

5/22/18

ITEM #5

Simrat Dhadli

To: Jennifer Yamaguma
Subject: RE: "Draft" Outline of Chamber's Duties

On May 14, 2018, at 4:11 PM, Moreno, Lisa <Lisa.Moreno@santaclara.org> wrote:

Good afternoon Deana. You may circulate the outline as a starting point for discussion.

Thank you.

Lisa R. Moreno
General Manager & CEO
Santa Clara Convention Center and Convention & Visitors Bureau
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<image001.png>

"Voted Best Event Venue for 2010 by Silicon Valley Concierge Association."

 Please consider the environment before printing this e-mail

From: Deanna Santana [<mailto:DSantana@SantaClaraCA.gov>]
Sent: Monday, May 14, 2018 2:00 PM
To: Moreno, Lisa
Cc: Joe Siecinski; Kaspar, Nick
Subject: RE: "Draft" Outline of Chamber's Duties

Good Afternoon,

Can you confirm that you would like this circulated to the City Council as part of the Management Fee discussion tomorrow?

Deanna

From: Moreno, Lisa [<mailto:Lisa.Moreno@santaclara.org>]
Sent: Tuesday, May 8, 2018 2:11 PM
To: Elizabeth Elliott; Deanna Santana
Cc: Joe Siecinski; [REDACTED]; [REDACTED]; Joan Secoquian
[REDACTED]; [REDACTED]; David Tobkin ([REDACTED]); Kaspar,
Nick; [REDACTED]
Subject: "Draft" Outline of Chamber's Duties

Good morning Deana. We are following up on the discussion from our meeting on April 13th, 2018 regarding what the Chamber's responsibilities are under the Management Agreement. I have attached a "draft" list of duties of the Convention Center, which the Santa Clara Chamber of Commerce/Convention-Visitors Bureau Board of Directors, oversees under the management agreement

Outline of Santa Clara Chamber of Commerce and Convention-Visitors Bureau Duties Santa Clara Convention Center

- ❖ **Marketing, advertising and Promotion**
 - Print
 - Tradeshows
 - Face-to-Face
 - Conference
 - Website
 - Social Media
 - Prospecting
 - Marketing Plan
 - Videos
 - TV

- ❖ **Booking and Scheduling**
 - Manage Master Booking Schedule
 - Establish/Negotiate/Manage Use Agreements
 - Manage contract status/payments/insurance
 - Manage booking policies
 - Work with CVB Sales Team on LOIs (Letter of Intent)
 - Coordinate use of Grand Ballroom with Hyatt Hotel

- ❖ **Budgeting**
 - Capital Improvements (CIP)
 - Annual Operating Budget
 - Annual CVB Operating Budget
 - Annual TID Operating Budget
 - Budget Approval Process
 - Attend City Meetings

- ❖ **Financial Reporting**
 - Monthly Operating Budget Reports
 - Quarterly Reports
 - Audit Process
 - Check Processing
 - AR/AP
 - Payroll Processing
 - Annual Inventory
 - Oversee sub-contractors financial report

- ❖ **Manage General Liability and Worker's Compensation Insurance**
 - Obtain broker to ensure rates stay competitive

- ❖ **Manage Employee Benefits**
 - Obtain broker to ensure rates stay competitive

- ❖ **Negotiate and Manage Sub-Contractors Agreements/Finances/Operations**
 - Catering
 - Audio/Visual
 - Telecommunications
 - Digital Advertising
 - UPS
 - Verizon
 - AT&T

- ❖ **Staffing**
 - Hire and Maintain full and part-time staff
 - Negotiate/manage Collective Bargaining Agreement (CBA)
 - Establish personal policies
 - Manage personal development/performance
 - Manage employee benefits
 - Training

- ❖ **Daily Event Operations**
 - Event Management
 - Parking Management
 - Equipment Rental
 - Housekeeping
 - Setup/teardown
 - Event labor management
 - Security
 - Fire/Life/Safety management
 - Customer Service

- ❖ **Facilities Management**
 - HVAC
 - Fire prevention and control systems
 - Establish and maintain consistent procedures
 - Security alarm systems
 - Elevator/escalator service and maintenance
 - Oversee/manage service agreements
 - Member of the district which manages the campus
 - Plumbing systems
 - Mechanical systems
 - Lighting
 - FFE
 - Outdoor Marquee
 - Exterior of building
 - Pest control
 - PM (preventative maintenance) controls
 - Landlord of the grand ballroom under City agreement with Hyatt Hotel.

5/22/18

item # 5

City of Santa Clara

Santa Clara Convention Center Management Fee

Item#: 5

May 22, 2018



Background

City of Santa Clara
 Santa Clara Convention Center
 Study Session
 February 27, 2018

Item 2.A

City of Santa Clara

Industry Trends

- Convention Center exhibit hall supply has outpaced demand making for a more competitive market.

Year	Convention Center	Exhibit Hall	Event Space	Other	Total
2010	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
2011	1,200,000	1,200,000	1,200,000	1,200,000	4,800,000
2012	1,400,000	1,400,000	1,400,000	1,400,000	5,600,000
2013	1,600,000	1,600,000	1,600,000	1,600,000	6,400,000
2014	1,800,000	1,800,000	1,800,000	1,800,000	7,200,000
2015	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
2016	2,200,000	2,200,000	2,200,000	2,200,000	8,800,000
2017	2,400,000	2,400,000	2,400,000	2,400,000	9,600,000
2018	2,600,000	2,600,000	2,600,000	2,600,000	10,400,000

City of Santa Clara

Industry Trends & Santa Clara

Destination Strengths

- Geographic location
- Proximity to high value growth industries
- Strong market demand projected

Destination Opportunities

- Building condition/design
- Meeting attendee expectations
- Destination appeal



Chamber of Commerce & Convention-Visitors Bureau

- One Board of Directors with three separate business areas
 - Chamber membership
 - CVB (1975) / Tourism Improvement District (2004)
 - Convention Center (1984)

3



Historical Context

- 1975: Chamber operated a Convention and Visitors Bureau under contractual agreement with the City.
- 12/1983: Council considered four operating alternatives, staff recommended operation by the Chamber.
- 3/1984: Council approved Management Agreement with Chamber for management and operations of the Convention Center.

4



1984 Management Agreement – Basic Terms

Chamber duties:

- Market, advertise, promote Convention Center
- Coordinating use of the Convention Center
- Book events, theatre performances, conventions, exhibitions and meetings
- Schedule and administer the daily operation and provide services required by users of the Convention Center
- Prepare annual budget for City approval
- Subcontract, hire, purchase to operate facility subject to budget

5



Basic Terms - Compensation

- Management Agreement does not describe compensation
- “No monies will be transferred to the Chamber for operation of the Chamber, *except for services received as identified in the budget as approved by the City Council of City.*”
- The Management Agreement as written does not provide sufficient authority to issue public funds, require clearer language.

6



Basic Terms - Compensation

- Chamber/SCCC submits annual budget into the City budget process. Projected Convention revenues and expenses are provided.
- The management fee has historically been included as an expense but the annual budget only presents one rolled up number for all Convention Center expenses.
- There was not sufficient transparency on the management fee and the amount of the fee from year to year.

City Budget Documents

**CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2017**

NOTE 4 - LEASE AGREEMENTS (continued)

The following schedule summarizes the approximate minimum future revenues to be received from this lease:

Fiscal Year	Amount
2018	\$ 321,432
2019	321,432
2020	321,432
2021	321,432
2022	321,432
Thereafter	4,123,044
Total	\$ 5,792,204

NOTE 5 - ENTERPRISE FUND MANAGEMENT AGREEMENTS

A. Santa Clara Convention and Visitors Bureau and Convention Center

In March 1994, the City entered into two separate management agreements with the Santa Clara Chamber of Commerce and Convention/Visitors Bureau, Inc. (Chamber). The first agreement with the Chamber is for the management of the operations of the Santa Clara Convention/Visitors Bureau. In fiscal year ended June 30, 2017, the City paid the Chamber \$1.49 million under this contract. The second management agreement between the City and the Chamber is for the management of the operations of the Santa Clara Conference and Convention Center (Convention Center). Under the terms of this agreement, the Chamber will receive for its services an annual management fee identified in the Convention Center budget and approved by the City Council. In fiscal year ended June 30, 2017, the Convention Center paid the Chamber \$137 thousand. Each agreement is extendible for an additional year at the end of each year. Either party may terminate the agreements by providing 180 days written notice.

CONVENTION CENTER BUDGET

Fiscal Year 2017-18

	2016-17 Budget	2017-18 Adopted	Change
OPERATING INCOME			
Space Rental	\$ 2,600,000	\$ 2,800,000	\$ 200,000
Audio Visual	758,734	927,052	168,318
Telephone	300,000	300,000	—
Catering	2,600,000	2,647,923	47,923
Electrical	360,000	341,575	(18,425)
Advertisements	40,000	40,000	—
Other Income/Interest/Etc.	176,239	208,000	31,761
Total Operating Income	\$ 6,834,973	\$ 7,284,550	\$ 429,577
Total Expenses	\$ 6,723,225	\$ 7,146,834	\$ 423,609
Net Income/(Loss)	\$ 111,748	\$ 117,716	\$ 5,968

Historical Payment

- FY 2013/14 and previous \$45,000
- FY 2014/15 \$47,250
- FY 2015/16 \$50,000
- FY 2016/17* \$136,699
- FY 2017/18* \$145,292

- FY 2018/19* (proposed) \$150,573

*Based on 2% of anticipated revenue

9



Direction to Staff

- The Management Agreement does not provide for the payment of a management fee.
- The fee amount was increased without proper budgetary disclosure.
- Fee amount – Staff does not have the appropriate authority from Council to continue the current payments. To remedy the situation an agreement is necessary.
- Staff is requesting direction from Council on the management fee, including structure and will return to Council with appropriate proposals for further Council consideration.

10



Five Possible Options

1. A fixed fee amount based upon % of budgeted revenue.**
2. % of budgeted revenue with reconciliation at the end of the FY.
3. Fixed fee amount.
4. Fixed fee amount using the established flat management fee of \$45,000 and adjust for the Consumer Price Index (CPI).
5. Combination of a flat fee possibly enhanced by a performance incentive, established through performance outcomes in the agreement for which performance is measured and determined beyond actual revenue.

**Chamber-recommended alternative

Alternatives

- Direct staff to bring forward an amendment to the Agreement for a management fee option as outlined in this report (all are feasible and reasonable).
- Discontinue paying a management fee.
- Any other action the Council deems appropriate

City of Santa Clara

