

TO: Michael C. Van Milligen, City Manager
FROM: Marie L. Ware, Leisure Services Manager
SUBJECT: Grand River Center Management Agreement Between the City of Dubuque and Global Spectrum, L.P. d/b/a OVG360 Approval
DATE: March 16, 2023

INTRODUCTION

The purpose of this memo request approval of the Grand River Center Management Agreement between the City of Dubuque and Global Spectrum, L.P. d/b/a OVG360.

BACKGROUND

The Grand River Center (GRC) opened in 2003 and during that time Platinum Hospitality has been the operations manager for the facility. The City Council identified the Grand River Center Future Operations: RFP, Direction and Agreement as a 2020-2022 High Priority.

The RFP Committee was approved and consists of the following members:

Marie Ware, Leisure Services Manager
Cori Burbach, Assistant City Manager
Jason Lehman, Assistant City Attorney
Keith Rahe, Travel Dubuque
Julie Kronlage, Travel Dubuque
Jared Charland, Project and Facilities Manager

DISCUSSION

The Grand River Center Conference and Education Center Operations Management Services RFP was released to solicit sealed competitive proposals from qualified professional management firms capable of providing a full range of comprehensive management services with a well-proven track record of services consistent with generally accepted operation of a first-class conference and education center. The RFP contained the city's identified operational goals and objectives for the GRC and a scope of operational management services. The proposal required submittals including firm

qualifications, profile of the firm, current and former management contracts/agreements, management plan, marketing plan philosophy, operations plan, transition plan (if applicable), financial plan, compensation proposal, and more. The RFP outlined the evaluation and selection process. The RFP is attached to this agenda item.

The RFP outlined the step-by-step procedures the City would use throughout the RFP process.

- During the time from proposal release to proposals due, a non-mandatory proposal conference was held at the GRC. During this conference attendees were taken on a tour of the facility, could see any space within the GRC they wished to see, and were able to ask any questions they had regarding the facility.
- The RFP Committee was provided the proposals and each member scored each proposal individually, with no conversation or contact with other committee members, using initial evaluation criteria contained in the RFP. The committee then came together and shared scores, and a discussion was held on each proposal. Per City policy, the initial review was completed without seeing any information related to the financials or compensation parts of the proposals.
- The RFP Committee requested follow-up answers to questions regarding the proposals and scheduled interviews/presentations with the short-listed firms. The interviews were held, and each committee member individually scored the firm using the RFP's short-list evaluation criteria.
- Upon completion of the firm short list evaluation, the RFP Committee recommended to City Manager Michael C. Van Milligen one firm based upon the outcome of all steps listed above and requested authority to negotiate with the recommended firm a final scope of services, fees, and financial arrangements. Pages 26-27 of the RFP outlines more details.

Three firms submitted proposals. Those firms, in alphabetical order, were Global Spectrum L.P. d/b/a OVG360, Platinum Hospitality Group, LLC, and VenuWorks Inc. The RFP Committee was unanimous in their recommended top-scored firm at every step of the process outlined above. The top-scored firm was OVG360.

The City retained the services of CSL International to assist with the review of the proposals, including the financial plans and compensation proposals, as well as to assist with the negotiation process. CSL has performed this service for numerous cities across the country. Their expertise and insights have been invaluable to the selection and negotiation process.

The unanimous, highest ranked firm chosen based upon all aspects of the RFP and meeting the City's goals and objectives is OVG360. The strategy that OVG360 presented included the following:

- Aggressive approach to sales and marketing
- Dedicated food and beverage approach
- Partnership-driven approach

- Revenue generation through sponsorship sales
- Focus on sustainability
- Commitment to diversity, equity, and inclusion
- Excellence in transition

OVG360 is a division of Oak View Group (OVG). OVG360 is a full-service venue management and hospitality company. Late last year, OVG completed an acquisition of Spectra, growing their venue management and booking portfolio to over 230 venues, including 59 convention centers, with most of their clients being public entities including cities, counties, and states. In Iowa, OVG has management agreements with three convention centers: the Community Choice Credit Union Convention Center and Hy-Vee Hall at the Iowa Events Center, both in Des Moines, the Waterloo Convention Center at Sullivan Brothers Plaza in Waterloo, and the Tyson Events Center and Orpheum Theatre in Sioux City. They also manage the Xstream Arena and Green State Family Fieldhouse in Coralville, Iowa.

The comparable facilities provided in the RFP and discussed in the presentations included the Waterloo Convention Center at Sullivan Brothers Plaza in Waterloo, Iowa; St. Charles Convention Center in St. Charles, Missouri; Durham Convention Center in Durham, North Carolina; and Overland Park Convention Center in Overland Park, KS. Successes in their management of these facilities showcased their understanding of the goals the City of Dubuque sought to achieve for management services for the Grand River Center.

OVG laid out the best proposal and action plan to build upon the past success of attracting conventions and business meetings that bring outside dollars into our community while balancing that with special events, trade shows, consumer shows, banquets, meetings, sporting competition events, and galas, including from social, corporate, and non-profit sectors. The proposal laid out strategies and tactics related to this event mix.

OVG's emphasis on working with local and regional organizations showed how they would create a successful destination package where meeting planners/organizers and attendees want to come. This included working with Travel Dubuque, the Dubuque Area Chamber of Commerce, and Greater Dubuque Development Corporation, as well as working with the local arts, museums, and attraction as a part of an overall marketing strategy for cross-collaboration on campaigns, creating experiences, stay and play packages, and overall branding. Their plan included creating self/co-promoted events, of which they provided some great examples they are currently doing in communities across the country.

Sales and marketing were very important to what the City was looking for. A clear plan for short-term and long-term goals and tactics to achieve those were identified for branding, website, social media advertising, communications plan, and public relations.

OVG's corporate support and services allowed us to see the methods they intend to implement to reinvigorate Grand River Center.

An extremely important aspect of the proposals was the transition plan. OVG laid out a clear pathway for the transition of one management company to another. OVG has a dedicated team of 20+ departmental functional teams (finance, payroll, marketing, etc.) for Dubuque that has been meeting preparing for our "go live" date. They have been feverishly working on our behalf to make a smooth transition on March 31, 2023 at 12:01 a.m.

BUDGET IMPACTS

The negotiated agreement presented for approval contains two budgets. One is for the stub year, which will be the remaining timeframe of FY 23 for the period of April 1-June 30, 2023. The second is for FY24 for the period of July 1, 2023-June 30, 2024. These budgets relate directly to the terms of the management agreement presented. Incorporated within the budget is the negotiated management fee that OVG360 will receive in 12 payments throughout each fiscal year totaling \$150,000, with annual increases determined by changes to the Consumer Price Index. The City has two other agreements that have management fees for facilities: Schmitt Island Development Corporation is paid \$100,000 a year for management of the items in the Schmitt Island Management Agreement (which includes the Dubuque Ice Arena) and ASM Global has a projected management fee of \$120,937 in FY 24 for management of Five Flags Civic Center.

Incentives are built into the agreement, both a qualitative as well as a revenue incentive. The incentives are for each full year and partial operating year of the term (except the stub year, to which no incentives apply).

- The revenue incentive in the agreement provides OVG shall be paid 20% of the event revenue above the event revenue benchmark. This event revenue benchmark for the first operating year is \$1.8 million. As an example, if the event revenue totals \$1.9 million at the end of the year OVG would earn a \$20,000 revenue incentive payment.
- The event revenue benchmark will be renegotiated annually, but in no event will it be less than \$1.8 million.
- The qualitative incentives allow the opportunity for OVG to be eligible to earn up to \$25,000 (\$5000 per operational benchmark) for achieving the operational benchmarks below.
 - *Customer Service Surveys* – Achievement of an 80% positive response rate on surveys sent to a mutually agreed number of GRC-related parties.
 - *Stakeholder/Tenant Relationship* – Positive reviews from Travel Dubuque on surveys dealing with mutual strategy development, an increased level of

- collaboration, and overall spirit of cooperation as reasonably communicated by tenant/stakeholders.
- *Repairs and Maintenance* – OVG shall demonstrate compliance with provisions of the Agreement as it relates to repair and maintenance of all FF&E, based upon quarterly review and walkthrough with the City.
 - *Community Involvement* – OVG shall demonstrate community engagement through initiatives, outreach, and other community-centric approaches.
 - *Economic Impact-Focused Sales and Marketing* – OVG shall develop a new sales and marketing approach in connection with attracting unique events and regional/national meetings and/or conventions to the GRC, as well as facilitating the sale of Commercial Rights in an innovative way. OVG shall demonstrate how OVG's management of the GRC has had positive economic impacts on Dubuque and the surrounding area, including hotel-room-night-generating activities, events with significant non-local attendance, and other relevant metrics.

The agreement has been negotiated to include a cap on the incentives for each year. The sum of the calculated annual incentive fees (revenue incentive plus qualitative incentive) paid to OVG shall not exceed the annual fixed management fee paid to OVG. As an example, if the fixed management fee is \$150,000 the total of the revenue incentive plus the qualitative incentive would not exceed \$150,000. The expense of these incentive fees are built into the budgets included in the management agreement.

OVG will receive 20% of all commercial rights revenue. Commercial rights includes naming rights, pouring rights, advertising, sponsorships, and the branding of food and beverage products for resale. The City retains approval rights regarding any commercial rights agreements OVG may negotiate. The budget includes transition costs which are anticipated to be \$30,000. These are one-time costs related to the transition of management. Transition expenses are built into both the stub year and FY budget.

As part of their proposal, OVG provided an opportunity for a financial contribution from OVG to this proposed partnership. OVG is investing a capital contribution of \$300,000 for an event business fund, leasehold improvements, and/or capital equipment dedicated to the GRC or other revenue-generating initiatives, as mutually agreed between the City and OVG. OVG's capital contribution is amortized on a straight-line basis over 120 months (meaning that the City will retain \$12,500 of the capital contribution for each month the management agreement is in effect).

The negotiated agreement outlines a new financial structure for management of the GRC. The current agreement with Platinum Hospitality includes the City providing funding for 50% of gas and electric actual costs, funding in the equivalent of 25% of the hotel/motel tax generated by the Grand Harbor Hotel, as well as funding repairs and maintenance bills in excess of \$1,285 per event and \$19,275 in aggregate in a fiscal year. These total \$381,998 of expenses that are in the proposed FY 24 budget.

FY 24 Affect

The budget under the new agreement is structured differently than the agreement with Platinum Hospitality. The new agreement structures a budget that includes all the expenses and revenues outlined in the agreement. The FY 24 budget in the management agreement has a \$691,230 subsidy.

The preparation of the FY24 budget was completed prior to the agreement being negotiated. The City budget to be presented on Wednesday, March 22, 2022 for the the Grand River Center contains the yearly ongoing expense totals that it has year over year. That totals \$381,998 as described above. It was anticipated that any negotiated contract would come with a potential increased cost to the City. The FY 24 proposed budget also contains funding totaling \$106,391 for a then-estimated management fee and \$370,000 to go toward first-year transition costs and other costs of incentives. Those are now determined with this agreement and described above. The proposed FY 24 budget has expenses totaling \$858,389 built into it. This funding fully covers the first year \$691,230 subsidy.

FY 23 Affect

The agreement covers 3 months in the FY 23 budget. In anticipation of a new management agreement at the closeout of FY22 a carryover was requested in Budget Amendment #1 for FY 23. This, funding was carried over in the property maintenance account in the amount of \$63,400. The current FY23 budget has 12 months of operational expenses budgeted under the current management agreement's financial terms described above. There will be three months of expenses not expended in FY23. Those savings will be used in addition to the money carried over to fund the stub year subsidy outlined as \$256,895 total.

To aid in understanding expenses related to the new management agreement and the funding available, the following chart is provided.

	Stub Year (April-June, 2023)	FY 24 Year (July 2023-June 2024)
Agreement budget subsidy	\$256,895	\$691,230
Funding available in current FY23 and proposed FY24 budget	\$256,895	\$858,389

The extra expenses that would be left over in FY 24 are important to keep available due to the method that the budgets were developed. OVG used their vast experience to develop the budgets in the agreement. These were developed having no knowledge of the actual expenses and revenues of the near 20-year history of Grand River Center. This is because the current management agreement is set up for Platinum Hospitality

Group to operate the Grand River Center privately and not share their profit and loss statements, expenditures, and revenues with the City. As a part of the RFP process, the City could not provide any firm the precise financial history of the Grand River Center.

Our consultant, as well as OVG, outlined that the first two full years would be building the business, and therefore, the subsidy would be largest in year one, it would be reduced in year two, and then normalize in year three and beyond. FY 24 will be considered year one.

Many thanks to Bill Krueger of CSL International and Assistant City Attorney Jason Lehman for their endless hours in the review and negotiations process as well as all those that served on the RFP Committee. The agreement was also reviewed and approved by the city's bond counsel, Dorsey & Whitney LLP and Purchasing and Risk Manager Tony Breitbach.

Representatives of OVG360 will be attending the City Council meeting.

ACTION REQUESTED

I respectfully request approval of the Grand River Center Management Agreement Between the City of Dubuque and Global Spectrum, L.P. d/b/a OVG360.

cc: Crenna Brumwell, City Attorney
Jason Lehman, Assistant City Attorney
Cori Burbach, Assistant City Manager
Keith Rahe, Travel Dubuque
Julie Kronlage, Travel Dubuque
Jared Charland, Project and Facilities Manager
Jennifer Larson, Chief Financial Officer