



Request for City Council Committee Action from the Convention Center

Date: September 21, 2012

To: Betsy Hodges, Chair, Ways and Means Budget Committee

Subject: Contract extension for Kelber Catering Incorporated

Recommendation: That the appropriate City Officials be authorized to amend and extend City Contract C-25540 without a public request for proposal.

Previous Directives: N/A

Department Information

Prepared by: Jeff Johnson, Executive Director Approved by: Paul Aasen, City Coordinator Presenters in Committee: Jeff Johnson, Executive Director

Reviews:

- Permanent Review Committee (PRC): Approval X Date September 13, 2012

Financial Impact

- Action provides increased revenue to the convention center.
- No appropriation is needed.

Community Impact: N/A

Supporting Information

The Convention Center has a contract with Kelber Catering Inc. that expires on December 31, 2016 and has been extended from an original contract with the City at points in history. Kelber Catering Inc. entered into two promissory notes to the City as part of partnerships negotiated during the 2002 expansion of the convention center. One of the promissory notes was paid in full on June 1, 2012 (\$1.2 million) and the second will be fully paid on June 1, 2022 (\$3.6 million). In 2008 Kelber Catering Inc. provided \$2 million in capital improvements to the food and beverage operation at the Convention Center as part of the extension of their contract to 2016. Kelber Catering, Inc. approached the City to explore the opportunity to extend their current contract to the end of their final promissory note payment in the year 2022 in return for several new terms provided to the City.

A discussion with Kelber Catering Inc. has yielded the following conditions that make an extension at this time appealing for the City to consider:

- **Extension of the contract helps protect the repayment of the remaining promissory note (\$1.4 million remaining)**
- **Kelber Catering Inc. to provide \$3.6 million in additional revenue to the Convention Center from 2013-2022**
- **The City will capture all trade fixtures, small wares, uniforms, and, equipment upon the expiration or termination of the contract at its depreciated value versus its appraised value (\$2.6 million value)**
- **The City receives the sole right to sell food and beverage sponsorships tied to the facility (\$100,000+ estimated yearly value)**
- **Kelber Catering Inc. is contractually obligated to support the Convention Center and City's sustainability efforts**
- **Kelber Catering Inc. to provide the City a \$100,000 financial instrument like a performance bond or irrevocable line of credit to cover two weeks of payroll and two weeks of supply expenses in case of contract default**
- **The contract term is extended to December 31, 2022 and could be extended for another five (5) years at the sole discretion of the City**

As part of these discussions, the Convention Center retained a national food and beverage consultant to determine areas in our current contract that could be strengthened and to compare the terms with what we could expect by bringing in other vendors in a bid. All suggested changes are included in the contract conditions outlined above. Also the consultant believes that the financial structure of this extension is a fair deal as it compares to what we could expect in a competitive vendor situation and at other like venues around the country.

With the contract and financial terms in place with a positive outcome, the quality and service level of Kelber Catering is the next thing to consider. The Convention Center has a strong reputation across our industry and part of that reputation revolves around Kelber Catering Inc.'s ability to provide exceptional service and quality to our guests. As a small and local company, they have a unique local feel and ability to react to our clients' needs while also providing the labor force and experience to handle the largest customers. For many years Kelber Catering Inc. has been a partner to the City of Minneapolis. This partnership is invaluable as we market our facility across the country to meeting planners. We are pleased with Kelber Catering Inc. as a vendor and a partner in making Minneapolis a great hospitality destination.