

Memorandum



CITY OF DALLAS

DATE January 3, 2019

Honorable Members of the Government Performance & Financial Management
Committee: Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson,
TO Lee M. Kleinman, Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT **Key Bailey Hutchison Convention Center Dallas (KBHCCD) Management Agreement**

On Monday, January 7, Interim Director of Convention and Event Services Rosa Fleming and representatives from Spectra will brief the Government Performance & Financial Management committee on the proposed Key Bailey Hutchison Convention Center Dallas (KBHCCD) Management Agreement. The presentation is attached for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink, appearing to read 'Joey Zapata'.

Joey Zapata
Assistant City Manager

Attachment

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Carol Smith, City Auditor (Interim)
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge

Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Assistant City Manager & Chief of Resilience
Directors and Assistant Directors

Kay Bailey Hutchison Convention Center Dallas (KBHCCD) Management Agreement

**Government Performance and Finance
Management Committee
January 7, 2019**

**Rosa Fleming, Interim Director
Convention & Event Services
City of Dallas**



Presentation Overview

- Purpose
- Background
- Procurement Timeline and Process
- Contract Summary
- Spectra Venue Management
- Next Steps



Purpose

- Brief the Government Performance & Financial Management (GPFM) Committee on the recommended private management company for the Kay Bailey Hutchison Convention Center Dallas (KBHCCD)



Background

Convention & Event Services (CES) has procured proposals for a private Management Company to:

- **Manage** event and facility operations/maintenance contracts
- **Increase** revenues generated through sales, marketing and event bookings at the KBHCCD by maximizing nationwide relationships
- **Reduce** expenses related to, and streamline the efficiency of, facility operations at the convention center
- **Assist** with the assessment, planning and implementation of facility-related and capital projects to increase the marketability and competitiveness of the KBHCCD

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Background (cont.)

CES Overview

- Enterprise department with an FY 2018-19 budget of \$109m
- Hosts an average of 100 events annually with definite bookings scheduled through 2026
- Goal of funding \$28m in facility improvements by 2020
- Portfolio includes event-generated revenue and annually increasing Hotel Occupancy and Alcohol/Beverage tax revenue

Revenue Source	FY18 Actuals	FY19 Budgeted % Change	FY20 Proposed % Change
Events	\$29,275,552	1% ↓	1% ↑
Hotel Occupancy	\$61,153,178	7% ↑	6% ↑
Alcohol/Beverage	\$13,322,973	9% ↑	10% ↑

Background (cont.)

CES - Revenue Description

- Major **event revenue** sources include communications, facility/equipment rental, food and beverage, electrical, parking and audio-visual (AV)
 - Food and beverage accounts for just under 50 percent of event revenue
- **Overall CES revenue** includes
 - 7 percent Hotel Occupancy Tax (HOT) collected from hotels citywide
 - 67.4 percent retained by CES to support operations and capital improvements as required by bond ordinance
 - 14 percent Alcohol and Beverage tax collected from gross citywide sales of beer, wine, mixed drinks, ice and non-alcoholic mixers
 - 23 percent of CES overall revenue derives from event-related food and beverage, space rental and electrical charges

Background (cont.)

Revenue Enhancement Goals

Kay Bailey Hutchison Convention Center - Facility Management & Operations Services Pro Forma Operating Statement of Revenue and Expenses					
	FY 15-16 Actuals	FY 16-17 Actuals	FY 17-18 Actuals	FY 18-19 Adopted Budget	FY 19-20 Proposed
Revenues Less Expenses	(\$7,663,589)	(\$8,144,034)	(\$8,990,097)	(\$10,815,881)	(\$8,665,316)
3 year average			(8,265,907)		

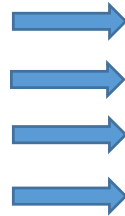
- Historically, KBHCCD has ended the year with an expense overrun of ~\$8m before the application of Hotel Occupancy and Alcohol/Beverage tax revenue
- Manager expected to reduce the overall gap by increasing **Event Revenue**
- Manager anticipates closing the gap by ~\$3.9m in Year 1 by increasing revenues and gaining efficiencies in operating expenses

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Background (cont.)

Current CES Structure

- Sales
- Client Services
- Marketing & Communications
- KBHCCD Contracts
 - Facility Maintenance
 - Facility Operations
 - Food/Beverage
 - Security
- Other Contracts & Leases
- Capital Improvements
- Management Systems
- Finance / Contract Compliance



Management Company Assumes

- Sales
- Client Services
- Marketing & Communications
- KBHCCD Contracts
 - Facility Maintenance
 - Facility Operations
 - Food/Beverage
 - Security

Procurement Timeline and Process

Jan – Apr 2018	<ul style="list-style-type: none">• City drafted Request for Competitively Sealed Proposals (RFCSP)• City engaged CSL International to review the draft and assist with procurement and contract negotiations
May 2018	<ul style="list-style-type: none">• Office of Procurement Services (OPS) issued the RFCSP• OPS conducted a two-day pre-proposal meeting with 19 individuals in attendance (representing nine companies)
Jul – Oct 2018	<ul style="list-style-type: none">• City received responses from Spectra Venue Management and SMG• City evaluated both companies to determine the most advantageous proposal
Nov – Dec 2018	<ul style="list-style-type: none">• City entered into contract negotiations with the highest ranked vendor

Evaluation Team

- A diverse team of City executives evaluated the proposals
- The financial and BID criterion were reviewed and evaluated by the Office of Procurement Services in consultation with CSL International and the Office of Business Diversity, respectively
- Evaluation committee members:
 - Director, Bond Office
 - Director, Building Services Department
 - Assistant Director, Office of Economic Development
 - Assistant Director, Office of Cultural Affairs
 - Assistant Director, Convention & Event Services
 - Assistant Director, Housing & Neighborhood Revitalization

Procurement Evaluation Criterion

- Financial Considerations = 23 points
- Qualifications & Experience = 23 points
- Project Approach = 39 points
- Business Inclusion & Development Plan (BID) = 15 points



Summary of Evaluation

- The evaluation team assessed each proposer's responsiveness to the published evaluation criteria, tabulated the scores and ranked the proposals, with the top rank going to the proposal with the highest score
- Spectra was deemed the most advantageous proposer with 85.06 points

Team Evaluation Summary

Proposer	Financial (23 pts)	Qualifications & Experience (23 pts)	Project Approach (39 pts)	B.I.D (15 pts)	Final Score	Rank
Spectra	22.39	20	32.67	10	85.06	1
SMG	20.41	17	30	12	80.41	2

Fee Comparison

Annual Fee Component	Spectra	SMG
Base Management Fee	\$200,000	\$300,000
Incentive Fees		
Max Quantitative Incentive (Based on revenue improvement)	12.5%	17.5%
Max Qualitative Incentive	\$100,000	\$150,000
Total Base + Incentive Fee Cap*	\$500,000	\$675,000

*Based on fee caps proposed by the proposers

KBHCCD Contract Summary



Responsibilities of Parties - Operations

CES	Spectra
Appropriation, financial oversight and monitoring of Management Contract	Sales and marketing of KBHCCD and its outdoor spaces
Monitoring, financial oversight, and maintenance of other contracts, leases and relationships	Day-to-day facility management and facility repairs \$25k or less
Office of Special Events (OSE)	Facility operations, maintenance, security and food/beverage contract management
Maintains financial, contract compliance and management and OSE staff	Interviews and potentially makes job offers to all remaining operations staff

Responsibilities of Parties - Capital

CES	Spectra
Develop campus-based master plan	Provide capital facility assessment during contract transition period
Execute and manage all capital improvement projects facility-wide	Assist with planning and prioritization of master plan through the submittal of an annually revised five-year capital plan
Maintains capital project management staff	Maintains appropriate staff to liaise and consult with CES capital project management staff

Contract Overview

Contract Term	Five years with two potential five year extensions
Staffing	Interview / potential to hire CES existing staff
Fee Structure	Management Fee / Performance-Based Incentive Fee
Revenue	Financial control remains with City (CES / Controller's Office)
Operating Expenses	Account City-owned / CES monitored and maintained / Spectra serves as signatory for expenses
Performance Metrics	Qualitative and Financial
Facility Ownership	City-owned

Contract Terms – Staff Impact

- Manager agreed to begin human resource activities upon City Council approval of contract (“Effective Date”)
 - Manager will conduct interviews with existing CES staff and make employment offers
 - CES has 136 budgeted positions
 - ~28 positions will remain under the new CES organizational structure
 - Remaining positions will be interviewed by the Manager
 - Manager is contractually obligated to pay all employees, including contract labor, a minimum of \$11.15 per hour, in accordance with the wage floor threshold in place on the contract Effective Date
- Any employee not hired or electing not to transition to the Manager will be assisted by CES, Human Resources, Civil Service and the Employee Retirement Fund Manager

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Contract Terms – Fee Structure

- **Total management fee plus incentives paid to Manager not to exceed \$500k**
 - Manager paid a monthly management fee not to exceed \$200k annually
 - Qualitative Performance Incentive not to exceed \$100k
 - Financial Performance Incentive not to exceed \$200k
 - Should annual appropriation, revenues and other funding sources prove insufficient to cover expenses, Manager may request an additional appropriation from City, but City is not obligated to approve

Contract Terms – Flow of Funds

- Bond Counsel and the City Controller's Office approved the structure for the flow of funds to ensure compliance with bond covenants
- Structure will include segregation of revenues and expenses
- Operating account established by City for Manager's use
- Manager to establish separate bank account for receipt of Management Fee and Incentive Fees



Contract Terms - Transition

- Manager will have a minimum 45-day transition period beginning on the contract approval date (“Effective Date”)
 - Transition costs not to exceed \$200k with Manager contributing \$100k of those costs

Activity	Timeline
Human Resources – Staff transition	Within 30 days of Effective Date
Finance & Administration	Within 30 days of Effective Date
Operations Set-Up	Immediately
Marketing & Public Relations	Immediately
Advertising	Immediately
Events	Immediately

Contract Terms – Incentive Fees

City requested a five-year pro forma from proposers:

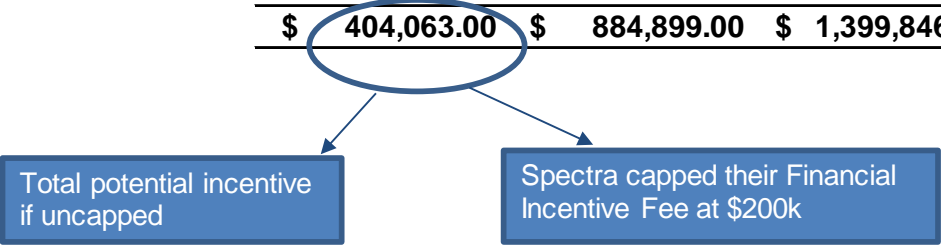
- **Goal = increase revenue over the five-year term**
 - \$200k of \$300k incentive tied to revenue improvement benchmark based on a three-year KBHCCD event revenue average
 - Incentive evaluation begins immediately after 45-day transition
 - Benchmark resets October 1, 2022 based on three-year KBHCCD event revenue average from actuals for FY19, FY20 and FY21
 - Benchmark reset again at contract renewal

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Contract Terms – Incentive Fees

Financial Incentive Metrics

		FY19	FY20	FY21	Benchmark Reset	
					FY22	FY23
Spectra Revenues (Per Pro Forma)		\$ 33,107,507.00	\$ 36,954,188.00	\$ 41,073,771.00	\$ 43,127,460.00	\$ 44,421,283.00
Benchmark		\$ 29,275,000.00	\$ 29,275,000.00	\$ 29,275,000.00		
New Benchmark					\$ 37,045,155.00	\$ 40,385,140.00
Variance to Benchmark		\$ 3,832,507.00	\$ 7,679,188.00	\$ 11,798,771.00	\$ 6,082,304.00	\$ 4,036,143.00
Achieve Revenue Budget	\$20,000	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00
Up to \$500,000 over	6.0%	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00
\$500,000 -\$1,000,000	7.0%	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00
\$1,000,000-\$1,500,000	8.0%	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
\$1,500,000-\$2,000,000	10.0%	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00
Over \$2,000,000	12.5%	\$ 229,063.00	\$ 709,899.00	\$ 1,224,846.00	\$ 510,288.00	\$ 254,518.00
		\$ 404,063.00	\$ 884,899.00	\$ 1,399,846.00	\$ 685,288.00	\$ 429,518.00



Contract Terms – Incentive Fees

Qualitative Incentive Fee not to exceed \$100k

\$70k of incentive determined by:

- 90% benchmarked score on an independently-administered, industry-standard customer service evaluation of planners, exhibitors and attendees (up to \$45k)
- Building maintenance benchmarks based on scheduled routine and preventive maintenance, and the impact on maintenance improvement to client satisfaction and cost savings (up to \$25k)

\$30k of incentive determined by:

- Additional benchmarks related to budget management, marketing and partnership development, revenue enhancement and energy-use reduction initiatives

Contract Terms – Incentive Fees

Qualitative Incentive Metrics

A. CUSTOMER SERVICE CRITERIA

Criteria	Incentive	% of Total	Benchmark
1 Independently Administered Customer Service Evaluations*	\$ 45,000	45%	90%
2 Quality of Maintenance of Key Building Assets	\$ 25,000	25%	4 points
Potential Total	\$ 70,000	70%	

*1 - Independently Administered Customer Service Evaluations = Survey of Planners, Attendees, and Exhibitors

EVALUATION / RATING SCALE		Rating Percentage				
		Less than 50% / No Incentive	50 - 80% / No Incentive	80-85% / 20% Incentive	86 - 89% / 60% Incentive	90%+ / 100% Incentive
Independently Administered Customer Service Evaluations						
1	Independently Administered Customer Service Evaluations	\$ -	\$ -	\$ 15,000	\$ 27,000	\$ 45,000
	Subtotal	\$ -	\$ -	\$ 15,000	\$ 27,000	\$ 45,000
Quality of Maintenance of Key Building Assets						
		Poor - 0% 1 point	Fair - 0% 2 points	Average - 20% 3 points	Good - 60% 4 points	Excellent - 100% 5 points
2	Quality of Maintenance of Key Building Assets	\$ -	\$ -	\$ 5,000	\$ 15,000	\$ 25,000
	Subtotal	\$ -	\$ -	\$ 5,000	\$ 15,000	\$ 25,000

Contract Terms – Incentive Fees

Qualitative Incentive Metrics (cont.)

B. Additional Qualitative Criteria	Incentive	Percentage	Evaluation
1 Implementation of New Budget Management Initiatives	\$ 10,000	10%	By Director
2 Creation of Cooperative Marketing & Partnerships	\$ 5,000	5%	By Director
3 Implementation of New Revenue Enhancement Initiatives	\$ 10,000	10%	By Director
4 Implementation of Energy Use Reduction Initiatives	\$ 5,000	5%	By Director
Subtotal	\$ 30,000	30%	

Contract Terms – Contracts

All existing, non-Citywide facility maintenance, operation, and service contracts at KBHCCD will be assigned to the Manager as outlined below:

Contract	Award	Commencement	Expiration
Ace Parking	Revenue	1-Feb-11	31-Jan-19
Centerplate	\$ 4,750,000.00	26-Feb-13	30-Nov-22
Schneider Electric	\$ 738,892.00	21-Apr-17	21-Apr-20
Smart City Networks	Revenue	1-Apr-17	31-Mar-27
EMR Elevator	\$ 15,391,000.00	23-Apr-14	22-Apr-20
West Coast Escalator Cleaning	\$ 305,600.00	10-Jan-18	9-Jan-20
Chem-Aqua	\$ 107,916.00	1-Dec-16	30-Nov-21
Johnson Controls	\$ 1,561,950.00	12-Jan-13	11-Nov-19
Gehr Power Systems	\$ 921,010.00	10-Jan-18	9-Jan-21
Members Building Maintenance – Janitorial	\$ 22,497,860.20	28-Oct-15	27-Oct-20
Members Building Maintenance – Event Set-up	\$ 3,644,805.00	24-Feb-16	23-Feb-21
Midpoint Int'l dba Clean River	\$ 177,768.75	28-Mar-18	27-Mar-21

Contract Terms - Capital

- CES acting as a capital department
- CES staff will manage capital improvement projects
- CES will coordinate and consult with the Manager and other partners on the implementation of a Master Plan that includes the activation of outdoor spaces
- Manager will provide an initial facility assessment during the transition period and will coordinate with KBHCCD staff monthly to update the assessment
- Manager will be directly responsible for facility repairs and improvements estimated at \$25k and below

WHY SPECTRA



KAY BAILEY HUTCHISON
CONVENTION CENTER DALLAS



SPECTRA

- INDUSTRY RELATIONSHIPS
- CUSTOMIZED SALES & MARKETING PLAN
- OPERATIONAL EFFICIENCIES
- CUSTOMIZED TRAINING & CUSTOMER SERVICE PROGRAMS
- PARTNERSHIP SALES
- COMPREHENSIVE SUPPORT







172
PROPERTIES

44
CONVENTION
CENTERS



SPECTRA



INDUSTRY RELATIONSHIPS



DUKE ENERGY CONVENTION CENTER CINCINNATI, OH

\$7.5 Million

RETURNED THROUGHOUT OUR
12-YEAR PARTNERSHIP

104% CVB ROOM
NIGHTS

50.9%

INCLUSION RATE
2017

\$164.84

AVERAGE DAILY RATE

21 Spectra
GPS Events

BOOKED SINCE
2015

19%

REDUCTION IN
OPERATING COSTS

4.7/5

AVERAGE
CUSTOMER
SURVEY RESULTS

ATLANTIC CITY CONVENTION CENTER ATLANTIC CITY, NJ

31%

ELECTRICITY USED
PRODUCED FROM COUNTRY'S
LARGEST SOLAR ARRAY

\$121 M

ECONOMIC IMPACT
ON CITY

10%

INCREASE IN NET
INCOME IN 2017

23%

INCREASE IN
EVENT DAYS IN
2017

4.61/5

AVERAGE
CUSTOMER
SURVEY RESULTS

MIAMI BEACH CONVENTION CENTER MIAMI BEACH, FL

\$620M

RENOVATION

\$1M

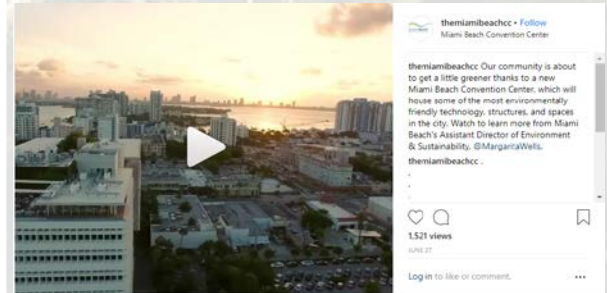
EXPENSE SAVINGS
UPON TAKEOVER

LOCAL

CONNECTIVITY
CAMPAIGN

\$600K+

SHORT-TERM
BUSINESS BOOKED
IN YEAR ONE



**President
JOHN WENTZELL**



**SVP Convention Centers
DAVE ANDERSON**



ON-SITE GM & MANAGEMENT TEAM



**KAY BAILEY HUTCHISON
CONVENTION CENTER DALLAS**



MARKETING & GROUP SALES	BUSINESS DEVELOPMENT	FINANCE & PAYROLL
BOX OFFICE	ONBOARDING/ CLIENT EXP.	LEGAL & RISK MANAGEMENT
TRAINING	HUMAN RESOURCES	FOOD SERVICES
BOOKING	PURCHASING	OPERATIONS & SECURITY
CORPORATE PARTNERSHIPS	PUBLIC RELATIONS	INFORMATION TECHNOLOGY



TRANSITION

DEDICATED
DEPARTMENT

CUSTOMIZED 90-
DAY PLAN

SUBJECT MATTER
EXPERT SUPPORT

PROVEN PROCESS

- AWARD NOTIFICATION KICKOFF
- SEAMLESS TRANSITION
- ONGOING SATISFACTION

30+
CLIENTS IN THE
PAST 2 YEARS

9 OUT OF 10
CLIENT
SATISFACTION
SURVEY RESULTS

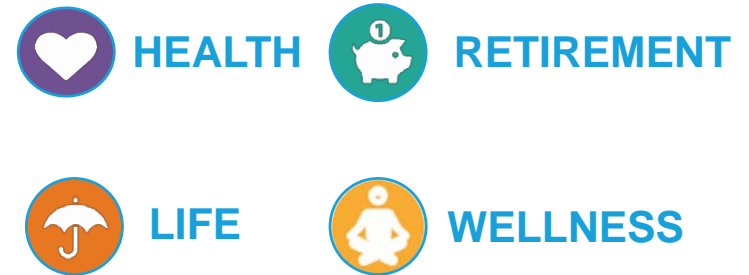


HUMAN RESOURCES

DIVERSE HIRING PRACTICES



BEST IN CLASS TOTAL REWARDS



TRAINING & RESOURCES

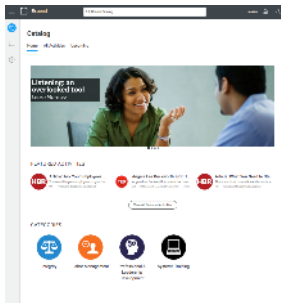
LEARNING
MANAGEMENT
SYSTEM

LEADERSHIP
INSTITUTE &
MENTOR
PROGRAM

CUSTOMER
SERVICE

EMPLOYEE
SURVEY

EXCELLENCE
AWARDS



 **LEADERSHIP
INSTITUTE**
BY SPECTRA

9 MONTH PROGRAM

- **25% Promotions**
- **45% Diverse**

**GREAT
EXPERIENCE**
greet • relate • explore • address • thank



**SPECTRA
VOICE**



MAXIMIZING FACILITY REVENUE & ECONOMIC IMPACT

VISIT DALLAS
COLLABORATION

VISIT  DALLAS[®]



- SINGLE MESSAGE TO THE MARKET
- COMMON GOALS
- PRIME DATE MAXIMIZATION
- ADDITIONAL LEAD GENERATION
- PER ATTENDEE SPEND INCREASE
- ECONOMIC IMPACT WINDFALL

YEAR 1 RESULTS

\$1.2M

INCREASE IN
EVENT REVENUE

116 Events

INCLUDING 22
CONVENTION/TRADESHOWS



CORPORATE & INDUSTRY EXPOSURE

COLLABORATIVE EFFORT
WITH VISITDALLAS



TARGETED TRADESHOWS

ADVERTISING AND EDITORIAL

GPS DATABASE & MONTHLY CALLS

IAEE Expo! Expo!



OPERATIONS & FACILITY MAINTENANCE

**CORPORATE OPERATIONS &
SECURITY**

**NEW CLIENT OPERATIONAL
AUDIT & MANUAL**

**TECHNOLOGY
IMPROVEMENTS**

**CAPITAL PLANNING &
RENOVATION EXPERIENCE**

OPERATING PERFORMANCE

SUSTAINABILITY



HISTORY OF INCLUSION SUCCESS



Duke Energy Convention Center
Cincinnati

32% 50.9%

PARTICIPATION
GOAL

ACTUAL 2017
INCLUSION
RATE

 **GREATER RICHMOND
CONVENTION CENTER**
WHERE VIRGINIA MEETS THE WORLD

56%

2017
INCLUSION
RATE



Next Steps

- Receive City Council feedback
- With GPFM Committee's direction CES would seek to schedule City Council action for February 13, 2019



Kay Bailey Hutchison Convention Center Dallas (KBHCCD) Management Agreement Contract

**Government Performance
and Financial Management
January 7, 2019**

**Rosa Fleming, Interim Director
Convention & Event Services
City of Dallas**

