

Community Services Advisory Commission
Special Meeting
Redding Convention Center
700 Auditorium Drive, Redding, CA
September 03, 2009, 7:00 a.m.

Minutes

ATTENDANCE

The meeting opened with the following Commissioners present; Leona McCoach, Adam McElvain, and Judy Salter. Commissioners Jason Waybright, and Susan Hinz were absent.

Also present were Convention Center Manager Chris Gonzalez, Convention Center Facility Supervisor John Johnson, Support Services Director Gerard Kersten, Management Analyst Michele Davis, and Executive Assistant Erica Thomas.

PUBLIC COMMENT

None

CONTINUATION DISCUSSION OF PRIVATIZATION OF CONVENTION CENTER AND VISITORS BUREAU

Commissioner McElvain presented a packet titled "Private Management for Public Facilities," (attached). Commissioner McElvain advised SMI is an "outsourcing" company which currently holds 1.7 million event seats nationwide. Commissioner McElvain has had one discussion with SMG representative, Bob Cavalleri, who advised that public to private conversation of facilities is dealt with by their company often.

Commissioner McCoach asked Support Services Director Kersten what the cost of re-branding or renaming the Redding Convention Center would be. Support Services Director Kersten advised the cost would be minimal (ie: printed materials, etc) if it was part of a comprehensive plan which would include a revamped fee structure, marketing, etc.

Commissioner Salter opted to discuss the differences between outsourcing the Redding Convention Center and privatizing it. Support Services Director Kersten explained that the facility itself is the real issue. With \$2-2.5 million dollars in maintenance over the next ten years, a company such as SMG may take over the operations with the contract, but if the City of Redding holds on to the building, the facility maintenance is still a very real issue.

Commissioners McElvain and McCoach advised they would like to move forward with questions for private companies which have converted from public entities. Support Services Director Kersten advised together with Convention Center Manager Gonzalez Convention Center Facility Supervisor Johnson, they would derive a list of questions to present to the Commission. Convention Center Facility Supervisor Johnson mentioned that private companies should be advised, when looking into privatizing the Convention Center, that extra duties/staff hours are currently required of the Convention Center top

provide services such as Community Room, Art in City Hall, etc. Commissioner McCoach asked what the hours and costs of extra duties actually looked like. Management Analyst Davis advised that the actual numbers were not currently being captured, but could if additional Job Order numbers were created and tracked. Commissioner Salter advised it would be imperative to ask SMG or any other private companies what their stance on community services would be. She concluded that all questions should be passed on to Support Services Director Kersten or Convention Center Manager Gonzalez in the next few weeks for discussion at a later meeting.

Mary Machado. Shasta Voices, presented a power point presentation titled "Privatization of Public Services" (attached). Mary explained that this study reflected the community's point of view and what everyone thinks about public agencies. Commissioner Salter asked Mrs. Machado how the community at large was asked their opinion for the study. Mary advised via newsletter and website responses as well as phone calls, etc. Commissioner Salter pointed out that historically the City of Redding was forced to pay their employees more in wages to keep them from working solely in the private sector to which Mary responded that was correct, however the private sector has since remained stagnant and the public sector has grown and prospered where now City of Redding employees are compensated much more than private sector employees. Mary referenced Rancho Cordova which recently became an incorporated city. Rancho Cordova is currently non-unionized, pays its employees 5% higher than the average salaries of all surrounding communities and is an A+ rated city. Commissioner Salter questioned the percentage of municipal employees currently unionized. Support Services Director Kersten advised there are 800+ Full Time City of Redding employees and 80-100 of those are unrepresented. Commissioner McCoach questioned if the Convention Center itself was ever brought up in any of the discussions. Mary replied that there were not a lot of mentions of the Convention Center, however Redding Electric Utility was brought up quite a bit due to the high rates. Mary concluded her presentation citing a Public Pension Forum that would be held at the Holiday Inn on September 24, 2009, at 11:30 a.m. Mary can be reached through Shasta Voices at www.shastavoices.com.

Commissioners agreed to September 17, 2009, at 4:00 p.m. for the next special meeting to be held in the Community Room at City Hall. The following will be included on the agenda:

1. Non-Profit Organizations which currently utilize the Convention Center;

COMMISSIONER COMMENTS

Commissioner Salter advised she would be absent until October 6, 2009, but advised the remaining Commissioners to proceed with Non-Profit and For-Profit presentations throughout the month of September.

ADJOURNMENT

There being no further business, at the hour of 9:08 a.m. Commissioner Salter declared the meeting adjourned.

Community Services Advisory Commission
Special Meeting
Thursday, September 03, 2009
Presenter: Commissioner McElvain

Report:

Companies that specialize in the privatization of publicly owned Convention Centers

1. Presentation of materials packet from SMG

- SMG is one of the largest private management companies in the country. From its creation in 1977, 'Hyatt Hotels and Resorts' owned SMG as a subsidiary until two years ago when it was purchased by a private enterprise. They operate under a lock-stock and barrel posture.
- SMG has the benefit/backing of being a large company.
 - Food
 - Maintenance
 - Software
 - Booking
- SMG is accustomed to the assimilation of a public structure and its operations

2. Consider issuing a Request for Information (RFI)

- RFI's should be sent to at least three (3) different 'private management' companies.
- Possible requests
 - A comparison review of 3-5 current clients similar to the Redding Convention Center, to include financials.
 - A list of past clients that were privatized but were not successful and details on the failure.
 - Company Literature

Future Processes

Review RFI's to determine if privatization is a viable option for the Redding Convention Center

Issue a Request for Proposal (bottom line)



Privatization of Public Services

A Research Project

Final Study Released 8-24-09

Privatization of Public Services

A Research Project



Taking a look at the pros and cons
of privatizing Public Agency Services
in the Shasta County area.

Prepared By:
Mary B. Machado, Executive Director
Shasta VOICES
(530) 222-5251
August 10, 2009

- Are there examples of successful privatization in the area?
- Are there examples of successful privatization in other areas?
- Are there examples of privatization that were not successful?
- What opportunities exist for increased privatization locally?
- What are the advantages and disadvantages of privatizing?
- What impediments exist for increased privatization locally?

- How do our local government officials view the concept of privatization?
- How do our local elected officials view the concept of privatization?
- How do our local union representatives and their employees view privatization?
- How does the community view privatization?

City of Redding
Employer Paid Contribution to CalPERS
(including additional PARS benefit)

- Percentage of Employee Salary:

2.7% @ 55 Retirement Plan	33.91%
<i>(2.7% x 30 years = 81% of final salary)</i>	
<i>Example: \$76,567 (annual salary)</i>	
<i> <u>X.03391</u> (City paid PERS)</i>	
<i> \$25,964 (City pays annually)</i>	
3.0% @ 50 Public Safety Retirement Plan	45.34%
<i>(3.0% x 30 years = 90% of final salary)</i>	
<i>Example: \$76,567 (annual salary)</i>	
<i> <u>X.04534</u> (City paid PERS)</i>	
<i> \$34,715 (City pays annually)</i>	

Private Sector
Social Security Plan Comparison

- Employer Paid Contribution to SS:
 (Including Medicare @1.45%) **7.65%**
- **Early Retirement Age** 62
- **Normal Retirement Age** 67
- Retirement benefit amount is based on highest 35 years of earnings.
- The difference in the cost of ***this retirement benefit alone*** is **27.71% - 39.14%** below that of the City of Redding.

Having greater *flexibility* in solving revenue problems is another often cited reason for privatizing public services.

Conclusion

- Pressure to privatize government services is increasing.
- Comprehensive privatization programs offer city and county governments a way to:
 1. Maximize revenue.
 2. Cut costs.
 3. Have greater flexibility in solving each problem.
 4. Make greater use of private capital for public services and facilities.
- If governments properly manage the privatization process and carefully monitor the implemented projects, government spending can be held in check and high quality can be achieved.