



DISCOVER

THE PALM BEACHES

FLORIDA

Tourist Development Council

Overview of Convention Center Operations

January 2025



ABOUT THE

TDC



Mission: To lead the promotion of tourism in Palm Beach County by empowering collaborative partnerships, advocating appropriate destination defining developments, and ensuring the steady growth of visitors.

Vision: Palm Beach County will be a globally recognized destination that all travelers will want to visit and experience because of its culture, lifestyle and amenities.

The TDC is tasked with managing contracts and overseeing the operations of these four marketing agencies:



In addition to protecting our 47-miles of coast line, TDC also oversees:

- Cacti Park of the Palm Beaches
- Roger Dean Chevrolet Stadium
- Palm Beach County Convention Center
- Palm Beach County Convention Center Garage

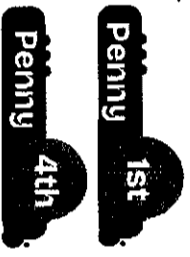


EXCHANGING THE PENNIES

How bed taxes are

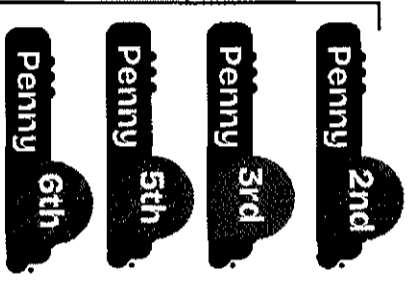


Tourism Infrastructure

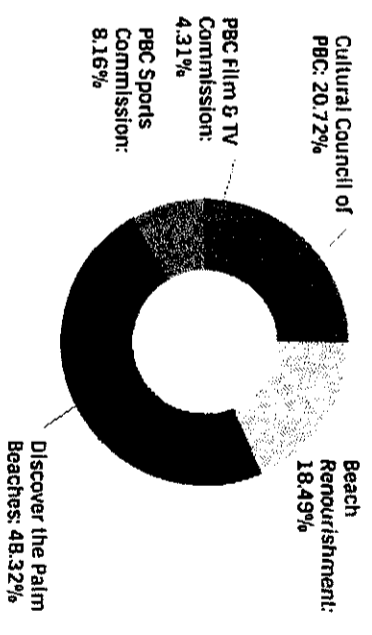


The first & fourth penny of Bed-Tax collections are used for renewal & replacement of facilities that bring national and international tourism to the County such as: Roger Dean Stadium, Cacti Ballpark of the Palm Beaches, & The PBC Convention Center.

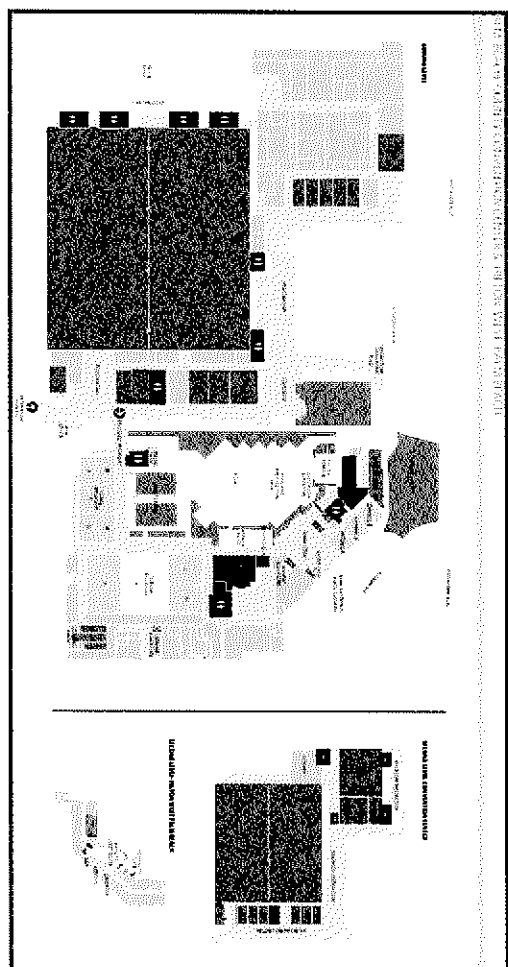
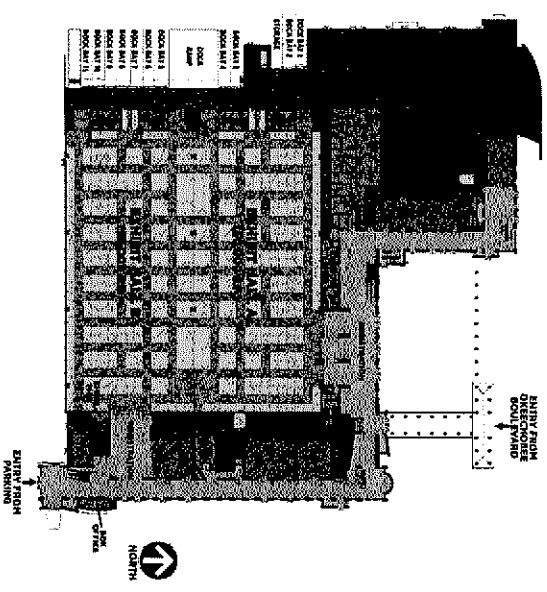
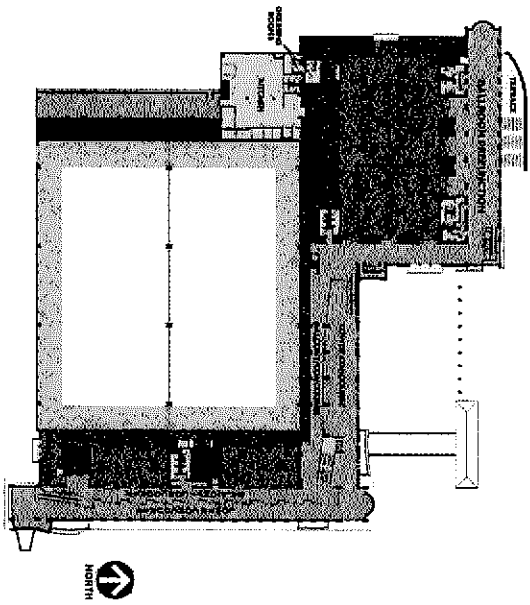
Tourism Reinvestment



The remaining four pennies are combined and invested into County funded agencies that promote Palm Beach County as a premier tourist destination and protect our 47-miles of pristine Florida coastline.



SECOND FLOOR **FIRST FLOOR**



OPENED JANUARY 2004

ONE SPACE
UNLIMITED POTENTIAL

1,040

SQUARE FEET UNDER AIR CONDITIONING SQUARE FEET OF EXHIBIT SPACE SQUARE FEET OF BALLROOM SPACE SQUARE FEET OF OUTDOOR SPACE SQUARE FEET OF FUNCTION & LOBBY SPACE

PBG CONVENTION CENTER FUNDING ORIGINATES FROM TOURIST DEVELOPMENT TAX



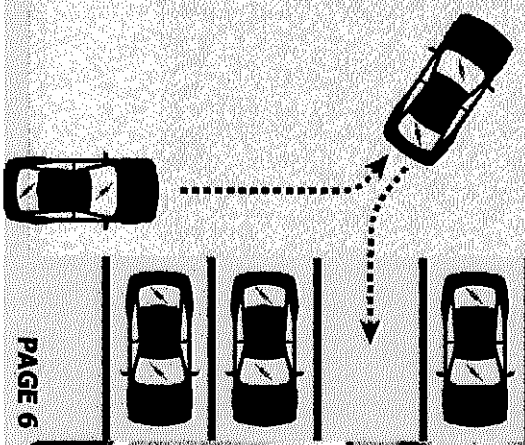
Palm Beach County Tourist Development Tax (also referred to as "TDI", or Bed Tax) is a 6% charge on the revenue from transient rentals (6 months or less). This tax comes with statutory required spending limitations designed to generate tourism.


THE PALM BEACHES
PALM BEACH COUNTY
CONVENTION CENTER




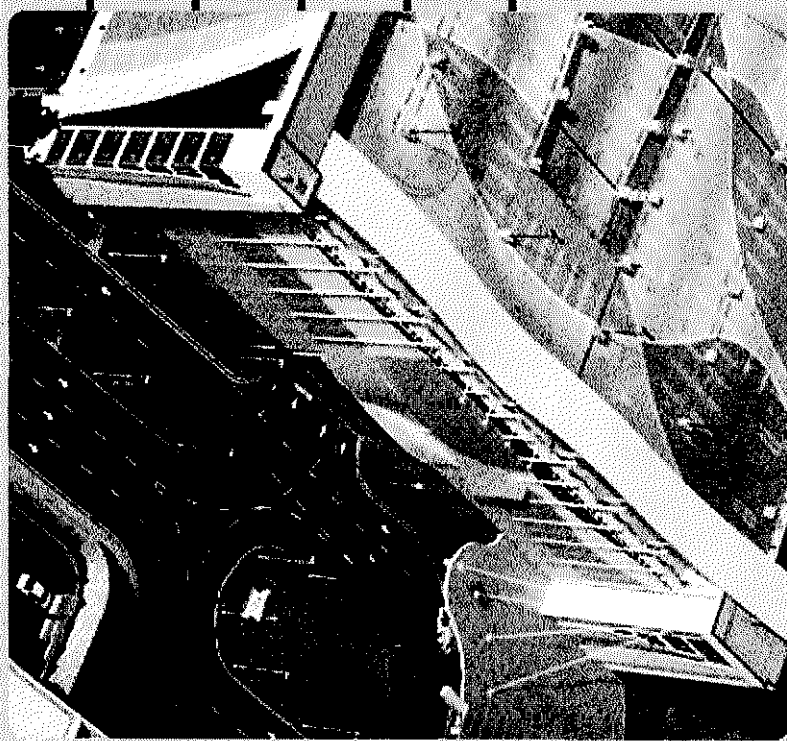
FUTURE FORWARD

Designed with growth in mind, the garage was built to support the construction of the second Convention Center hotel.




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BUILT FOR GROWTH

BY THE NUMBERS

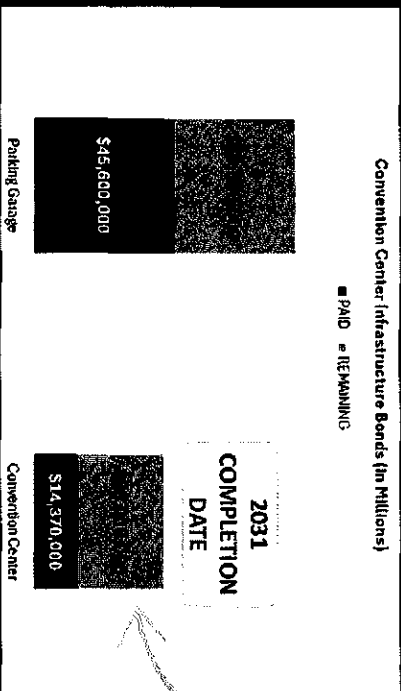


Garage Finance

THESE BONDS ARE PAID THROUGH TOURIST DEVELOPMENT TAX (TDT) DOLLARS.

Convention Center (Infrastructure Bonds (in Millions))

■ PAID ■ REMAINING



ESTIMATED PAYOFF OF GARAGE DEBT IS 2036



FLORIDA STATUTES SECTION 125.0104 DICTATES USE



OPERATIONAL COSTS ARE ABSORBED BY THE COUNTY



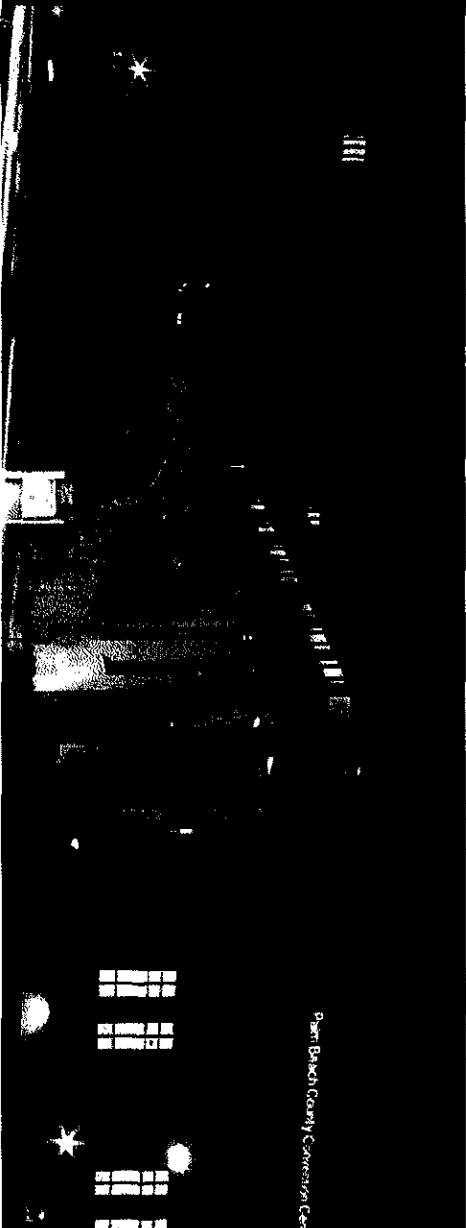
USES ARE LIMITED TO TOURISM-RELATED ACTIVITIES

GARAGE CONSTRUCTION FUNDING CREATES LIMITATIONS

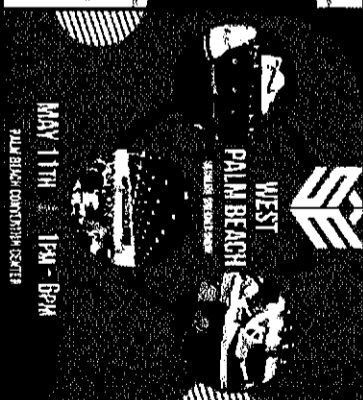
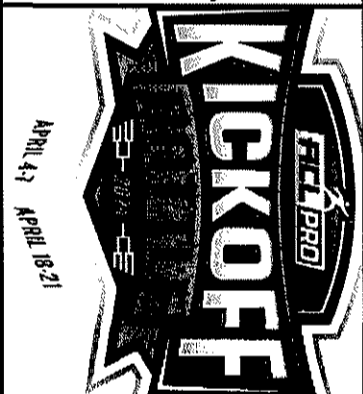
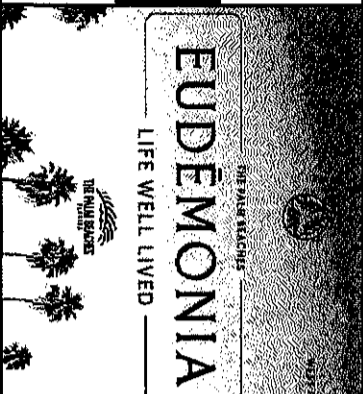


Due to the type of tax-exempt bonds that funded the construction of the parking garage, several limitations are imposed by the IRS including:

- 1 LIMITS PRIVATE USE AND PAYMENTS MADE IN CONNECTIONS WITH THE FACILITY
- 2 PRIVATE USE CANNOT EXCEED 10% OF PRINCIPAL AND INTEREST PAID
- 3 IN THIS CASE, IT LIMITS PRIVATE USE IN THE GARAGE TO APPROXIMATELY 250 SPOTS OR \$6.6 MILLION IN COLLECTIONS



Port St. John, FL
 Palm Beach County Convention Center



asuc Tech

130

\$8.6M

168,547



UNIQUE EVENTS HOSTED

OPERATING INCOME GENERATED

EVENT ATTENDEES



THE PALM BEACHES
PALM BEACH COUNTY
CONVENTION CENTER

NOVEMBER 1-3, 2024



WEST PALM BEACH, FL

THE PALM BEACHES

EUDĒMONIA

LIFE WELL LIVED

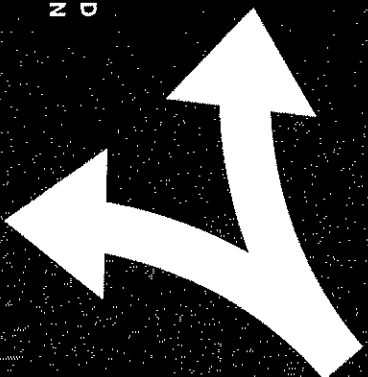


OPERATIONS STRUCTURE



OPERATOR CONTRACT:

- 1 OVG HOSPITALITY CONTRACT IS A 5-YEAR TERM WITH ONE FIVE-YEAR RENEWAL OPTION
- 2 CONTRACT CONTAINS A NON-COMPETE WITHIN 65-MILE RADIUS CLAUS TO AVOID CONFLICT OF INTEREST, INCLUDING LIMITATIONS OF OWNING HOTELS DOWNTOWN
- 3 REQUIRES ANNUAL OPERATING BUDGET & PERFORMANCE METRICS AS DICTATED BY TOURIST DEVELOPMENT COUNCIL LEADERSHIP



FOOD & BEVERAGE:

- 1 SEPTEMBER 2022, THE BOARD APPROVED A CONTRACT WITH OVATIONS FOR A 5-YEAR TERM TO MANAGE FOOD & BEVERAGE OPERATIONS FOR THE CC
- 2 7% OF NET PROFIT FROM FOOD & BEVERAGE WILL GO TO THE OPERATOR
- 3 INCLUDES \$1.25M IN CAPITAL CONTRIBUTION BY OVATIONS TO BE AMORTIZED OVER THE CONTRACT TERM & AN ADDITIONAL \$500K DURING POTENTIAL RENEWAL





THE PALM BEACHES
PALM BEACH COUNTY
CONVENTION CENTER

Palm Beach County Convention Center Performance Indicators

Approved by the Tourist Development Council Board of Directors, these key performance indicators outline the success of the Convention Center through a variety of factors.

Quantitative KPIs

- Gross Revenue Performance
- Room Night Generation

Examples of gross revenue performance include: food & beverage net sales, total events, gross rental revenue, and other indicators determined by TDC leadership.

Qualitative KPIs

- Small Business Participation
- Client Survey Scores
- Capital Improvements Timeliness
- Community Stakeholder Involvement
- Operator Investment

Full compensation is based on the contractor's ability to complete benchmarks for these various key performance indicators through a scoring system.


THE PALM BEACHES
PALM BEACH COUNTY
CONVENTION CENTER



THE PATH FORWARD

CSL CONVENTION CENTER STUDY



- » MINOR SHORT-TERM IMPROVEMENTS
- » SECOND HQ HOTEL
- » CONVENTION CENTER EXPANSION

THE PATH FORWARD
CONVENTION CENTER STUDY

CSL
COMMUNITY DEVELOPMENT PALM BEACH COUNTY'S WESTER TOURISM PLAN





Comments or Questions?



MEMORANDUM

TO: Gregg K. Weiss, Mayor and Members of the Board of County Commissioners

FROM: Verdenia C. Baker
County Administrator *V. Baker*

DATE: October 23, 2023

RE: Staff's Report
Palm Beach County Convention Center Operations

On September 26, 2023, while considering a four-month extension to the Palm Beach County Convention Center (Convention Center) Operating Agreement with Global Spectrum, L.P. (Global), the Board of County Commissioners (Board) directed staff to provide a report on the matter of Convention Center operations. This memorandum serves to fulfill Board's direction.

Facility Overview

The Convention Center is a County-owned facility that opened for operations in 2004. The state-of-the-art facility has approximately 340,000 square feet and features: a 100,000 square foot exhibit hall; a 22,000 square foot ballroom (divisible into 4 rooms); 48,000 square feet of flexible breakout space divisible into 19 rooms and pre-function/lobby space of 180,000 square feet. The 13,789 square foot north courtyard has been recently renovated, transforming the space into an intimate outdoor event area capable of hosting receptions and seated food and beverage events. There is an eight (8) story on-site parking garage with over 2,500 parking spaces.

Operations and Management Services Contracts Overview

The County retains contractual services to operate the Convention Center. The current operator is Global Spectrum, LP (Global). A brief overview of the historical evolution of the operator contract follows. In 2001, the County entered into an agreement with the Palm Beach County Convention and Visitors Bureau (CVB) for the management of the Convention Center. Pursuant to the terms of the agreement and through a Request for Proposals (RFP), CVB selected Global as the operator. The operating contract between CVB and Global provided that in the event the agreement between the County and CVB was terminated, the County would have the rights to assume the rights and obligations of the CVB in its operating contract with Global. In 2007, the Board voted to terminate its Convention Center management agreement with CVB. As a result, in September 2007, the



Board assumed the contract and approved an agreement (R2007-1626) with Global for the operation of the Convention Center for a period beginning in October 1, 2007 to September 30, 2008, with one additional 2-year renewal option, which had a non-compete within a 50-mile radius clause. Said contract included daily management plus general oversight of the food & beverage operations. The renewal option was exercised on October 1, 2008, and as a result, the contract was extended to September 30, 2010. On September 28, 2010, the Board approved a 2-year extension to the contract leading to a revised expiration date of September 30, 2012.

In March 2012, the County's Facilities Development and Operations department (FDO) advertised RFP No. 2012-101-SJC for the provision of operation and management services at the Convention Center, which RFP included a non-compete within 65-mile radius clause. Global was the only respondent. On July 24, 2012, the Board approved a 5-year contract (R2012-1047) with Global, with a one 5-year renewal option. On July 11, 2017, the Board approved the 5-year extension to the contract (R2017-0932). On May 3, 2022, the Board approved a 1-year extension to the contract (R2022-0407).

In April 2023, FDO advertised RFP No. 2023-011-BZ for the provision of operation and management services at the Convention Center. The RFP retained the non-compete within 65-mile radius clause and, to avoid potential conflict of interests, expanded it to include entities owning, managing or operating hotels in downtown West Palm Beach. Although the RFP was broadly advertised and Staff conducted direct outreach with six national firms offering these types of services (ASM Global, Oak View Group, Aramark, Delaware North, Guion and Sodexo), Global was the only respondent. In June 2023, the selection committee met and recommended award to Global subject to negotiation of the financial component of Global's proposal. Negotiations extended further than anticipated therefore, on September 26, 2023 staff recommended, and the Board approved, a 4-month extension to the contract with Global (R2023-1400). Included as Attachment 1 is a summary of all the operation contracts executed for the Convention Center since its inception. Included as Attachment 2 is a summary of all fees paid to Global over the past ten (10) years.

Under the provisions of the operation and management contract, Global is required to prepare an annual operating budget which shall at a minimum include: revenues, operating expenses, incomes, administrative and general expenses, marketing/advertising/promotional expenses, energy costs, exhibitor services, routine maintenance, and payroll/personnel costs. The revenues section of the annual operating budget includes, without limitation: rental income, advertising sales income, equipment/decorating rental fees, box office income, parking income, and food and beverage sales income. Parking revenues are of special interest as construction of the parking garage was funded through tax-exempt bonds which debt service is paid with monies from the local tourism development tax (i.e., commonly referred to as the "bed tax"). As a result of the tax-exempt bond, Internal Revenue Service (IRS) code and regulations dictate that certain limitations on private use and private payments made in connection with a facility financed with tax-exempt bonds. The private activity limitation is a two-fold test that entails private payments (as a function



of the debt service over the life of the bond) and private use (as a function of total financed facility). In essence, private use cannot exceed 10% of the facilities financed with tax-exempt bonds and private payments cannot exceed 10% of principal and interest paid over the life of the tax-exempt bonds. In the case of the Convention Center Garage, the County has preliminarily estimated that cumulative private payments over the life of the bond cannot exceed \$6.6 million (approximately) and private use cannot exceed approximately 250 spaces of the parking facility¹. As a result of bed tax funds being used to pay the debt service, Florida Statutes Section 125.0104 dictates that uses are limited to tourism-related activities. The annual operating budget is approved by the County after recommendation by the Tourist Development Council (TDC). All operational costs, including the operator's fixed fee and incentives, are funded by the bed tax. Therefore, all annual profits/deficits from Convention Center operations accrue to the County.

Food and Beverage Services Contracts Overview

The County retains contractual services to provide for food and beverage services (F&B) at the Convention Center. The current operator is Ovations Food Services, L.P. d/b/a OVG Hospitality (Ovations). A brief overview of the historical evolution of the F&B contract follows.

As previously stated, in 2001, the County entered into an agreement with CVB for the management of the Convention Center. Pursuant to the terms of the agreement and through an RFP, CVB selected Aramark Sports and Entertainment Services, Inc. (Aramark) to provide F&B at the Convention Center. The operating contract between CVB and Aramark provided that in the event the agreement between the County and CVB was terminated, the County would have the rights to assume the rights and obligations of the CVB in its F&B contract with Aramark. In 2007, the Board voted to terminate its Convention Center management agreement with CVB. As a result, in September 2007, the Board assumed the contract and approved an agreement (R2007-1627) with Aramark for the provision of food and beverage services at the Convention Center. On September 23, 2008, the Board approved a one-year extension of the contract (R2008-1689). On September 22, 2009, the Board approved a month-to-month extension to the contract with Aramark up to December 31, 2009 (R2009-1595) while an RFP was underway to select a new service provider. On December 15, 2009, the Board approved a six-month extension to the contract with Aramark (R2009-2169) as the RFP had to be reissued. On June 24, 2010, the Board approved a contract with Ovations for the provision of F&B at the Convention Center for the period beginning on July 1, 2010 through September 30, 2015, with the option to renew for an additional 5-year term (R2010-096). On October 6, 2015, the Board approved the five-year extension to the contract, revising the expiration date to September 30, 2020 (R2015-1409). On June 16, 2020, the Board approved a one-year extension to the contract, revising the expiration date to September 30, 2021 (R2020-0640). On June 15, 2021, the Board approved a one-year extension to the contract, revising the expiration date to September 30, 2022 (R2021-0795).

¹ These numbers need to be further analyzed by bond counsel as other factors may affect the same and further review may be required.



In March 2022, FDO advertised RFP No. 2022-001-BZ for the provision of food and beverage operation services at the Convention Center. Three firms attended the pre-proposal meeting, only Ovations submitted a proposal. On September 13, 2022, the Board approved a contract with Ovations for an initial term of 5 years (ending on September 30, 2027), with one 5-year renewal option (R2022-0948). Included as Attachment 3 is a summary of all the F&B contracts executed for the Convention Center since its inception. Included as Attachment 4 is a summary of all fees paid to the F&B Contractor over the past ten (10) years.

Convention Center Revenues

In general and throughout the nation, convention centers operate at a deficit. This was also true for the County until 2017, the year after the Convention Center Hilton Hotel commenced operations. Since then, with the exception of the years affected by the COVID19 pandemic, the Convention Center has reported operational profits. As previously stated, since all operational costs are funded by the bed tax, all annual profits/deficits from Convention Center operations accrue to the County. Included as Attachment 5 is a summary of the Convention Center's operational revenues over the past ten (10) years.

Convention Center Second Hotel

As directed by the Board, staff proceeded with issuance of an RFP for the *Design, Development, Permitting, Construction, Operation and Maintenance of a Branded Hotel at the Palm Beach County Convention Center*. The first public notice of the RFP was published on October 1, 2023 and the second public notice was published on October 8, 2023. The RFP is available on the County's Vendors Self-Service (VSS) website. At this time, proposals will be due in January 2024. It must be noted that, under the conditions of the RFP, the County will be leveraging two key components to facilitate development of the second Convention Center hotel. First, its real estate; three County-owned sites have been identified for potential development. Second, its existing infrastructure, most notably the parking garage which was designed and built with capacity to accommodate and serve the second hotel and a future expansion of the Convention Center. Preservation of both components to ensure their availability will be paramount to ensure the success of the RFP process.

With this memo staff hopes to have conveyed a better understanding of the Convention Center operations. TDC and FDO staff remains available to provide any additional information should the Board take interest and/or deem it appropriate.

Cc: Isami C. Ayala-Collazo, Director, FDO
Emanuel Perry, Executive Director, TDC

Attachments

Attachment 1 – Summary of Operator (Global) Contracts for the Convention Center

Contract Number	Term	Fixed Fee (annual)	Incentives (annual)
R2007-1626	October 1, 2007- September 30, 2008 (original term) October 1, 2008 – September 30, 2010 (2-year renewal option exercised)	\$169,674.72 subject to annual CPI increase	5% of the Convention Center's share of operating revenues from food & beverage and parking services Incentives capped at \$100,000
R2010-1466	October 1, 2010 – September 30, 2012	\$186,060	
R2012-1047	October 1, 2012 – September 30, 2017	\$191,640 subject to annual CPI increase not to exceed 3%	Based on performance measures: financial, SBE achievement, marketing, sales and customer service Incentives capped at \$100,000 or 25% of the Annual Fixed Fee (i.e., \$47,910 during the first year)
R2017-0932	October 1, 2017-September 30, 2022 (5-year renewal option exercised)	\$203,182.92 subject to annual CPI increase not to exceed 3%	Based on performance measures: financial, SBE achievement, marketing, sales and customer service

			Incentives capped at \$100,000 or 25% of the Annual Fixed Fee (i.e., \$50,795.73 during the first year)
R2022-0407	October 1, 2022 – September 30, 2023	\$214,092 subject to annual CPI increase not to exceed 3%	Based on performance measures: financial, SBE achievement, marketing, sales and customer service Incentives capped at \$100,000 or 25% of the Annual Fixed Fee (i.e., \$53,523)
R2022-0407	October 1, 2023 – January 31, 2024	\$214,092 subject to annual CPI increase not to exceed 3%	Based on performance measures: financial, SBE achievement, marketing, sales and customer service Incentives capped at \$100,000 or 25% of the Annual Fixed Fee (i.e., \$53,523)

Attachment 2 – Summary of all Fees Paid to Operator (Global) for the Convention Center

	FY14	FY15	FY16	FY17	FY18	FY19	F20	FY21	FY22	FY23
Fixed Fee	\$191,640	\$192,789.84	\$197,416.80	\$199,983.21	\$203,182.95	\$207,856.15	\$214,091.84	\$214,091.84	\$214,091.88	\$220,514.64
Incentive Fee	\$34,943.16	\$41,951.07	\$49,995.81	\$50,795.73	\$49,365.85	\$52,951.37	\$13,380.74	\$12,000.00	\$40,000.00	**
Total	\$226,583.16	\$234,740.91	\$247,412.61	\$250,778.94	\$252,548.80	\$260,807.52	\$227,472.58	\$226,091.84	\$254,091.88	**
Incentive Fee Cap	\$40,967.84	\$49,534.20	\$49,995.81	\$50,795.73	\$51,964.05	\$52,951.37	\$53,522.97	\$53,522.97	\$53,522.97	\$55,128.66
Max. Incentive Fee Earned?	No	No	Yes	Yes	No	Yes	No	No	No	**

** Pending end of fiscal year financial reconciliation

Attachment 3 – Summary of Food and Beverage Contracts for the Convention Center

Contract Number	Term/Contractor	Fixed Fee (annual)	Incentives (annual)
R2007-1627	Aramark October 1, 2007- September 30, 2008 (original term) October 1, 2008 – September 30, 2009 (one year extension) October 1, 2010- December 31, 2009 (month-to-month extension) January 1, 2010 -- June 30, 2010 (6-month extension)	\$100,000 plus 8% net profits	
R2010-096	Ovations July 1, 2010 – September 30, 2015 (original term) October 1, 2015 – September 30, 2020 (5-year renewal option) October 1, 2020 – September 30, 2021	\$62,500 (first 15-month contract period) \$50,000 (following annual periods) subject to annual CPI increase plus 7% net profits	Up to 1% on gross sales up to \$2.5M and additional up to 2% of the incremental difference in gross sales over \$2.5M no greater than \$4M County to receive \$130,000 in sponsorship funding

	(1-year extension) October 1, 2021 – September 30, 2022 (1-year extension)		
R2022-0948	Ovations October 1, 2022 – September 30, 2027	7% net profit Includes capital contribution by Ovations to be amortized over the term, same totals \$1.25M over the original term and \$500K during the renewal term	No incentive fees

Attachment 4 -- Summary of all Fees Paid to R&B Contractor for the Convention Center

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
7% Net Profits	\$104,202.55	\$95,888.35	\$124,509.56	\$194,879.09	\$278,734.81	\$264,901.28	\$27,293	\$4,819.57	\$96,575.41	\$168,065.39
Incentive Fee	-	-	-	-	\$7,870.01	-	-	-	-	**
Total	\$104,202.55	\$95,888.35	\$124,509.56	\$194,879.09	\$286,604.82	\$264,901.28	\$27,293	\$4,819.57	\$96,575.41	**
Incentive Fee Cap	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	N/A
Max. Incentive Fee Earned?	No	No	No	No	No	No	No	No	No	N/A

** Pending end of fiscal year financial reconciliation

Attachment 5 – Summary of Convention Center's Operational Revenues

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23**
Net Revenue	\$471,938.41	\$407,867.34	\$1,018,866.92	\$1,603,601.85	\$2,578,890.03	\$2,112,876.11	\$1,672,992.21	(\$292,492.64)	\$1,275,181.03	\$2,079,597.67

** Projected amount, pending end of fiscal year financial reconciliation