



Agenda Information Sheet

File #: 19-161

Item #: 39.

STRATEGIC PRIORITY: Government Performance and Financial Management

AGENDA DATE: February 13, 2019

COUNCIL DISTRICT(S): 2

DEPARTMENT: Office of Procurement Services

EXECUTIVE: Elizabeth Reich

SUBJECT

Authorize **(1)** a five-year management contract, with two five-year extension options, for the management and operation of the Kay Bailey Hutchison Convention Center Dallas (KBHCCD) for the Department of Convention and Event Services - Global Spectrum, LP, dba Spectra Venue Management, most advantageous proposer of two - Not to exceed \$2,841,663 (which includes \$100,000 for costs associated with transition of management responsibilities of the KBHCCD); and **(2)** to establish a City owned account at the City's depository bank funded by annual appropriations for City authorized expenses associated with the operations of KBHCCD - Not to exceed \$249,070,917 - Total not to exceed \$251,912,580 - Financing: Convention Center Fund (subject to annual appropriations)

BACKGROUND

This management contract will provide for the management and all operational responsibilities of the Kay Bailey Hutchison Convention Center Dallas (KBHCCD). This includes responsibility for event management, facility maintenance, and operations of the KBHCCD, a 2 million square foot facility with 1 million square feet of exhibit space, three ballrooms, and 88 meeting rooms. The facility currently books over 100 events annually with definite bookings scheduled through 2026.

The contract will be managed by the Department of Convention and Event Services (CES), an enterprise department with an FY 2018-19 budget of approximately \$109 million. Performance metrics have been contractually established that work toward an annual increase in revenue, the implementation of expense-reducing strategies, and industry-standardization of operational efficiencies. As an example, the recommended vendor has set a year 1 goal of increasing revenue by \$3.8 million and operational efficiencies that reduce expenses by \$1 million. Total compensation, including the base management fee and incentive fees will not exceed \$500,000 annually.

The recommended vendor will be responsible for day-to-day event management, client services, and contract management of custodial services, security, parking, food and beverage, preventive maintenance, and collateral client services such as electrical, communications, and audio visual. As

part of the deliverables for this contract, independently administered and evaluated surveys will be provided to client meeting planners, attendees, and exhibitors to gauge the increase in satisfaction with event management, facility maintenance, and customer service. The recommended vendor will also be evaluated, throughout the term of the contract, on resource development, energy-efficiency enhancements, revenue increases, and operational and preventive maintenance efficiencies that move the convention center toward industry-standardization and greater competitiveness among similarly sized facilities. The contract also includes an initial assessment, of facility related repairs, and the ability for the recommended vendor to procure and manage all facility repair projects under \$25,000. On larger capital projects, the vendor will coordinate with CES Capital Projects Management staff. The initial assessment will be used by CES Capital Project Management staff to inform and guide the development of a long-term campus-based master plan that will allow the KBHCCD to better compete in the marketplace and propel the facility to a higher national ranking within the meeting and convention industry.

Bond Counsel and the City Controller’s Office approved the structure for the flow of funds to ensure compliance with bond covenants. The structure will include segregation of revenues and expenses. An operating account will be established by the City for the vendor’s day-to-day operational expenses. As outlined in the contract, the vendor will establish a separate bank account for receipt of both the management and incentive fees.

The management company will have a 45-day transition period beginning on the contract effective date. Transition costs are budgeted not to exceed \$200,000 with the vendor contributing \$100,000 of those costs. The transition period includes a human resources component where approximately 108 employees will be interviewed and potentially hired by the management company.

An eight member committee from the following departments reviewed and evaluated the qualifications:

- Department of Convention and Event Services (1)
- Building Services Department (1)
- Office of Cultural Affairs (1)
- Department of Planning & Urban Design (1)
- Office of Economic Development (1)
- Department of Public Works (1)
- Office of Business Diversity (1)*
- Office of Procurement Services (1)*

*The Office of Procurement Services only evaluated cost and the Office of Business Diversity only evaluated the Business Inclusion and Development Plan.

The committee selected the successful respondent on the basis of demonstrated competence and qualifications under the following criteria:

- Financial capability 23 points
- Qualifications and experience 23 points
- Project approach 39 points

- Business Inclusion and Development Plan 15 points

As part of the solicitation process and in an effort to increase competition, the Office of Procurement Services used its procurement system to send out 1,424 email bid notifications to vendors registered under respective commodities and 14 nationally recognized organizations. To further increase competition, the Office of Procurement Services uses historical solicitation information, the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, the Office of Business Diversity sent notifications to 25 chambers of commerce and advocacy groups to ensure maximum vendor outreach.

On November 10, 2015, City Council authorized the wage floor rate of \$11.15, by Resolution No. 15-2141; the selected vendor meets this requirement. Spectra has agreed to pay transitioning CES employees no less than \$13.45, the current lowest wage paid to a CES employee.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Government Performance & Financial Management Committee was briefed regarding this matter on January 7, 2019.

FISCAL INFORMATION

Convention Center Fund - \$251,912,580 (subject to annual appropriations)

	Management Fee	Convention Center Operations	Total
FY 2018-19	\$ 341,663.00	\$ 27,241,917.00	\$ 27,583,580.00
FY 2019-20	\$ 500,000.00	\$ 40,279,000.00	\$ 40,779,000.00
FY 2020-21	\$ 500,000.00	\$ 43,196,000.00	\$ 43,696,000.00
FY 2021-22	\$ 500,000.00	\$ 44,994,000.00	\$ 45,494,000.00
FY 2022-23	\$ 500,000.00	\$ 46,201,000.00	\$ 46,701,000.00
FY 2023-24	\$ 500,000.00	\$ 47,159,000.00	\$ 47,659,000.00
5-Year Total	\$2,841,663.00	\$249,070,917.00	\$251,912,580.00

M/WBE INFORMATION

In accordance with the City’s Business Inclusion and Development Plan adopted on October 22, 2008, by Resolution No. 08-2826, as amended, the M/WBE participation on this contract is as follows:

Contract Amount	Category	M/WBE Goal	M/WBE %	M/WBE \$
\$2,841,663.00	Other Services	23.80%	57.57%	\$1,636,000.00
• This contract exceeds the M/WBE goal.				

PROCUREMENT INFORMATION

Method of Evaluation for Award Type:

Request for Competitive Sealed Proposal	<ul style="list-style-type: none"> • Utilized for high technology procurements, insurance procurements, and other goods and services • Recommended offeror whose proposal is most advantageous to the City, considering the relative importance of price, and other evaluation factors stated in the specifications • Always involves a team evaluation • Allows for negotiation on contract terms, including price
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The Office of Procurement Services received the following proposals from solicitation number BGZ1802. We opened them on July 12, 2018. We recommend the City Council award this management contract in its entirety to the most advantageous proposer.

*Denotes successful proposer

<u>Proposers</u>	<u>Address</u>	<u>Score</u>	<u>Amount</u>
*Global Spectrum, LP, dba Spectra Venue Management	3601 S. Broad St. Philadelphia, PA 19148	85.06	\$500,000.00
SMG Holdings, LLC	300 Conshohocken State Rd. Suite 770 W. Conshohocken, PA 19428	80.41	\$675,000.00

OWNER

Global Spectrum, LP, dba Spectra Venue Management

Brian Rothenberg, President
James Pekala, Vice President