



## Agenda Report

18-1375

Agenda Date: 10/9/2018

### REPORT TO COUNCIL

#### SUBJECT

Action on the Procurement Strategy for the Management of the Convention Center and Convention Visitors Bureau

#### 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 (Center). Through the Agreement, the Chamber is responsible for performing 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.

TAP International was hired to conduct a financial, governance, contract management, and marketing audit of the Santa Clara Convention Center and Convention and Visitors Bureau (CVB). The audit scope was focused on the state of business practices by the Chamber with respect to its management of public funds and assets and the City's contract management practices.

On September 18, 2018, TAP International presented its audit findings to Council. The audit has revealed serious failures to manage public assets with appropriate stewardship, accountability, and transparency. The audit also found that, when evaluated separately, the fiscal health of the Center and CVB are generally good. However, when evaluated together, there was a need to improve financial management and performance. From the City's perspective, these two areas of service should be evaluated together because there is inter-dependence between services and synergies for leveraged performance. The Chamber's combined accounting practice of these two separate contracts reinforces the integrated nature of these two services.

Based on the audit findings, the Council directed the City Manager to issue a 180-day notice to terminate the Convention Center Management Agreement, while simultaneously engaging in a competitive procurement process for the management and operation of the Convention Center and take necessary actions to stabilize its operations and to minimize further impact to public resources and assets. One of these actions is to select a qualified management company for Convention Center and CVB services through a competitive Request for Proposal process within the next six months. All qualified firms, including the Chamber, are invited to submit proposals as part of this procurement process.

**DISCUSSION**

At Council's direction, staff issued a 180-day termination notice and has developed a recommended procurement strategy for a contract award to manage the Convention Center and related sales and marketing services. To provide a fair opportunity to participants through a competitive process for the award of this contract, staff recommends approval of procurement process integrity and conflict of interest guidelines as discussed in more detail below. Additionally, this section presents the recommended procurement strategy and process.

**Procurement Process Integrity and Conflict of Interest Guidelines**

Procurement process integrity and conflict of interest guidelines are a conventional practice in competitive procurement processes for public service contracts; however, they have not been utilized in Santa Clara. The purpose of the attached Procurement Process Integrity and Conflict of Interest Guidelines is to ensure integrity in the procurement and contract process for the Convention Center contract, remove political influence, educate City employees, consultants, uncompensated outside parties and any person involved in the decision to award a contract about potential Conflicts of Interest, and to establish guidelines for procedural screening of Conflicts of Interest. Specifically, the guidelines:

- establish a communication protocol from the issuance of the RFP to the Notice of Intent to Award providing for a 'cone of silence';
- prescribe a code of conduct for respondents to the RFP;
- ensure confidentiality during the proposal evaluation process;
- require for all participants in the evaluation process and award of contract to avoid conflicts of interests; and
- provide for a process to address allegations of conflict of interests and misconduct

Staff recommends that the Council approve the attached process integrity guidelines for this RFP.

**Procurement Strategy**

The procurement strategy for any service is based on the desired outcomes for the ensuing contract and a thorough understanding of the marketplace. To gain an understanding of the market place, staff engaged Jones Lang Lasalle (JLL) Consulting.

**RFP Outcomes**

The City seeks a company which will manage the Convention Center as well as sales and marketing services for the Center and typical CVB services, which market the City of Santa Clara, its attractions, and hotels. Per the City's consultant, Jones Lang Lasalle (JLL), there are only a few companies which manage convention centers and provide CVB services. Therefore, in order to allow for increased competition, staff recommends that the City seek proposals for Convention Center management services only and for combined Convention Center management and CVB services. Depending on proposals received and evaluated and the final recommendation to the City Council, CVB services may have to be contracted for separately. This approach maximizes the number of proposals that can be submitted, thus increasing competition and encouraging the market to develop solutions.

The vast majority of audit findings (Attachment 2) inform the RFP or the ensuing contract. In addition, JLL provided input on the RFP outcomes for Council consideration. With the response

materials requested in the RFP, staff will assess consistency and level of responsiveness to the outcomes listed below.

- Contract term: initial five years with two five-year options for renewal at the City’s sole discretion.
- Strategic Marketing and Sales Model for the Convention Center and broader CVB activities
- Convention Center Capital Investment
- Eliminate or minimize any City subsidy (e.g., Cost Recovery model or City subsidized model) in conjunction with optimizing economic performance
- Enhanced transparency and contractor accountability
- Reporting that delivers desired results
- Use of key performance benchmarks and measures
- Commitment to high quality service levels

In order to maximize competition and encourage creative and viable solutions, the RFP will be very flexible and not restrict responses to a specific management or marketing approach, or financial model (cost recovery versus a subsidized model) consistent with the outcomes listed above. Through the proposal evaluation and scoring process described below, the evaluation team will determine which proposal is in the best interest of the City.

Procurement Process

This section describes the process including the structure and timeline for the RFP.

**E-Procurement tool:** The RFP will be published and managed using the BidSync bid notification system. This internet based tool will notify interested parties that the RFP has been published and is available for review. All subsequent correspondence such as Q&A, addenda, and award notices will be processed on the system. The City will be able to track all vendor activity, such as who viewed and downloaded the RFP, addenda, and related documents

**RFP structure:** The RFP will be structured in two phases as detailed in the RFP timeline and evaluation criteria. The first phase will be primarily based on the experience of the firm and the proposed solution. The second phase will evaluate the financial proposal and the quality of the proposed management team through oral presentations. The RFP will require respondents to submit one proposal for the management and operations of the Convention Center *and* the Convention Visitors Bureau (CVB). Respondents may also elect to submit a second proposal for the management and operations of the Convention Center *only*. This will allow the City to explore any synergies that may exist between Convention and CVB operations. The City would reserve the right to recommend a vendor for one or both services.

**RFP Timeline:**

This estimated timeline is aggressive and assumes there are no requests to extend deadlines; the City maintains its options to engage in a best and final offer process and allows for a 10 day protest period.

Event	Date
<b><i>Phase 1 of the RFP Process</i></b>	

RFP released on BidSync	October 17, 2018
Pre-Proposal Conference (tour of the Convention Center)	October 31, 2018
Deadline for proposer questions	November 7, 2018
City responds to all proposer questions	November 14, 2018
<b>Proposals due</b>	<b>December 3, 2018</b>
Proposal evaluation	December 4 2018 - December 18, 2019
<b><i>Phase 2 of the RFP Process</i></b>	
Notify highest ranked proposers and Request Financial Proposals and extend invitation for Oral Presentations	December 20, 2018
<b>Financial Proposals Due</b>	<b>January 4, 2018</b>
Onsite oral presentations	January 7 - January 11, 2019
Evaluation and scoring of Financial Proposals and Oral Presentations	January 14 - January 16, 2019
Best and Final Offer (optional)	January 21 - January 28, 2019
Evaluate and score Best and Final Responses (optional)	January 29 - February 1, 2019
City issues Notice of Intended Award	February 4, 2019
10-day protest period starts	February 4, 2019
Initiate contract negotiations	mid- to late February
Council Contract Approval	March 5, 2019

**Best and Final Offer:** This optional step will allow the City to competitively introduce any final requirements learned during the process, as well as make any final clarifications and obtain final pricing.

**Notice of Intended Award (NOIA):** All participants will receive written notification announcing the proposer recommended for award, as well as a scoring summary.

**Protest Process:** Participants in the RFP process will have ten days after the City's issuance of the Notice of Intended Award to protest the City's recommendation of award. The City's Purchasing Manager will be responsible for investigating the protest, and provide a written response. The protesting party will have the right to appeal the decision of the Purchasing Manager to the City Council.

**Evaluation Criteria and Weights:** The RFP will include proposal evaluation criteria and their relative importance as shown below. The evaluation process will be conducted in two phases. In phase 1, written proposals will be evaluated and scored against the phase 1 criteria listed below. Proposers earning the highest scores in each category (combined Convention Center and CVB, and Convention Center only) will then move to phase 2 and be required to submit a financial proposal, as well as participate in on-site oral presentations. The recommended award of contract shall be made to the

proposer earning the highest phase 2 score.

Description	Weight	
	Phase 1	Phase 2
Quality of Proposal	5%	
Experience of Firm	25%	
Experience of Team	25%	
Technical/Project Approach	25%	
Value added products/capabilities	20%	
Financial Proposal incl. Management Fee, Capital Investments, and City subsidy, if any	--	50%
Oral Presentation	--	50%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**Proposal Evaluation Team:** There will be a seven member evaluation team comprised of subject matter experts from inside and outside the City. The City will seek outside representation from the local hotel and tourism industry, Bay Area Convention Center representatives, and national tourism industry. Additionally, the City Manager will appoint representatives from Public Works, Finance, and the City Manager's Office. The final team composition will depend on availability because a significant time commitment will be required within the RFP timeline. Additionally, the evaluation team will be advised by JLL Consulting.

### **Worker Retention Ordinance**

The Worker Retention Ordinance requires that any City of Santa Clara business with more than 25 employees and/or any entertainment/convention venue with a capacity of 8,000 or more is subject to provisions of the Worker Retention Ordinance. The Ordinance requires applicable businesses who are considering changing contractors that provide food service, building service and/or security service, to require a new contractor to retain the existing employees for a period of 90 days. If at any time during the 90 day transition period the successor contractor determines that fewer employees are required, the successor contractor shall retain employees based on seniority only. Reference to the Worker Retention Ordinance will be included in the RFP process.

### **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**

The cost for consulting services and staff time related to this procurement strategy are funded in the FY 2018/19 Adopted Budget, as amended.

### **COORDINATION**

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

**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. Approve the Procurement Strategy for the Management and Operation of the Convention Center and Convention Visitors Bureau.
2. Approve the Procurement Process Integrity and Conflict of Interest Guidelines.
3. Do not approve the Procurement Strategy for the Management and Operation of the Convention Center and Convention Visitors Bureau.
4. Do not approve the Procurement Process Integrity and Conflict of Interest Guidelines.
5. Any other action Council deems appropriate.

**RECOMMENDATION**

Alternatives #1 and #2:

1. Approve the Procurement Strategy for the Management and Operation of the Convention Center and Convention Visitors Bureau; and
2. Approve the Procurement Process Integrity and Conflict of Interest Guidelines.

Reviewed by: Ruth Shikada, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Procurement and Contract Process Integrity and Conflict of Interest Guidelines
2. Santa Clara Convention Center and Convention-Visitors Bureau: Restructuring Operations Can Strengthen Accountability, Performance and Revenue by TAP International