



## Agenda Report

18-1273

Agenda Date: 9/18/2018

### REPORT TO COUNCIL

#### SUBJECT

Direction on Management Agreement with Santa Clara Chamber of Commerce & Convention-Visitors Bureau for Santa Clara Convention Center

#### BACKGROUND

On March 27, 1984, the City of Santa Clara executed a Management Agreement with the Santa Clara Chamber of Commerce & Convention-Visitors Bureau (Chamber) for the management and operation of the Santa Clara Convention Center (attached). Through the Agreement, the Chamber is charged with performing all services necessary to direct and manage all Convention Center operations including marketing and promoting the Center; booking of events; hiring of staff; and daily operations of the center including accounting, catering, security, janitorial, and, maintenance.

On May 22, 2018, Council directed the City Manager and City Attorney to: 1) begin process of exploring a term sheet for a new agreement with the Chamber for their management of the Convention Center; 2) begin process to execute a financial and performance audit; and 3) suspend the payment of the management fee until such time as an audit was completed.

On July 16, 2018, staff presented an informational report to Council advising of the challenges associated with Council's May 22 request to "*begin exploring a term sheet for a new agreement with the Chamber*" prior to the completion of the audit. Two Council actions (the May 22<sup>nd</sup> action and the June 26<sup>th</sup> action not to renew the convention and visitor services contract) had an impact on the governance structure originally in place for convention and visitor services in Santa Clara and City staff's ability to implement the full City Council direction with respect to marketing and booking events at the Convention Center.

The Management Agreement provides each party with the right to terminate the Agreement with a 180-day notice. On July 16 and August 21, the City Manager advised Council that staff would recommend that: 1) the City Council seek termination of the Management Agreement and relieve the Chamber of the legal obligations to market and book the Convention Center and 2) recommend a staff position to support contract management for these services and any deficiencies articulated in the final audit. The additional position request is the subject of a separate item on the September 18 agenda.

As stated in a separate item, the Auditor will present the final audit, as requested by the City Council, and the findings are serious in nature. Staff is seeking Council direction to terminate the existing Management Agreement and seek a new management agreement through a competitive Request for Proposal process during the 180-day termination notice period. The Chamber of Commerce is welcome to submit for a proposal.

**DISCUSSION**

The Management Agreement provides each party with the right to terminate the Agreement with a 180-day notice. Attached is a staff report presented to the City Council on July 16, 2018 for additional background on the Management Agreement (Attachment 2).

Rather than seeking to make corrective actions in many areas within the existing contract with the Chamber of Commerce, staff recommends that City terminate the Management Agreement as quickly as practicable. The audit findings are serious in nature and illustrate the need to hold a competitive bid process to execute a new management agreement with a professional organization with a proven track record to manage the Convention Center. Based on our internal monitoring of the audit, staff believes that it is prudent to pursue a new management agreement for this public asset with legal provisions that ensure appropriate stewardship, accountability, and transparency.

This is a prudent step because once the City has delivered a notice to the Chamber that the Management Agreement will terminate, staff will issue an RFP to seek a new contract for Convention Center management with clear fiscal and legal safeguards. As stated earlier, the Chamber or any other local organization would be free to submit a proposal along with regional, national and international firms that provide convention center management services. The goal would be to have a new contract in place within 180 days, but it should be stated early on that this timeframe is ambitious and depends greatly on the proposer's own schedule to transition into service. If new management can be brought on board before the 180 days, staff will use the remainder of the Chamber's contract for transition services.

**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**

As outlined in a companion staff report, staff recommends adding one Assistant to the City Manager position. This position would be dedicated to manage the contract with the Chamber through termination, the Request for Proposal process for a new service provider, the transitioning of service providers, and the overall management of the Convention Center.

The fiscal impact for the Chamber's management of the CVB and Convention Center are articulated in the independent audit report and are significant for the audited term. Given that the Chamber has held these public contracts for over three decades, the adverse financial impact is greater than articulated in the audit.

**COORDINATION**

This report has been coordinated with 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.

### **ALTERNATIVES**

1. Direct the City Manager to issue a 180-day notice to terminate the Convention Center Management Agreement, while simultaneously engaging in a competitive bid process for the management and operation of the Santa Clara Convention Center and take necessary actions to stabilize Convention Center operations and to minimize further impact to public resources and assets.
2. Take no action and continue the with the Chamber's Management Agreement.
3. Any other action directed by Council.

### **RECOMMENDATION**

Alternative 1:

Direct the City Manager to issue a 180-day notice to terminate the Convention Center Management Agreement, while simultaneously engaging in a competitive bid process for the management and operation of the Santa Clara Convention Center and take necessary actions to stabilize Convention Center operations and to minimize further impact to public resources and assets.

Reviewed by: Ruth Shikada, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENTS**

1. 1984 Management Agreement
2. July 16, 2018 Agenda Report regarding Convention Center