



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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Consent
December 12, 2006

Honorable Mayor and
Members of the City Council

Title: Supplemental Agreement with Advantage Presentations Inc, for Preferred Audio Visual Services for the Sacramento Convention Center Complex

Location/Council District: Districts 1 and 3

Recommendation: Adopt a **Resolution** 1) authorizing the City Manager to execute an addendum to City Agreement 2003-212 to allow Advantage Presentations Inc. to continue as the preferred provider of audio visual services at the Sacramento Convention Center Complex for a total of four additional years through 2010.

Contact: Tina McCarty, Administrative Officer, Convention Center 808-8220

Presenters: Not Applicable

Department: Convention, Culture, and Leisure

Division: Convention Center

Organization No: 4321

Description/Analysis

Issue: On December 2, 2003 City Council Awarded a Non Professional Services Agreement to Advantage Presentations, Inc. (Advantage) for the Preferred Audio Visual (AV) Services at the Sacramento Convention Center Complex (SCCC). The current agreement has an initial term of three years, ending December 31, 2006 and allows for the SCCC General Manager to extend the agreement for up to two, two-year extensions. While an extension is recommended, a supplemental agreement is needed to set new minimum commission guarantee levels for the extension years. The recommended minimum commission guarantees are as follows:

Calendar Year	2007	2008	2009	2010
Commission Guarantee	\$300,000	\$309,000	\$318,000	\$328,000

The remaining terms of the agreement will remain unchanged with commissions due to the City set at 40% of gross revenues at the SCCC (20% of gross

revenues earned off-site). The minimums allow Advantage the flexibility to remain competitive in seeking business while still guaranteeing the City a stable revenue stream from which to budget.

The following are the commission guarantees and actual revenues earned for years 2004 – 2006.

Calendar Year	2004	2005	2006
Commission Guarantee	\$352,000	\$387,000	\$426,000
Actual Commission Earned	<u>\$224,000</u>	<u>\$274,000</u>	<u>\$290,000*</u>
Guarantee Shortfall	\$128,000	\$113,000	\$136,000

* - projected with November and December actuals, yet to be realized.

As evident by the above chart, Advantage has had a short fall between the revenue paid to the City based on 40% commission and their minimum commission guarantee to the City. Advantage has paid all guaranteed commission amounts due to the City for years 2004-2005 and is prepared to pay the shortfall for 2006. However, an adjustment in minimum guarantees is requested due to the substantial gap between expected revenues and actual business. The City has been the beneficiary of what may be termed as an aggressive business growth plan by Advantage over the initial term. However despite the perceived shortfall in business, in 2006 Advantage will meet and possibly surpass the best AV revenue year at the SCCC. (See Attachment 1 – Background for complete history and revenues earned since 2000.) Advantage’s business at the SCCC has continued to grow and most importantly, the customer service to SCCC clients has improved substantially under Advantage’s management. In addition, when AV provider services were competitively bid in 2003, Advantage was the only bidder to recommend a 40% commission structure with guarantees exceeding \$300,000. All other bidders recommended commissions that ranged from 25% - 35% with guarantees ranging from \$0 to \$100,000.

Due to the significance of the proposed commission guarantee, (\$1.25 million over four years), it is requested that the term of the agreement be amended to continue through December 31, 2010.

Policy Considerations: It is in the City’s best interest to amend the agreement through this addendum for the following reasons:

- The addendum agreement will establish sound, business revenue commission goals from which the City can budget.
- Advantage has been a good business partner to the SCCC and the City, fulfilling all financial obligations.

- Advantage has grown its customer base at the SCCC by providing good customer service. There are far fewer customer complaints regarding AV services under Advantage management.
- A new AV provider, if not Advantage will spend two to three years building its customer base and does not possess a customer service track record at the SCCC
- A competitive bidding process was used to select Advantage as the preferred provider in 2003.
- The current Agreement allows for up to four more years of extensions.

Environmental Considerations: Ongoing administrative and maintenance activities, such as purchases of supplies, equipment or materials which are not made for purposes of a public works construction project, do not constitute a "project" and are exempt from the California Environmental Quality Act (CEQA). CEQA Guidelines, Sections 15061(b)(1), 15378(b)(3).

Rationale for Recommendation: The City will benefit from continued, uninterrupted services. Advantage has improved the customer service to SCCC clients substantially since the agreement began in 2004. Advantage remains a company in good standing with the City of Sacramento and is a partner in providing equipment for civic events.

Financial Considerations: The Convention Center Fund operates as an enterprise fund and is primarily supported by the Transient Occupancy Tax and user fee revenues. The new recommended commission guarantee will cause a slight drop in user fee revenues. However, the impact will not be felt until FY2007/08, as payment for Advantage's 2006 shortfall will be paid in FY2006/07. Impact to FY2007/08 could be as high as \$115,000. SCCC staff will make every effort to make up the short fall in other revenue areas. However, the Convention Center Fund does have a stable fund balance and thus can absorb this anticipated drop in revenue, if needed. Additionally, it is important to note that a change in a service provider, historically has caused a drop in revenue while the new provider attains a client base.

The commission numbers recommended for the extension years 2007 – 2010 reflect a 3% growth each year from 2006 to 2010, with a total commission guarantee of \$1.25 million. Total commissions over the life of the agreement including proposed extension years from 2004 to 2010 would be not less than \$2.4 million.

Emerging Small Business Development (ESBD): Advantage Presentations Inc. is certified with the City as an Emerging and Small Business.

Respectfully Submitted by: Judy Goldbar
Judy Goldbar, General Manager
Sacramento Convention Center

Approved by: Barbara E Bonebrake
Barbara E. Bonebrake, Director
Convention, Cultural, and Leisure Department

Recommendation Approved:

Cassandra A.B. Jennings
for RAY KERRIDGE
City Manager

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Attachment 1

Background

- In June 1999 the City engaged the services of Conventions, Sports and Leisure (CSL), a consulting firm, to identify means to improve the Center's service levels and financial stability. Their recommendations included following the industry trend of negotiating a preferred service vendor agreement for audiovisual services.
- On March 21, 2000, the City Council authorized the City Manager to issue a Request for Proposal (RFP) for a preferred service vendor.
- Following a competitive bidding process, a committee composed of representatives from multiple City departments evaluated the proposals and recommended Projection Presentation Technology (Projection) as the preferred provider.
- Projection served as the Convention Center's in-house AV provider for three years (2000-2003), full-filling the initial three-year term of their Preferred Provider Agreement. Projection was interested in exercising one of the two-year extensions with the City; however, Projection wished to re-negotiate the commission and guarantee terms of the original agreement.
- Center Management felt it was prudent to survey the market for commission amounts before accepting a drop in commission percentages. Thus, on October 3, 2003, an RFP was issued by the Purchasing Department for Preferred AV Provider Services for the Center.
- After reviewing the proposals, the selection committee unanimously chose Advantage Presentations, Inc. (Advantage) based on their generous commission structure, aggressive sales and marketing plan, and their commitment to customer service and satisfaction. Advantage was also certified as an Emerging and Small Business Enterprise.

AV Commissions Guaranteed and Received 2001 - 2006

The following are guaranteed commission amounts and actual revenues received since the policy decision was made to enter into an agreement for Preferred AV services at the SCCC.

	Projection Presentations			Advantage Presentations		
Calendar Year	2001	2002	2003	2004	2005	2006
Comm. Guar.	\$125,000	\$137,500	\$151,250	\$352,000	\$387,000	\$426,000
Actual Revenue	\$214,983	\$213,543	\$242,840	\$224,174	\$274,073	\$290,000
Shortfall	\$ 0	\$ 0	\$ 0	\$127,825	\$113,126	\$136,000
Total Received	\$214,983	\$213,543	\$242,840	\$352,000	\$387,000	\$426,000*
* Final commission payments to be received following the completion of 2006						

RESOLUTION NO.

Adopted by the Sacramento City Council

ADDENDUM TO AGREEMENT WITH ADVANTAGE PRESENTATIONS INC, FOR PREFERRED AUDIO VISUAL SERVICES FOR THE SACRAMENTO CONVENTION CENTER COMPLEX

BACKGROUND

- City Council awarded a non-professional Services agreement to Advantage Presentations, Inc. (Advantage) for the preferred audio visual (AV) services at the Sacramento Convention Center Complex (SCCC) on December 2, 2003.
- The current agreement has an initial term of three years and allows for the SCCC General Manager to extend the agreement for up to two, two-year extensions.
- An addendum to the agreement is needed to extend the term of the agreement for four years and to set new minimum commission guarantee levels for the new four year term.
- The new minimum commission guarantees are as follows:

Calendar Year	2007	2008	2009	2010
Commission Guarantee	\$300,000	\$309,000	\$318,000	\$328,000

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

Section 1. The City Manager is authorized to execute an addendum to City Agreement 2003-212 to allow Advantage Presentations Inc. to continue as the preferred provider of audio visual services at the Sacramento Convention Center Complex for a total of four additional years through 2010.