



# MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, [www.miamibeachfl.gov](http://www.miamibeachfl.gov)

## COMMISSION MEMORANDUM

TO: Mayor David Dermer and Members of the City Commission

FROM: City Manager Jorge M. Gonzalez

DATE: April 11, 2006

SUBJECT: **REPORT OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE (COMMITTEE) MEETING OF MARCH 23, 2006.**

### **OLD BUSINESS**

1. Discussion regarding Domestic Partner Benefits Coverage Termination - Miami Beach Fraternal Order of Police Health Trust/Fire Fighters Insurance Trust.

### **ACTION**

**ITEM DEFERRED TO APRIL 20, 2006 MEETING**

### **NEW BUSINESS**

2. Discussion regarding exercising the renewal term of the City's agreement with SMG for the Management and operation of the Miami Beach Convention Center, The Jackie Gleason Theater of the Performing Arts, Colony Theater, Byron Carlyle Theater, and Little Stage Theater.

### **ACTION**

Mr. Sklar Cultural and Tourism Director presented the item and stated that SMG was requesting an additional two year extension to the existing agreement for SMG to continue the management and operation of the Miami Beach Convention Center, the Jackie Gleason Theater of the Performing Arts (TOPA), Colony Theater, Byron Carlyle Theater and Little Stage Theater.

Historically this agreement dates back to December 1990 when the City issued a Request for Proposal (RFP) for the management and operation of the aforementioned City Cultural Facilities. The bid was awarded to Spectacor Management Group (SMG). Since 1990 the agreement has been extended in segments of 1 to 2 years renewals at the City's sole discretion. The latest renewal period is set to expire on September 30<sup>th</sup>, 2006.

Mr. Sklar presented exhibits to demonstrate SMG's ability and effectiveness to manage and operate the City Cultural Facilities. He further presented their fee structure broken out by management and incentive fee as well as additional facilities charge. Mr. Sklar then recognized Doug Tober General Manager of the

Miami Beach Convention Center for SMG. Mr. Tober stated that he was pleased to have enjoyed the fifteen year relationship that SMG has had with the City. Chairman Saul Gross questioned if the increase in management fee was related to the Colony Theater and the Byron Carlyle Theater that SMG was recently awarded to manage in fiscal year 2005. Mr. Sklar stated that the increase from Fiscal year 2004/2005 to 2005/2006 was based on a 3% CPI escalator and an increase in the additional facilities fee up from \$20,000 to \$37,500 in the current year.

Commissioner Matti Bower questioned if the Convention Center was profitable. Mr. Tober explained that in fiscal year 2004/2005 the Convention Center lost \$2.3 million. Chairman Saul Gross questioned how the Colony Theater and the Byron Carlyle were doing. Mr. Sklar stated that the Byron did better than projected in fiscal year 2004/2005. He explained that the Colony Theater is sold out for the current fiscal year and that they are focusing on booking the Byron Carlyle Theater. The Committee further discussed the fees and incentives paid to SMG and questioned the types of benefits the City receives in exchange for this management contract.

The Committee questioned the methodology used to measure and evaluates SMG's effectiveness to manage and operate these centers. Mr. Sklar as well as Mr. Tober explained extensively as to the point system used to measure their performance which is based on both quantitative and qualitative measures. The Quantitative method comprises 50% and is based purely on financial performance as compared to budget. The other 50% is qualitative and is based on 20% survey, 20% maintenance, and 10% discretionary.

Chairman Saul Gross further questioned the grading scale. He did not agree that the scale was a good indicator of performance, particularly the maintenance and the discretionary percentages. He instructed Mr. Sklar to revisit the current incentive fee program and come up with a new current percentage fee which is more inline with the City's goals.

Mr. Tober then explained in more detail the surveys and how they are acquired. He stated that the questionnaires are sent to the patrons of the Convention Center after different events. Based on their response they are able to compile a matrix that ultimately helps measure their performance in areas such as maintenance, facilities, equipment service and so on. Mr. Tober indicated that the response rate for these surveys is about 56%. Based on these tabulated results they are able to come up with a point system that allows the City's appointed committee to measure SMG performance.

After much debate Chairman Saul Gross requested that Hilda Fernandez Assistant City Manager and Mr. Sklar include the financials for the Convention Center as part of the workshop being presented to them on March 27, 2006. He feels this will allow the Commission to see in more detail how this agreement with SMG benefits the City.

The Committee made a recommendation to extend the contract with SMG for two -one year extensions, pursuant to a re-evaluation of the SMG Incentive Fee Performance schedule.

- 3. Discussion regarding the issuance of a request for proposals for the management and operation of professional food and beverage service for the Miami Beach Convention Center, with an option to manage food and beverage services at other City Cultural Facilities, if deemed to be in the City's best interest.**

### **ACTION**

Max Sklar, Cultural and Tourism Director, presented the item. Chairman Saul Gross questioned the length of time the City had not gone out to bid for this item. Mr. Sklar stated that it had been 20 years.

Mr. Sklar continued to explain the City's business relationship with Centerplate Inc. formerly known as Volume Service America. He stated that in 1986 the City's entered into a 15 year agreement with Centerplate, Inc. with an additional 5 year term set to expire in February 2007.

In February 2005, the City issued Centerplate a notice of default due to continued service deficiencies at the Miami Beach Convention Center. Although the issues were corrected and the service improved, the administration believes it is in the City's best interest to issue a Request for Proposal (RFP).

In light of the aforementioned performance issues and the length of time since these services were last bid, the Administration is recommending the issuance of a Request for Proposal (RFP). This recommendation was presented to the Convention Center Advisory Board as an informational item at their February 28, 2006 meeting. No objections were raised. Nonetheless the proposal is to include not only quality food and beverage concession services but it is also to include the following:

- Removal of local catering prohibition;
- Exclusive food and beverage provider with a buy-out provision;
- An option to include food and beverage operations at all or some of the City's cultural facilities;
- Guaranteed base rent, plus a percentage of commissions;
- Initial capital contribution and capital reserve fund to fund repair, maintenance, and replacement of food/beverage service equipment, small wares, computerized point-of-sale systems, and other leasehold improvements directly associated with the food/beverage service program;
- Marketing fund for promotion of the Convention Center; and,
- Contribution to a scholarship fund for Miami Beach students pursuing a career in tourism or hospitality.

The Administration recommends issuing an RFP for food and beverage services for the Miami Beach Convention Center, with an option to manage food and beverage services at other City cultural facilities.

Mr. Eric Bayne, Centerplate General Manager, was afforded the opportunity to present his interest. He stated that he understood the City's position but that Centerplate would like to continue the business relationship it currently has with the City.

The issue of an option to manage food and beverage services at other City Cultural Facilities was discussed at length among the Committee Members and the Administration. The prohibition presently in place prevents the City from catering business venues such as banquets, weddings, and large non-profit organization events at the Miami Beach Convention Center.

Nonetheless as stated by Commissioner Bower, large organizations are taking their business to Parrot Jungle since there are not many facilities that have the ability and capacity to serve these large functions. Commissioner Bower stated that this is business the City is losing.

Mr. David Kelsey, President of the South Beach Hotel and Restaurant Association, stated that this prohibition only benefits the large hotels with large capacity to host large events. He further stated that the small hotels do not benefit from this prohibition of allowing the City to cater at their facilities since they are not able to cater these large functions.

Finally upon completion of a lengthy discussion, the Committee recommended the issuance of an RFP to include all of the items previously listed.

#### **4. Discussion regarding the Normandy Park and Pool Project**

##### **ACTION**

The item was presented by Jorge Chartrand, CIP Director. He proceeded to give a detail report of the status of the Normandy Park and Pool. Mr. Chartrand stated that everything seems to be on schedule and the project is 75% completed, the Park and Pool will not be ready to open for the upcoming summer season.

Commissioner Gross acknowledged the fact that the pool is well on the way to being completed; however, he questioned the reasons why this project will not be completed on schedule. Mr. Chartrand explained that the delay was due to permit issues and the unresponsive architects working on the project.

The different approaches used to get the architects to be more responsive were discussed at length. However, it was concluded that the city at this point has no leverage with this firm.

Commissioner Jerry Libbin, although sympathetic with the fact that there is a valid excuse as to why this project is not going to be completed on time, stated that the City must take responsibility and must advise the citizens that the Normandy Park and Pool will not be ready as previously promised for the summer.

Commissioner Matti Bower suggested finding alternatives to compensate for our broken promise to the citizens, especially the children, during the summer season who are expecting to have the park and pool ready. She suggested looking into other water activities that can be made available until the project is complete.

Julio Magrisso, Assistant Director - Parks, agreed to look into other options to provide activities for the children during the summer time. Although everyone acknowledged that there are other parks and other activities, the fact that the citizens were promised that this park would be available was a big concern.

among the Commissioners.

Commissioner Gross questioned Mr. Chartrand as to whether the issues concerning the project were resolved and if we were indeed in a position to move on and complete this project. Mr. Chartrand assured him that the project is well on the way and it will be completed.

Following a discussion it was agreed that the public must be informed of the latest delay in the opening of Normandy Park and Pool. Therefore the Administration will explore other avenues to provide activities for the children and citizens this summer at that location.

**5. Discussion regarding Mount Sinai Medical Center request for Hurricane Mitigation Funding.**

**ACTION**

**ITEM DEFERRED TO APRIL 20, 2006 MEETING**

JMG/PDW/rs/ka