

## Supplementary Budget – Briefing Note

## 2019 Budget

One page brief per request

**Briefing Note required for:**

- items >\$50,000
- changes in FTE
- Corporate Strategic Initiatives

Dept	Division	Business Unit	Item	Base Supp	Amount	FTE Impact
FBIS	Admin	11080	Contracted Management Fee	B	\$50,000	n/a
Choose an item.				Choose an item.		

**Background:**

The Compass Group has managed and operated the CK John D Bradley Convention Centre for the past six years and on June 11, 2018 Council approved the following recommendation extending that contract for another five years with an option to extend.

1. The Mayor and Clerk be authorized to sign all necessary agreements to enter into a contract for the management of the Chatham-Kent John D. Bradley Convention Centre with Compass Group Canada for a period of five years effective January 1, 2019 with an option to extend the contract for up to five additional years. The agreement must be to the approval of the Chief Legal Officer.

The 2018 base budget of the Convention Centre is \$300,000.

The 2019 base budget request for an increase of \$50,000 is primarily due to the impacts of Bill 148, for increases in minimum wages and other items in the Bill. These increases have significantly increased staffing costs and increased product costs from suppliers, which they have indicated is caused predominantly from the same legislative increases.

**Comment:**

- provide any further details if required, impact to user fees, etc (eg. Gross expenses, any revenues, subsidies, etc.)

## Municipality of Chatham-Kent

### Finance, Budget and Information Technology Services

**To:** Mayor and Members of Council

**From:** Mike Turner CPA, CMA  
Chief Financial Officer, Treasurer

**Date:** June 11, 2018

**Subject:** Request for Proposal Single Source Award – R18-90 Management of the Chatham-Kent John D. Bradley Convention Centre

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#### Recommendation

It is recommended that:

1. The Mayor and Clerk be authorized to sign all necessary agreements to enter into a contract for the management of the Chatham-Kent John D. Bradley Convention Centre with Compass Group Canada for a period of five years effective January 1, 2019 with an option to extend the contract for up to five additional years. The agreement must be to the approval of the Chief Legal Officer.

#### Background

Construction commenced on the Chatham-Kent John D. Bradley Convention Centre on November 16, 2010.

In 2011, a Request for Proposal (RFP) document was prepared by an Operations Committee for the Marketing and Management of the facility. The contract was awarded to Compass Group Canada for the pre-opening services and the operation of the Convention Centre for the period ending December 31, 2016, a two year extension was exercised for the period ending December 31, 2018.

On April 10, 2018 RFP R18-190 for the Management of the Chatham-Kent John D. Bradley Convention Centre was posted on the Municipality's Purchasing website. The RFP Posting was also transmitted over Merx and Bidding websites with notification for all registered suppliers.

Two on-line registrations for the RFP document were received and a mandatory site meeting for potential proponents was held on April 24, 2018. Three people attended the site visit, representing two different firms. RFP submissions were received until May 9, 2018.

One submission was received from *Compass Group Canada*.

Section 121 (a) of the Purchasing Policy and By-law requires single source approval when a non-competitive direct award may be used to purchase deliverables under the following circumstances:

- a) Where there is one (1) or no (0) Response to a competitive process;

An Evaluation Committee evaluated the submitted proposal. The submission consisted of two separate envelopes. The first envelope contained the qualitative Management details. The second envelope contained proposed pricing details and was opened and scored separately after completion of the envelope one, qualitative analysis.

Proposals were scored based on the following weights and criteria:

Proponent Related and Relevant Sales, Marketing and Operational Experience and Liquor License	15%
Proposed Staffing Leadership Team (Project Lead and Team Members)	10%
Economic Benefits to Locally Based Suppliers/Services	10%
Proposed Contract Cost	30%
Proposed Content on Marketing Sales, Operations, Technology and Other Plans Including Sample/Example Materials	20%
Quality and Completeness of Overall Proposal Presentation	5%
Value Added Contributions	10%
<b>Total</b>	<b>100%</b>

### Comments

The business model outlined in the RFP provides for the facility to operate as an independent business unit. The operating company is to undertake complete responsibility for the following:

- Marketing Plan Development and Implementation
- Pricing Strategy and Plan
- Technology Program
- Operational Plans
- Service Subcontracts
- Budget Development, Accounting, Financial Statements and Balanced Scorecard
- Event/Rental Services Management (Including Food and Beverage)

The following sections will be further explained as follows:

- A) RFP results
- B) Value Added

#### A) RFP Results

The submission average score from the committee was 81.5%. As a result of the score, the pricing component envelope was opened on May 17, 2018. No post scoring interview was necessary, as the recommended supplier is the incumbent contractor.

Compass Group is the largest food and support services provider in Canada, with 25,000 associates across the country. They have the 11<sup>th</sup> most employees of any company worldwide. The Compass regional and local management team and staff bring local, national and international experience and demonstrate a clear understanding of the requirements for operating a meeting and convention centre in Chatham-Kent.

Compass has partnered with Foodbuy LLC – A food service purchasing organization – to drive the procurement and distribution of goods and services. Foodbuy’s team analyzes culinary needs, food service trends, nutrition and health issues, operating habits and customer requirements and matches those criteria

with the world's premier suppliers to optimize quality, profit and customer satisfaction. Foodbuy won the 2017 Pinnacle Award for Supplier of the Year by Hotelier Magazine.

Compass's Buy Local Program fosters a direct connection between their chefs and the local vendors and producers in the community and regions. It is a structured process by which their chefs and managers can safely and directly procure local food from farms and supplier in their local region/community.

Catering is one of the cornerstones of Compass's business and the company takes the utmost pride in planning and executing events that feed and inspire. The company recruits experienced chefs, managers and staff and the chefs are passionate culinarians who see catering as an opportunity to think creatively and build beautiful events of which they can be proud.

#### B) Value Added

Compass Group proposes to invest up to \$100,000 interest free in capital expenditures applied towards upgrades and enhancements at the Convention Centre, repaid through operations during the five years of the agreement.

Recommendations from Compass include: Drop down AV screens in rooms 1A and 1B to allow for more usable space and a more professional appearance; Two digital AV screens at each main entrance to allow displaying of room/event information, along with company logos; Rebranding of the Coyote Jacks food concession to a more locally driven name, replacing static menu boards with two digital screens, allowing for more flexibility in offerings and a more prominent presence of locally sourced products; renaming the meeting rooms to reflect the history and heritage of Chatham-Kent.

Administration is supporting this offer of capital investment and will work with Compass Group to confirm the upgrades and enhancements.

#### Conclusion

The contract for the management of the Chatham-Kent John D. Bradley Centre with Compass Group Canada will be for a five year period effective January 1, 2019, with an option to extend the contract for up to five additional years.

#### **Areas of Strategic Focus and Critical Success Factors**

The recommendation in this report supports the following areas of strategic focus:

- Economic Prosperity: Chatham-Kent is an innovative and thriving community with a diversified economy.
- A Healthy and Safe Community: Chatham-Kent is a healthy and safe community with sustainable population growth.
- People and Culture:  
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community.
- Environmental Sustainability:  
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources.

The recommendation in this report supports the following critical success factors:

Financial Sustainability:

The Corporation of the Municipality of Chatham-Kent is financially sustainable.

Open, Transparent and Effective Governance:

The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership.

Has the potential to support all areas of strategic focus & critical success factors.

Neutral issues (does not support negatively or positively).

## **Consultation**

The Evaluation Committee was represented by the following municipal areas:

Chief Financial Officer, Treasurer

Director, Community Attraction and Leisure Services

Director, Budget and Performance Services

Manager, Community Attraction and Promotion

The Purchasing Officer assisted throughout the process.

Legislative Services will be consulted regarding the preparation of the necessary legal documents.

## **Financial Implications**

The five year management services effective January 1, 2019 has the following proposed management fees and incentive based fee structure:

Compass Group has proposed an incentive-based fee structure. This would include a sharing of Net Profit or reimbursement of a portion of management fees in a Net Loss. The break-even will be defined as gross revenues less direct costs and management fees.

- a) For results with a net profit: a 50/50 split of the net profit (maximum to be discussed)
- b) For results with a net loss: maximum 35% and of the management fee would be reimbursed (specific percentage based upon amounts)
- c) Management Fees are fixed as follows:
  - 2019 - \$110,000
  - 2020 - \$112,200
  - 2021 - \$114,444
  - 2022 - \$117,733
  - 2023 - \$119,068

These fees are simply an annual CPI increase (estimated at 2%) applied to the amounts from the current contract, which started at \$100,000 for 2012.

The base budget of the Convention Centre is \$300,000 for 2018. Due to the increase in minimum wages and other Bill 148 considerations, an increase to the annual base budget will be brought forward to Council in 2019. These management fees will be included in the performance of the Convention Centre and will be covered by this budget.

Prepared by:

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Chief Financial Officer, Treasurer

Reviewed by:

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Reviewed by:

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Director, Budget & Performance Services

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c: Jennifer Scherle, Purchasing Officer, FBIS

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John D Bradley Convention RFP No. R18-190.docx