



City Council A Session - Item 29

August 20, 2020

Extension and First Amendment to the Food Service Agreement with RK Culinary Group, LLC (JV) for the Henry B. Gonzalez Convention Center

Presented by:

Patricia Muzquiz Cantor

Director

Convention & Sports Facilities



Background

- Current contract was approved by City Council in May 2015 for a 10-year term set to expire September 30, 2025 with one 5-year renewal option.
- The Food Service Agreement covers all food and beverage service on an exclusive basis for events held in the Convention Center.
- RK Culinary Group, LLC (JV) is a joint venture between the RK Group, True Flavors Catering, and Black Tie Affairs
- From FY 2015 to FY 2019, average commission received from RK was \$5.9M which accounts for an average of 33% of the total Convention Center revenue.



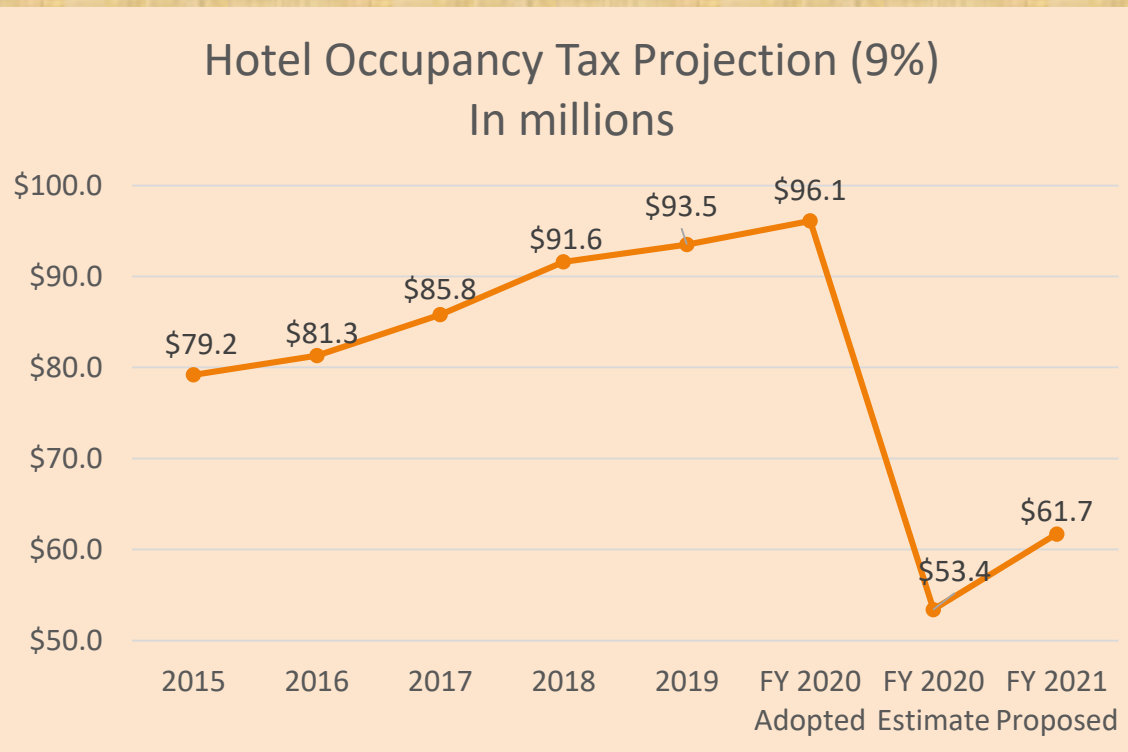
Background (cont.)

- Excellent Partner
 - Invested over \$1.4M in equipment and infrastructure upgrades
 - High satisfaction ratings
 - Exceeding SBEDA subcontracting goals
- Outstanding Employer
 - Cover 86% of employee's health insurance (furloughed covered 100%)
 - Provides free meals and parking to employees
 - JV employees will make \$15/hr. beginning 2021
- Philanthropic Initiatives support variety of civic, youth, arts/culture, educational, entrepreneurial, spiritual and professional non-profits in the community



Challenges

- COVID-19 pandemic has had unprecedented impact on revenues
- HOT Collections expected to take 4 to 5 years to recover with leisure activity rebounding quicker than Convention Center business.





Challenges (cont.)

- Similar to the Convention Center, the RK has seen drastically reduced revenues since March 2020 and projecting reduced revenues in FY 2021.

RK and Convention Center Revenue Summary

Time Period	RK	Conv. Center
FY 2019 (Oct. 2018 to Sept. 2019)	\$22.0M	\$19.9M
FY 2020 (Mar. 2020 to Sept. 2020)*	\$178.9K	\$1.0M
FY 2021 (Oct. 2020 – Sept. 2021)	\$8.85M	\$9.1M

*Impact of COVID-19 Pandemic began affecting revenues beginning March 2020

- Less business activity projected in FY 2021.

Time Period	# of Events
FY 2019	292
FY 2020	128
FY 2021	182



Challenges (cont.)

- JV anticipates significant losses in revenue for the balance of their contract making it difficult to obtain financing
- JV has made request to exercise extension available under the current contract
- JV is important component to Convention Center's ability to rebound from the pandemic and is a main contributor to its success.



Recommendation

- Staff recommends authorizing a 5-year renewal of the Food Service Agreement for October 1, 2025 to September 30, 2030 with RK JV; and acceptance of a \$500,000 renewal fee.



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