



REPORT TO COUNCIL

City of Sacramento

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915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

Consent Item
April 27, 2010

Honorable Mayor and
Members of the City Council

Title: Agreement: Exclusive Catering Services at Sacramento Convention Center Complex

Location/Council District: 1301 L Street, 1400 J Street, District 1; and 1515 J Street, District 3.

Recommendation: Adopt a **Resolution**, approving and authorizing the City Manager or his designee to execute an agreement with Centerplate to provide exclusive catering services at the Sacramento Convention Center Complex.

Contact: Judy Goldbar, General Manager, 808-5630; Tina McCarty, Administrative Officer, 808-8220

Presenters: N/A

Department: Convention, Culture and Leisure

Division: Sacramento Convention Center Complex

Organization No: 170001151

Description/Analysis

Issue: The Sacramento Convention Center Complex relies on an exclusive caterer to provide food and beverage for all events at the Convention Center, Memorial Auditorium, and Community Center Theater. The current catering services agreement will expire on November 1, 2010. It is recommended that the City enter into a new agreement with Centerplate, locally known as Classique Catering, to be the exclusive food and beverage provider for a five year term with one mutual five year extension option.

Policy Considerations: An RFP process was used to seek the best company to award exclusive catering rights after Council suspended competitive bidding in the best interest of the City on April 21, 2009. The RFP process was used in order to ensure food and service quality, in addition to financial benefit to the Complex.

Environmental Considerations:

California Environmental Quality Act (CEQA): Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review.

Sustainability Considerations: Classique Catering currently participates in all Convention Center Complex recycling programs, in addition to donating unused food to local food shelter, Union Gospel Mission.

Other: Not Applicable

Commission/Committee Action: Not Applicable

Rationale for Recommendation: The Sacramento Convention Center Complex includes the Convention Center, the Memorial Auditorium and the Community Center Theater. All food and beverage business is provided within the Complex by an exclusive caterer, with the exception of backstage catering. The current caterer, Centerplate, also known locally as Classique Catering, has been the exclusive caterer at the Complex since 1991. With the current agreement expiring November 1, 2010, proposals were solicited in June 2009 through a Request for Proposals process. After reviewing four proposals, a Selection Committee determined the proposal submitted by Centerplate (Classique Catering) to be the best proposal for the Complex based on the following:

Customer Service. Classique Catering has been servicing Complex clients for the past twenty years. During that time, Classique has been awarded the distinguished 'Caterer of the Year' award for the past eleven years by readers of Sacramento Magazine.

Quality Assurance. Classique Catering has developed a strong reputation in the Sacramento community. This market positioning is unique to the industry as few convention center or arena caterers do off-site events for which the Complex receives a commission. There is value to the City and the Complex in maintaining the high standard of quality food and service as well as continuity with annual clients who have developed trusting relationships with Classique.

Financial. Centerplate offered an increased commission structure plus three million dollars, \$3,000,000 in Capital Investments and Equipment, in addition to an annual \$10,000 dollars annual culinary scholarship. Details of the commission structure and capital investments are included in Attachment 1.

Experience. Classique Catering has built strong working relationships with Center management, staff, and clients by partnering together in advertising efforts, sponsorship of events, recycling and conservation programs, and culinary scholarships.

Financial Considerations: The Convention Center Complex operates as a part of the City's Convention, Culture and Leisure Department and is funded through the Community Center Enterprise Fund (6010). Revenue from catering services is shared between the provider and the Complex.

The exclusive catering contract for the Sacramento Convention Center Complex is valued at approximately seven million dollars (\$7 million) to the caterer and approximately two million dollars (\$2 million) to the Complex annually. In addition to the revenue split, this agreement includes two cash payments of one million dollars each to be paid in fiscal years 2010-11 and 2011-12. These two cash payments have been factored into the budget projections for the community Center Fund. Centerplate will also invest another one million dollars into the Convention Center Complex catering operation over the first three years of the contract in the form of new equipment, capital improvements, and improved food outlet opportunities.

Emerging Small Business Development (ESBD): ESBD does not apply to concession contracts. (SCC section 3.60.260)

Respectfully Submitted by:



Judy Goldbar, General Manager
Sacramento Convention Center Complex

Approved by:



Barbara E. Bonebrake, Director
Convention, Culture and Leisure Department

Recommendation Approved:


for Gus Vina
City Manager

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Attachment 1

Background

City Council awarded a City Agreement to Volume Services America, Inc., in 1991 for the exclusive Provider of Food and Beverage Services within the Sacramento Convention Center Complex following an RFP process. During the selection process, representatives from the City Finance Department, the consulting firm of Deloitte and Touche, and Convention Center Staff analyzed proposals and selected Volume Services. The initial term of the Agreement was seven years and included an additional seven year extension option, which was exercised by the City in October, 1998.

Volume Services, (now named Centerplate and known as Classique Catering), approached Complex management in early 2003 with opportunities to increase revenues to the Complex. These revenue opportunities included a retail food build-out, Wolfgang Puck Express Café and additional commission percentages. In return for the additional revenue, Centerplate requested a five year extension of the Agreement in order to recover their investment. On January 24, 2005, Council approved the request and extended the contract term through November 1, 2010.

Financial Comparison

The current contract garners an average of approximately 25% in direct revenue to the Complex with an additional 5% in reserves to be used upon mutual agreement for food and beverage operations. The new contract will provide approximately 27% in revenue to the Complex. The following is a comparison of the of the specific commission split due to the Complex.

<u>Category</u>	<u>Current</u>	<u>New</u>
All Alcohol Beverage Service	38.0%	38.0%
Catering		
* Zero to \$3,000,000	18.5%	25%
* \$3,000,001 to \$6,000,000		27.5%
* \$6,000,001 and Greater		30.0%
Off Premise Catering	12.5%	12.5%
Buffet Food and Beverage	27.0%	27.0%
Food and Beverage	38.0%	38.0%
Candy	10.0%	10.0%
Vending	10.0%	10.0%
Starbucks or Similar	18.5%	18.5%
Wolfgang Puck or Similar	10.0%	10.0%
Novelties	70.0%	70.0%
Commissions Bonus Incentive*	0.0%	1.5% / 3.0%

*Bonus incentive is obtained at \$8 million in total Gross Receipts for 1.5% retro-active payments. Additionally, at \$10 million in total Gross Receipts the retro-active payment increases to 3.0%.

Additional Capital Investment.

\$1,000,000 investment toward the following food service capital projects broken into two timelines:

* Center mechanical/electrical/operational/accessible upgrades	\$ 200,000
* Tent	\$ 45,000
* Kitchen Equipment Replacements	\$ 130,000
* Small Ware Replacements/Upgrades and accessible catering equipment	\$ 125,000
<u>Total</u>	<u>\$ 500,000</u>

The above to be invested by June 30, 2011

* Memorial Auditorium upgrades	\$ 20,000
* Multi-purpose, Mobile Concession Cart w/ electric sign	\$ 20,000
* Small Ware Replacements/Upgrades and accessible catering equipment	\$ 125,000
*Contingency	\$ 35,000
<u>Total</u>	<u>\$ 200,000</u>

The above to be invested by June 30, 2013

* Retail Renovation and Additional vendor area	<u>\$ 300,000</u>
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The above to be invested by December 31, 2014

Signing Bonus.

The proposed agreement also includes a two million dollar (\$2,000,000) signing bonus to be spent within the Convention Center Complex. This bonus will be paid in two equal payments, one million dollars (\$1,000,000) to be received by the City by June 1, 2011; followed by the remaining \$1,000,000 by June 1, 2012.

RESOLUTION NO. 2010-

Adopted by the Sacramento City Council

**CONTRACT AWARD FOR THE EXCLUSIVE CATERING SERVICES FOR THE
CONVENTION CENTER COMPLEX**

BACKGROUND

- A. City Council awarded a City Agreement to Volume Services America, Inc. in 1991 for the exclusive provider of Food and Beverage Services within the Sacramento Convention Center Complex following an RFP process.
- B. In 2003, Volume Services (now named Centerplate and known as Classique Catering), approached Complex management with opportunities to increase revenues to the Complex in exchange for a five year extension of the agreement.
- C. On January 24, 2005, Council approved the extension of the contract term to allow Classique Catering to recoup their investment costs of a retail food build-out, Wolfgang Puck Express Café', and additional commission percentages.
- D. In April 2009, Council approved the use of a Request for Proposals process to solicit a new contract with an exclusive provider for these services. The Selection Panel chose Centerplate as the best overall vendor with regard to Customer Service, Quality Assurance, Financial Proposal, and Experience.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

- Section 1. The Agreement with Centerplate for the exclusive catering rights in the Sacramento Convention Center Complex is approved and the City Manager or his designee is authorized to execute the Agreement.