap designed to minimize use of landfill.
- Levy committed to purchase a minimum of 25% locally sourced and produced products.
- Levy presented a well-designed financial model to control costs by leveraging its national purchasing power as well as using their own in-house bakery to reduce cost.
- Levy uses a proprietary data analytics software to predict measurable guest outcomes to drive customer satisfaction as well as create sales and marketing opportunities.
- Levy has a local trained workforce of 10,000+ to draw from to scale up operations when needed.
- Levy presented an aggressive proforma budget with an accountability plan that reflects improved results.

Staff conducted reference checks with Kentucky International Convention Center (Louisville, KY), Greater Columbus Convention Center (Columbus, OH), and Puerto Rico Convention Center (San Juan, Puerto Rico). The references were asked about Levy's food quality, service delivery, and ability to meet or exceed financial targets. Each reference was highly pleased with Levy's performance in all those areas.

### 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. The RFP included a ten-day protest period which commenced with the issue of the NOIA and ended on August 26, 2019. No protests were received.

### Summary of the Proposed Agreement

As mentioned earlier, the interim food and beverage agreement with Ovations will end on December 31, 2019. The proposed agreement with Levy will be effective starting November 1, 2019 to allow for a 60-day operation transition period for Levy to begin providing food and beverage services at the Convention Center on January 1, 2020. Consistent with the RFP published by the City, the initial term of the agreement is five years with two additional five-year options to extend at the discretion of the City. As Levy would take over the food and beverage operation of the Convention Center as of

January 1, 2020, the initial term expires on June 30, 2025 for all accounting to be consistent with the City's fiscal year.

The proposed agreement with Levy contains key provisions to ensure high-quality food and beverage operations at the Convention Center, proper safeguards of City funds, and use of local workforce and market. The terms described by Levy in their proposal have been documented in the proposed agreement. We would like to bring to your attention that, under the proposed agreement, the City is obligated to fund any "shortfalls" in the operating account if food and beverage revenues are insufficient to cover anticipated expenses over the next 4 weeks ("shortfall"). It should also be noted that to the extent the City does not exercise its options to extend the overall term to 15 years or for any other reason terminates the Agreement prior to its then current expiration date, it would be responsible to pay Levy for any unamortized capital or community investment funds. In addition to the financial commitments made by Levy (as shown in Table 2 above), the agreement also includes the following key provisions:

- safeguards and controls over the operating account;
- qualitative and quantitative performance measures designed to capture the breadth of commitments made in the RFP response and their corresponding weights;
- administrative and management services;
- use of local workforce;
- City's worker retention policy that requires Levy to retain existing employees for a period of 90 days;
- monthly and quarterly reporting of both financial results and status of all performance measures;
- annual performance audit; and,
- City monitoring.

The proposed agreement with Levy also outlines duties and obligations of the Santa Clara Convention Center Operator, Spectra. To acknowledge these duties, the City and Spectra have agreed on an Addendum to the City-Spectra Convention Center Management Agreement. The Addendum acknowledges that Spectra has reviewed the Food and Beverage Agreement and accepts and agrees to the duties of the Operator as set forth in the Food and Beverage Agreement are duties of Spectra as the City's agent under the Management Agreement. The Addendum does not modify or amend any terms of the Management Agreement.

### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" within the meaning of a California Environmental Quality Act ("CEQA") pursuant to the 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**

Table 4 below summarizes the key financial projections under the proposed agreement:

**Table 4 - Financial Projections**

	January 1, 2020 - June 30, 2025	July 1, 2025 - June 30, 2030	July 1, 2030 - June 30, 2035	Total
Projected gross receipts	\$72,649,000	\$88,400,000	\$106,341,000	\$267,390,000
Projected compensation to Levy	\$5,380,752	\$6,685,318	\$8,070,620	\$20,136,690
Projected net profit to City	\$24,282,789	\$31,134,158	\$37,780,662	\$93,197,609

All activities related to this contract are accounted for in the Convention Center Enterprise Fund. As net profits are realized, funding could be allocated for future Convention Center capital improvement program needs or made available for the General Fund. Available funding will be evaluated and recommended for allocations in future budget processes.

### **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) <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

### **RECOMMENDATION**

Adopt a Resolution:

1. Authorizing the City Manager to negotiate and execute an agreement with Levy Premium Foodservice Limited Partnership 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 and ending on June 30, 2025; and
2. Authorizing the City Manager to take ministerial actions consistent with the terms of the agreement; and
3. Authorizing the City Manager to execute two five-year options to extend the term of the Agreement through June 30, 2035.

Reviewed by: Ruth Shikada, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENTS**

1. Resolution
2. Agreement for Food and Beverage Operations at the Convention Center (Form)