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Title:	Approval of the 2020 Management Agreement between the City of Fresno and ASM Global for the Management of the Fresno Convention and Entertainment Center				
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Date	Ver.	Action By	Action	Result
6/11/2020	1	City Council	approved as amended	Pass

REPORT TO THE CITY COUNCIL

June 11, 2020

FROM: WILMA QUAN, City Manager
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City Council District 2

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City Council District 4

SUBJECT

Approval of the 2020 Management Agreement between the City of Fresno and ASM Global for the Management of the Fresno Convention and Entertainment Center

RECOMMENDATION

Staff recommends that the City Council approve the proposed 2020 Management Agreement with ASM Global (ASM) for a period of five years with a contract termination date of December 31, 2025 (the Management Agreement). The Management Agreement also provides for one additional five-year extension upon approval by the City Manager.

EXECUTIVE SUMMARY

ASM currently manages the Fresno Convention and Entertainment Center (FCEC) under the Management Agreement dated December 5, 2013, entered into between the City and SMG. The 2013 Agreement was originally set to expire on June 30, 2019. Through a Request for Qualifications (RFQ) process issued for management services in January 2019, the City received one response from SMG. Staff returned to Council recommending a six-month extension of the 2013 Agreement to allow adequate time to conduct negotiations with SMG on a new management agreement. The Council approved the extension, and the 2013 Agreement was amended to expire on December 31, 2019.

In December 2019, Council approved a contract extension to June 30, 2020, and directed staff to meet with local vendors who service the Convention Center and hear their concerns. Staff completed two meetings with the vendors and incorporated their suggested language into the Agreement. The second of these meetings included the Council subcommittee of Council Vice-President Caprioglio and Councilmember Mike Karbassi. The Agreement attached includes the new language and staff recommends approval.

BACKGROUND

In January 2019, contemplating the expiration of its current management agreement with SMG for management of the FCEC, the City engaged in a competitive process for management of the facility, with one respondent to the City's RFQ. The City and ASM have negotiated the attached proposed 2020 Management Agreement, which takes into account input and feedback from the Council. Please note, in October 2019, during the time of the initial six-month extension, SMG and AEG Facilities merged and became ASM Global.

Agreement Terms: Negotiations between the City and ASM have resulted in the following major terms:

- **Initial Term and Extensions.** The initial term of the agreement will be five-year term, commencing January 1, 2020 and expiring December 31, 2025. At the City Manager's discretion, the City may extend the contract for one additional term of five years.
- **Compensation to ASM.** The proposed compensation is comprised of the Management Fee, which remains at $145,000, subject to a 2.5 percent annual increase beginning in FY 2021;
- **Co-promotion.** City will fund a Co-promotion Fund of $50,000 annually.
- **Audit Cost Share.** City will pay one-half the cost of the annual audit, up to a maximum of $15,000.
- **Advertising and Naming Rights.** ASM will continue to pursue agreements with the approval of the City.
- **Local Preference.** ASM shall refer facility users to an approved local vendor listing which shall only consist of vendors headquartered in Fresno County.
- **Stakeholder Committee.** A committee will be established consisting of members of the approved vendor list, which will meet quarterly to recommend improvements to Convention Center operations.
- **Advisory Board**. Will be reestablished and will meet on an as needed basis to review FCEC operations. A representative from the Stakeholders committee will be included as a member.
- **Marketing Position.** City will fund a marketing positon through the Fresno-Clovis Convention & Visitor's Bureau and contribute a maximum of $100,000 annually.
- **Parking Garage Revenue.** The special event parking revenue from the FCEC parking

garage will be passed through to ASM to support operations and reduce the City's operating cost subsidy.

- **Chukchansi Park Events.** ASM Global will provide marketing and booking services, on a non-exclusive basis, for entertainment events for those dates available to the City at Chukchansi Stadium. City and ASM Global will share equally in any net proceeds from such events. With the new ownership of the baseball franchise, the city will be actively pursuing events.
- **Removal Rights Retained by City.** The City will retain the right to request the removal of the General Manager with 30 days' notice.
- **Status Updates to Council.** ASM will update Council on at least an annual basis the status of operations and the facility.

Cost Savings to City. In conducting its due diligence, Staff considered whether there is a financial benefit if the City were to manage the FCEC in-house. Based upon Staff's analysis, summarized below, the City will save approximately $2.3 million in FY 2020 if it operates the facility via the proposed Management Agreement.

In the five fiscal years before SMG assumed the management of FCEC, the actual annual on-going revenues (including parking revenues) and on-going expenditures (excluding capital and debt service) were as shown on the following table:

	2000	2001	2002	2003	2004	Average
Revenues	2,594,012	3,534,378	3,667,333	4,322,091	3,226,702	3,468,903
Expenditures	5,689,018	6,444,270	6,464,341	6,155,392	5,593,800	6,069,364
Net Balance	**(3,095,006)**	**(2,909,892)**	**(2,797,008)**	**(1,833,300)**	**(2,367,099)**	**(2,600,461)**

General Fund revenues (ostensibly from Room Tax) covered the deficit from operations, which averaged $2.6 million. Note that the above numbers do not include any expenses or transfers for capital, debt service or any "one-time" expenses. Based upon the prior year actuals, and factoring in a two percent growth rate for revenues and expenses, the General Fund subsidy is estimated to be approximately $3.5 million in FY 2020, should the City choose to manage the facility in-house.

By contrast, under the proposed Management Agreement, total General Fund support for FCEC operations in FY 2020 is $1.2 million. This number includes the operating subsidy, management fee, co-promotion funding, FCCVB marketing position, parking revenue pass-through etc., but does not include debt service. Under the proposed Management Agreement, the City is projected to expend approximately $2.3 million less than if it were to manage the facility with City staff.

The City Attorney has approved the contract as to form.

ENVIRONMENTAL FINDINGS

This item is not a project as defined by the California Environmental Quality Act.

LOCAL PREFERENCE

Local preference was not implemented because there was only one respondent to the City's RFQ.

FISCAL IMPACT

The estimated management fee impact of this Management Agreement is $762,168, with an annual management fee of $145,000 in FY 2020, increasing 2.5 percent per year over the course of the Agreement. All costs will be budgeted in the General Fund in the appropriate fiscal year and subject to Council approval.

Attachments: 2020 Management Agreement