

**GRAND JUNCTION CITY COUNCIL  
MONDAY, AUGUST 15, 2016**

**PRE-MEETING (DINNER) 5:00 P.M. ADMINISTRATION CONFERENCE ROOM  
WORKSHOP, 5:30 P.M. *(please note new start time)*  
CITY HALL AUDITORIUM  
250 N. 5<sup>TH</sup> STREET**

*To become the most livable community west of the Rockies by 2025*

- 1. Boise Event Center Site Visit Debrief**
- 2. Two Rivers Convention Center Operations: The purpose of the discussion is to consider options for operating Two Rivers Convention Center.**
- 3. Next Workshop Topics**
- 4. Committee and Board Reports**
- 5. Other Business**



## Grand Junction City Council

### Workshop Session

Item #2

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**Meeting Date:** 8/15/16

**Requested by:** Greg Caton,  
City Manager

**Submitted By:** Debbie Kovalik,  
Convention & Visitor  
Services Director

**Department:** Administration

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### Information

**SUBJECT:** Two Rivers Convention Center Operations

**EXECUTIVE SUMMARY:** Consider and discuss options for operating Two Rivers Convention Center.

**BACKGROUND OR DETAILED INFORMATION:** Two Rivers Convention Center (TRCC) was built in 1974. The operation was originally under the City Manager's office in Administration until 1985 when the new City Manager at the time, Mark Achen, moved it under the Parks and Recreation Department. TRCC was expanded by 6,000 square feet in 2004 which expanded the options to attract more convention business. In 2008, the operation was moved by the City Manager, Laurie Kadrich, to the Economic, Convention, and Visitor Services department (now known as the Convention and Visitor Services department).

The original vision for the facility was to operate as a community center that would accommodate large banquet events (specifically JUCO). Over the last several years and today the facility hosts a variety of event types including conferences, annual banquets, weddings, service luncheons, and meetings. Each type of event has varying levels of profitability or loss. Generally speaking, conferences and large banquets are profitable, and in contrast small groups and service club luncheons are not profitable.

Several factors have negatively impacted TRCC's bottom-line; the continued slow-to-recover economy; increase in competition (ie. CMU Ballroom facility); continued increases in food and labor costs, and the limitations of pricing increases due to the civic service/community center aspect of the operation. Furthermore, there are

significant capital improvements required over the next 10 years in order to maintain the current condition of the facility. The cost may be higher if the facility were expanded to the size necessary to compete for larger conferences.

For at least the last ten years the TRCC operation has experienced an overall loss. The General Fund has subsidized 100% of the losses until 2009 when the Visitor and Convention Bureau (VCB) Fund began sharing equally in the subsidy. For the last four years, the operating subsidy has increased to as high as \$500,000 before any capital improvements. Beginning in 2017 the VCB Fund will have exhausted the fund balance and not be financially able to participate in the subsidy share unless they correspondingly decrease the VCB operating budget. Therefore, the full responsibility of the subsidy falls to the use of General Fund resources.

Without a major shift in operating philosophy and business model, it is expected that the subsidy will continue and potentially grow. Therefore, staff is recommending discussion of potential operating options. These options have varying levels of control and financial risk to be considered.

1. **Public Ownership**-Continue as a solely City-owned and operated facility. The City of Grand Junction manages and operates TRCC, and has responsibility for utilities, capital expenses and all operating expenses. City Administration continues to have control of service levels. No change in entity structure and the City accepts the current level of financial risks.
2. **Publicly Owned – Management/Operations are out sourced.** The operation of the City owned building by a private management firm. This may be accomplished through contracts for management service's including labor, operational costs and negotiated revenue shares. Generally, these agreements include a management fee. The owner (City of Grand Junction) bears the costs of capital improvements, some limited administrative costs, maintenance, and utilities. Contracts can define the level of services provided. This option reduces some of the risks associated with owning the facility.
3. **Publicly owned- Privately Operated.** The City of Grand Junction would lease the property, in an agreement which the City, as owner of the property permits a third party to use it for an agreed upon compensation based on a lease arrangement. Service levels are decided by the lessee. This option limits the financial risks to capital facility costs only.
4. **Privately Owned – Privately operated.** The City of Grand Junction would sell the building under this option. Selling the building to an outside interest such as the County, State, private Development Company, Hotel owner, or a private business person, could eliminate the financial risk to the City of Grand Junction.

## **FISCAL IMPACT:**

**Operations:** The current operation of the convention center alone is on pace for a \$460,000 operating subsidy and a \$74,000 capital subsidy for an emergency repair of the make-up air unit.

**Capital:** To maintain the current condition of the convention center, the estimated capital investment over the next 10 years would be \$6.4 million (\$13.2 million over 20 years). The estimated capital investment to improve the condition would be \$8.5 million over 10 years (\$14.8 over 20 years). The estimated capital investment to expand the facility by 7,000 square feet and improve the Main Street side of the building is \$15.65 million.

If there are no changes to the operations and the facility continues to be operated as a public facility, the subsidy will continue and could potentially increase. At the current level and without VCB Fund participation the impact to the General Fund in 2017 will be between \$200,000 and \$250,000 in additional subsidy for a total of \$400,000 to \$500,000 per year. The projected subsidy could increase depending on the economy, the condition of the facility, and ability to compete in the market.

Options where the City retains ownership of the property will require investment in capital maintenance and improvements of the facility; potentially in collaboration with a partner if a lease is involved.

## **SUGGESTED ACTION:**

Staff recommends issuing an RFP to address the options described under Option #3 or Option #4.

## **Attachments**

None.