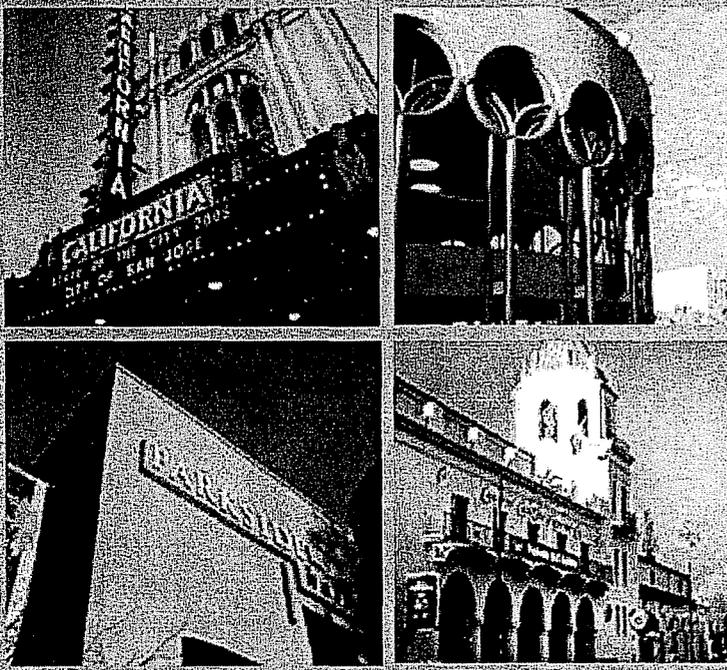


# C.H. JOHNSON CONSULTING



SAN JOSE McENERY  
CONVENTION  
CENTER

Comparative Financial Analysis  
San Jose McEnery Convention Center  
VS.  
Peer Cities



SUBMITTED TO:  
Team San Jose

SUBMITTED BY:  
C.H. Johnson Consulting, Inc.

October 2007



JOHNSON  
CONSULTING

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## I. REPORT LETTER

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

October 1, 2007

Mr. Daniel Fenton  
Executive Director  
San Jose Convention and Visitors Bureau  
408 Almaden Boulevard  
San Jose, CA 95110-2709

Subject: Comparative Financial Analysis  
San Jose McEnergy Convention Center and Peer Cities

Dear Mr. Fenton:

Pursuant to our contract with Team San Jose, C.H. Johnson Consulting, Inc. (Johnson Consulting) has prepared the enclosed report comparing the San Jose McEnergy Convention Center (SJCC) with comparable convention facilities in peer cities.

The objective of this study is to analyze and compare the SJCC's revenues, expense costs and other relevant financial information to selected convention center comparables. This is necessary in order to assess the true performance of SJCC's competitive position in the marketplace, to gauge the facility's financial health, and to determine future policy decisions. Johnson Consulting selected a comparable set of facilities believed to be fitting for comparison to SJCC, which, after discussion and debate, were approved by Team San Jose. The attached report discusses the findings of this analysis.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely yours,

*C.H. Johnson Consulting, Inc.*

C.H. JOHNSON CONSULTING, INC.

## **II. INTRODUCTION AND EXECUTIVE SUMMARY**

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## INTRODUCTION AND EXECUTIVE SUMMARY

Team San Jose engaged C.H. Johnson Consulting, Inc. (Johnson Consulting) to conduct a comparative analysis regarding revenues, expenses, and operating costs for the San Jose McEnergy Convention Center (SJCC). As such, this study presents a comparative analysis of the SJCC's operating revenues and costs and other factors in relation to a set of carefully selected peer facilities. This information will allow management and stakeholders to evaluate the true performance of the SJCC's competitive position in the convention center marketplace, identify strategies to increase the SJCC's market penetration, and provide a framework for ongoing policy decisions.

The San Jose McEnergy Convention Center is owned by the City of San Jose and is operated by, the non-profit corporation, Team San Jose, Inc. Team San Jose was formed in December of 2003 in response to the City of San Jose's Request for Proposal for the management and operations on the San Jose McEnergy Convention Center and the adjacent cultural facilities, which include:

- Civic Auditorium
- Parkside Hall
- South Hall
- Center for Performing Arts
- California Theatre
- Montgomery Theatre

The City of San Jose's Independent Auditor engaged a separate study so as to benchmark the Convention Center's operation. In that study, Mr. Kai-yan Lee, a Master in City Planning (MCP) candidate from Massachusetts Institute of Technology, completed an analysis of the Center's financial performance. Admitted in the study, the analysis by Mr. Lee accentuated the difficulty in analyzing convention center financials, as there is no standardized chart of accounts in the industry. Like San Jose, every convention center operation has oddities. Some are city operations, while others are operated by authorities. Some have arenas, performing arts centers, hotels, parking garages, fairgrounds and other elements, while others do not. The comparability among venues is poor across the board. What Mr. Lee's study got right is that the San Jose Convention Center is a solid performer in the mid-tier market. Outside of that, the study struggled to reveal accurate comparative data and leads the reader to somewhat misleading conclusions about the quality of the operation by using full complex operating data

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which is influenced by data pertaining to the South Hall and the cultural facilities included in the SJCC's operation.

This study is different. Prior to this report the revenue and expenses for the SJCC were reported in conjunction with the adjacent cultural facilities that Team San Jose operates. This study clearly isolates the revenue and expenses of the SJCC from the other facilities that Team San Jose operates in order to accurately gauge the operational performance of the San Jose Convention Center in comparison to several other comparable facilities. Further, Johnson Consulting carefully selected a smaller set of very similar facilities and took time to segregate data and create a much more comparative analysis, as reported in the balance of this report.

This report includes the following elements:

- **Section 2** contains this introduction, an overview of the methodology used to conduct the analyses contained herein, and an executive summary,
- **Section 3** presents a comparative analysis of the San Jose McEnergy Convention Center in relation to competitive facilities in several peer markets (the peer facilities are to remain anonymous), interprets the data, and ranks the performance of SJCC to the facilities on a point by point basis.
- **Appendix 1** presents facility overview and operating profile of the San Jose McEnergy Convention Center and eight comparable facilities.

## METHODOLOGY

In order to complete its benchmarking analysis for the SJCC, Johnson Consulting performed the following tasks:

- Analyzed financial information, rental rate policies, and other operating information of the San Jose McEnergy Convention Center, and surrounding cultural facilities.
- Isolated the Revenues and Expenses of the SJCC from the other facilities Team San Jose operates.
- South Hall is a secondary facility. Similar secondary facilities are not present at any of the other facilities presented in this analysis, hence it was removed from the analysis.
- Analyzed financial information, policies, and other operating information of the comparable facilities that were selected for analysis.
- Compiled the facility financial information in a format that is standardized, given the absence of a standard chart of accounts from all analyzed facilities.

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- Interviewed management of the selected convention centers to gain insight into the rate/rental structures, discounting or rebate policies and practices, exceptions, and other strategies used to induce events activity.
- Analyzed information on several metrics, allowing the reader to more fairly judge how the SJCC performed vis-à-vis a set of very similar and competitive operations.

## EXECUTIVE SUMMARY

Johnson Consulting compared the San Jose McEnery Convention Center with eight similar facilities, all of which are in attractive and comparatively sized growth markets. The analysis revealed the following:

In our judgment, Team San Jose is doing an effective job, from both an operational and leadership perspective. Uniquely, the structure in San Jose associates the SJCC, San Jose Convention and Visitors Bureau (CVB) and the hospitality industry in a way that is much more strategic than that seen in almost all other convention center operations nationally. The hospitality industry is engaged at both the CVB and the facilities level rather than buried in a departmental structure.

Once the various reports are analyzed and performance is reviewed, it is hoped that a cleaner slate will exist and the focus will become the future rather than the past. In our observation, key challenges and opportunities include:

- Achieving an effective expansion and improvement plan for the facilities,
- Driving service and other revenues and continual work to control operating expenses, and
- Developing more demand for the Convention Center, area hotels and more programming for the cultural facilities.

In our opinion, Team San Jose with guidance from both the CVB and Team San Jose Boards and City management is equipping itself to attack these matters.

The following sections of the report will offer a comparison of events, attendance, and operating statistics that will highlight the effectiveness and efficiencies of both Team San Jose and the San Jose McEnery Convention Center. Both Team San Jose and the San Jose McEnery Convention Center perform well within the range of the eight comparable facilities. The following bullet points highlight the success of Team San Jose since they have assumed management of the convention center:

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- SJCC's event demand ranks fifth and attendance ranks third, respectively, among the eight selected comparable facilities.
- SJCC's revenue and expense component line items are very much in line with the peer average.
- SJCC's net operating deficit is the second smallest in absolute dollar amount and the fourth smallest relative to the size of the facility.

These findings are important and should be considered in relation to the operations prior to Team San Jose's tenure, which had the SJCC facility generating much greater deficits and prove that SJCC has an improvingly efficient operation relative to its competition. Given the mainly static growth of the convention market industry-wide, the financial trends of the past three years at the SJCC have been very favorable and indicate the strength and abilities of Team San Jose's ever improving operating strategies.

### **III. BENCHMARKING AND COMPARISON ANALYSIS**

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## **BENCHMARKING AND COMPARISON ANALYSIS**

In order to provide a basis for facility-to-facility reviews, Johnson Consulting has prepared summary tables of key operating criteria comparing those of San Jose McEnery Convention Center (SJCC) and of the comparable facilities:

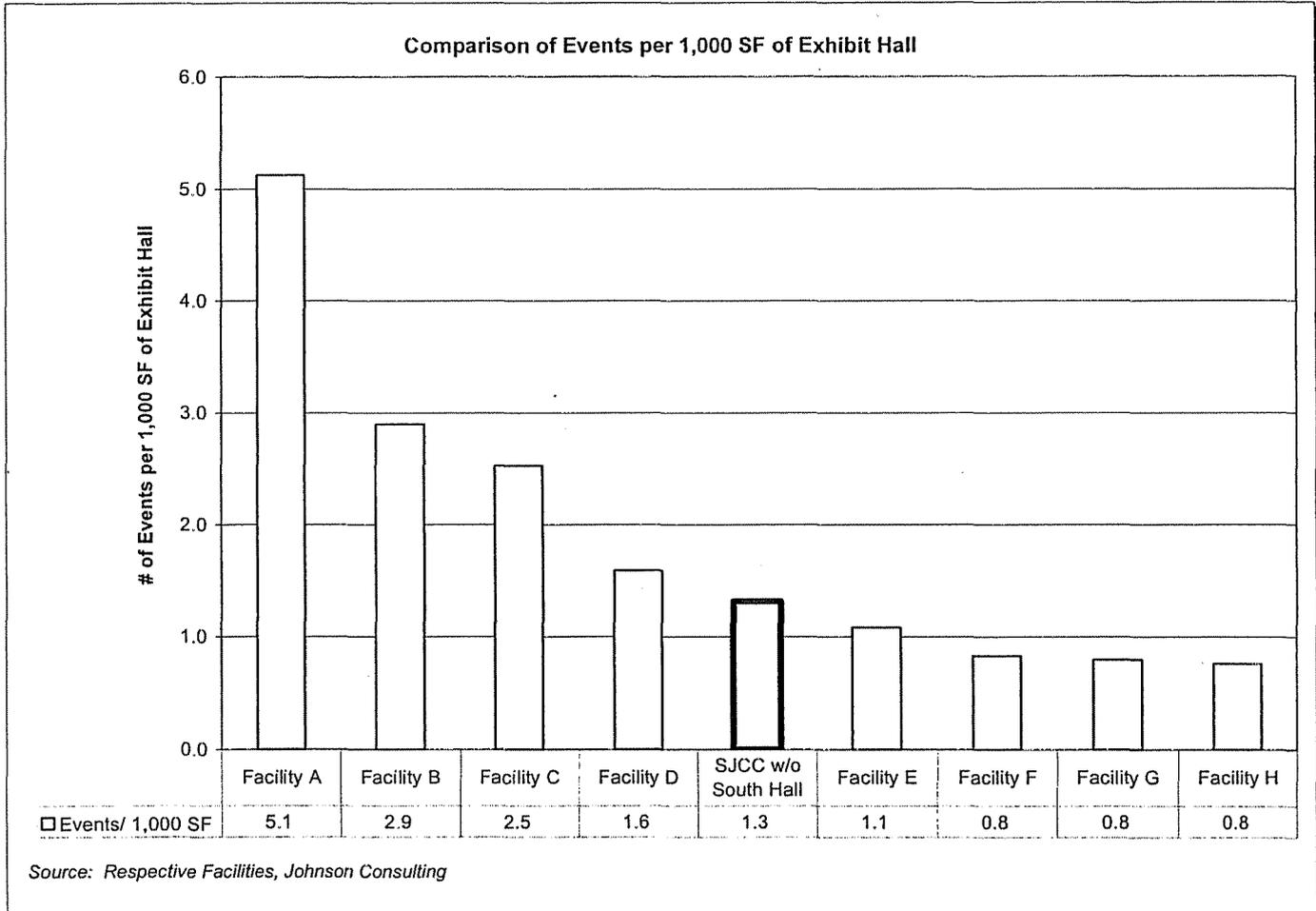
- Austin Convention Center in Austin, Texas,
- Kansas City Convention Center in Kansas City, Missouri,
- Long Beach Convention Center in Long Beach, California,
- Oregon Convention Center in Portland, Oregon
- Reno Convention Center in Reno, Nevada,
- Sacramento Convention Center in Sacramento, California,
- Salt Palace Convention Center in Salt Lake City, Utah, and
- Washington State Convention and Trade Center in Seattle, Washington.

Facility overview and operating profile of the SJCC and the comparable facilities are described in the Appendix. In this benchmarking and comparison analysis, the SJCC is measured without the South Hall.

## **Comparison of Events and Attendance**

Based on the operating statistics obtained from each facility, Figure 3-1 compares the event demand for the competitive set relative to respective exhibit hall size.

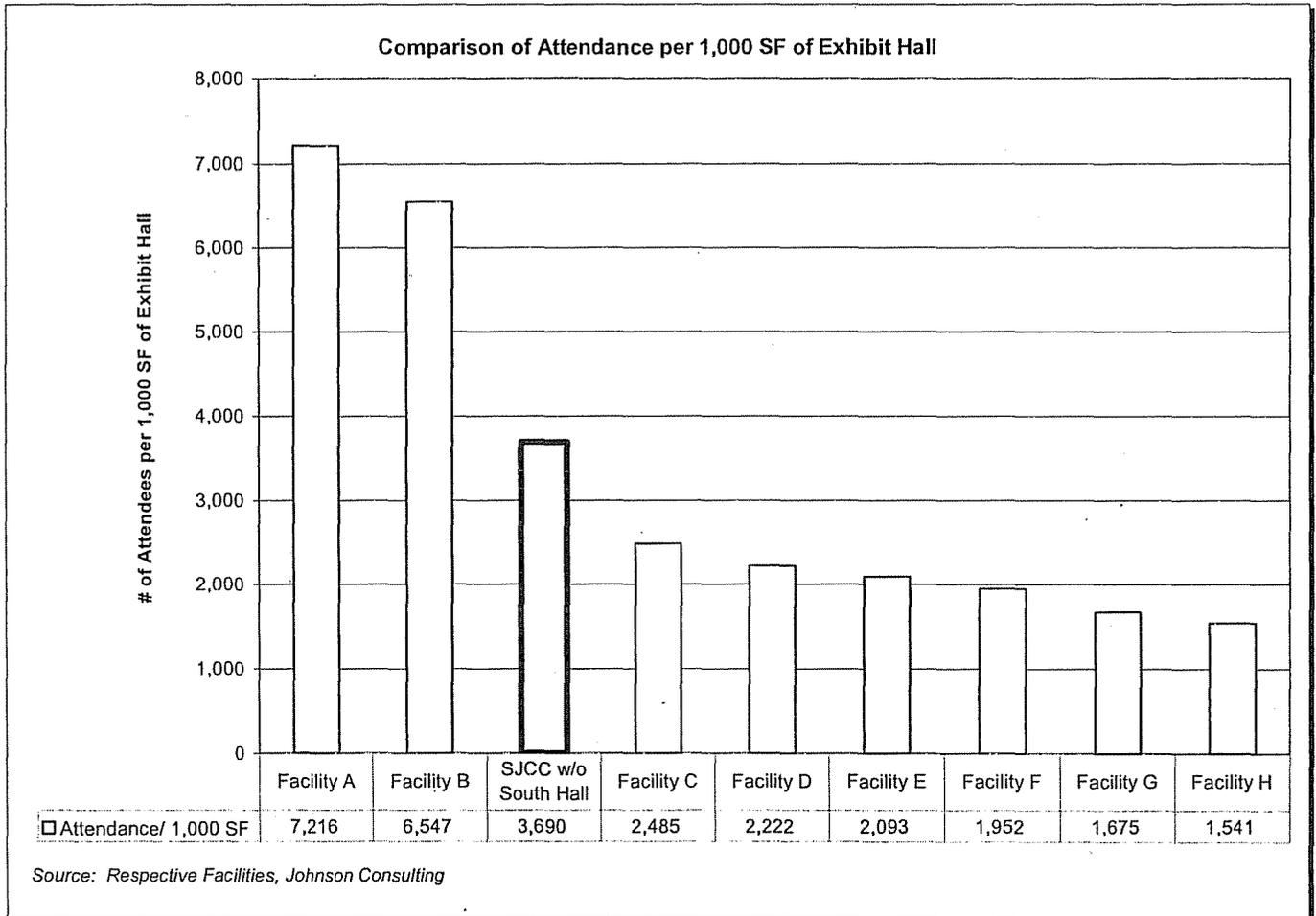
Figure 3-1



As shown in the figure, SJCC without the South Hall ranks fifth among the competitive facilities, with 1.3 events per 1,000 square feet of exhibit hall. The competitive set ranges from 5.1 events to 0.8 events per 1,000 square feet of exhibit hall.

Figure 3-2 compares the attendance for the competitive set relative to respective exhibit hall size.

Figure 3-2



As shown on figure above, SJCC without the South Hall generated 3,690 attendees per 1,000 square feet of exhibit hall, placing the facility at third position among the competitive set. The competitive facilities range from 7,216 attendees to 1,541 attendees per 1,000 square feet of exhibit hall.

### Comparison of Operating Statistics

Table 3-1 compares the key financial and operating statistics for the competitive set, including the SJCC proforma (without South Hall) as shown in the Appendix. The comparison uses SJCC operating statements of Fiscal Year 2005-06, to be consistent with the available operating data of other facilities. Among the principal challenges in evaluating convention centers is the absence of a standardized chart of accounts for facility operation. In order to address the lack of standardization in this industry,

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we present financial data generally as reported by the facility. Due to our familiarity with each building and experience within the industry, Johnson Consulting has developed a thorough understanding of the techniques used to document performance and operations. This experience is critical to our drawing the observations resulting from this analysis.

The comparison analysis focuses on operating revenues and expenses only. Non-operating items, such as government subsidy, if any, are excluded from the analysis. Furthermore, to get a more apple-to-apple comparison, various operating revenue and expense line items of comparable facilities are regrouped into four revenue items (rent, net food and beverage, earned net income, and other miscellaneous items) and eight expense line items (payroll and benefits; general and administrative; utilities; insurance; furniture, fixtures, and equipment (FF&E); maintenance and repairs; marketing and related; and miscellaneous). It should also be noted that parking revenue and expenses, if any, are not included in the comparison analysis.

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Table 3-1

| Comparison of Operating Statements      |                     |                                  |                      |                      |                      |                      |                      |                      |                      |
|---|---------------------|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | Facility A          | San Jose CC<br>w/o South<br>Hall | Facility B           | Facility C           | Facility D           | Facility E           | Facility F           | Facility G           | Facility H           |
| <b>Revenue</b>                          |                     |                                  |                      |                      |                      |                      |                      |                      |                      |
| Rent                                    | \$4,095,991         | \$3,008,151                      | \$2,118,976          | \$1,621,880          | \$5,043,450          | \$3,200,000          | \$2,980,838          | \$2,812,037          | \$2,351,421          |
| Gross Food and Beverage                 | \$17,181,620        | \$6,975,759                      | na                   | na                   | \$9,605,815          | na                   | na                   | \$7,216,699          | \$6,005,637          |
| Less COGS                               | 9,569,561           | 5,306,199                        | na                   | na                   | 7,558,962            | na                   | na                   | 5,745,544            | 3,750,039            |
| Net Food and Beverage                   | \$7,612,059         | \$1,669,560                      | \$1,703,810          | \$652,348            | \$2,046,853          | \$1,500,000          | \$1,163,102          | \$1,471,155          | \$2,255,598          |
| Earned <u>Net</u> Income                |                     |                                  |                      |                      |                      |                      |                      |                      |                      |
| Electrical                              | \$656,144           | \$582,977                        | \$1,155,913          | (\$134,295)          | \$610,556            | \$582,977            | \$426,874            | \$1,815,910          | \$1,629,520          |
| Other Booth Services                    | 640,894             | 629,826                          | incl.                | incl.                | incl.                | 629,826              | incl.                | 294,727              | 618,768              |
| Other Miscellaneous Items               | 327,253             | 615,915                          | 634,113              | 409,852              | 617,739              | 615,915              | 580,236              | 221,402              | 1,576,702            |
| <b>Total Revenue</b>                    | <b>\$13,332,341</b> | <b>\$6,506,429</b>               | <b>\$5,612,812</b>   | <b>\$2,549,785</b>   | <b>\$8,318,598</b>   | <b>\$6,528,718</b>   | <b>\$5,151,050</b>   | <b>\$6,615,231</b>   | <b>\$8,432,009</b>   |
| <b>Expenses</b>                         |                     |                                  |                      |                      |                      |                      |                      |                      |                      |
| Full- and Part-Time Payroll w/ Benefits | \$8,879,842         | \$4,104,375                      | \$3,995,123          | \$2,723,770          | \$6,362,489          | \$4,500,000          | \$4,553,542          | \$7,278,532          | \$8,019,069          |
| General and Administrative              | 1,454,940           | 251,351                          | 468,430              | 85,212               | 375,757              | incl.                | 1,578,091            | 810,154              | incl.                |
| Utilities                               | 1,770,315           | 1,644,441                        | 1,758,362            | 1,029,237            | 2,625,713*           | 1,000,000            | 2,229,249            | 2,409,759            | 1,930,305            |
| Insurance                               | 551,276             | 280,854                          | 121,177              | 183,940              | 300,781              | 100,000              | 354,996              | 457,633              | 132,702              |
| Furniture Fixtures and Equipment        | 90,056              | 39,990                           | 231,250              | incl.                | incl.                | 90,000               | 96,526               | incl.                | incl.                |
| Maintenance and Repairs                 | 1,363,983           | 615,389                          | 516,911              | 466,814              | 754,310              | incl.                | 899,654              | incl.                | 2,531,029            |
| Marketing and Related                   | incl.               | incl.                            | 43,911               | 42,133               | 80,266               | 60,000               | 1,833                | 376,210              | 126,651              |
| Miscellaneous                           | 84,772              | 687,580                          | 150,376              | incl.                | 494,764              | 1,500,000            | 145,788              | incl.                | 1,639,462            |
| Subtotal                                | \$14,195,184        | \$7,623,980                      | \$7,285,540          | \$4,531,106          | \$10,994,080         | \$7,250,000          | \$9,859,680          | \$11,332,287         | \$14,379,218         |
| Municipal Overhead and Chargebacks      | \$0                 | \$388,582                        | \$0                  | \$0                  | \$0                  | \$3,200,000          | \$0                  | \$1,059,207          | \$1,007,200          |
| <b>Total Expenses</b>                   | <b>\$14,195,184</b> | <b>\$8,012,562</b>               | <b>\$7,285,540</b>   | <b>\$4,531,106</b>   | <b>\$10,994,080</b>  | <b>\$10,450,000</b>  | <b>\$9,859,680</b>   | <b>\$12,391,494</b>  | <b>\$15,386,418</b>  |
| <b>Operating Profit (Loss)</b>          | <b>(\$862,843)</b>  | <b>(\$1,506,133)</b>             | <b>(\$1,672,728)</b> | <b>(\$1,981,321)</b> | <b>(\$2,675,482)</b> | <b>(\$3,921,282)</b> | <b>(\$4,708,629)</b> | <b>(\$5,776,263)</b> | <b>(\$6,954,409)</b> |

\*Provided by the City, outside of Profit and Loss Statement of facility.  
Source: Johnson Consulting, Respective Facilities

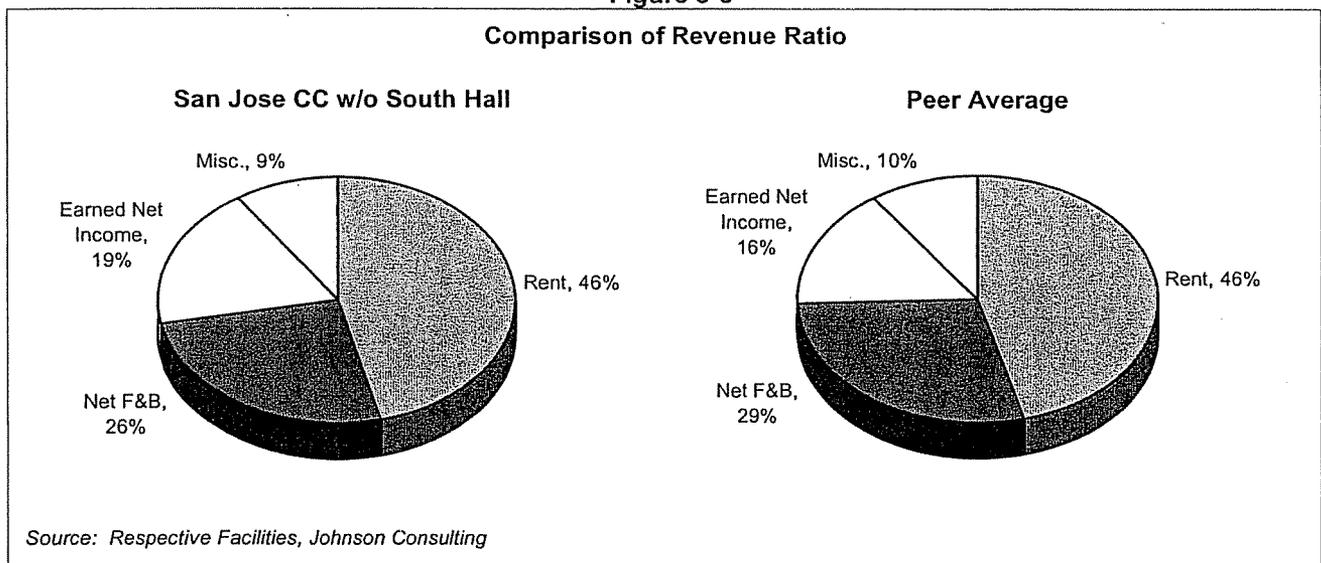
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As shown on the table, operating statements of comparable facilities vary widely. Operating revenues range from \$2.5 million to \$13.3 million, of which SJCC with \$6.5 million revenues ranks sixth, or very close to the comparable average. Operating expenses range from \$4.5 million to 15.4 million, of which SJCC with \$8.0 million ranks seventh. Net operating deficits range from \$7.0 million to \$863,000, of which SJCC's \$1.5 million loss is the second smallest deficit among comparable facilities.

Within the operating revenue line items, revenue components in SJCC (without South Hall) operations are in line with the comparable average. Figure 3-3 illustrates the comparison.

Figure 3-3



Similarly, within the operating expense line items, expense components in SJCC (without South Hall) operations are also in line with the comparable average. Figure 3-4 illustrates the comparison.

Figure 3-4

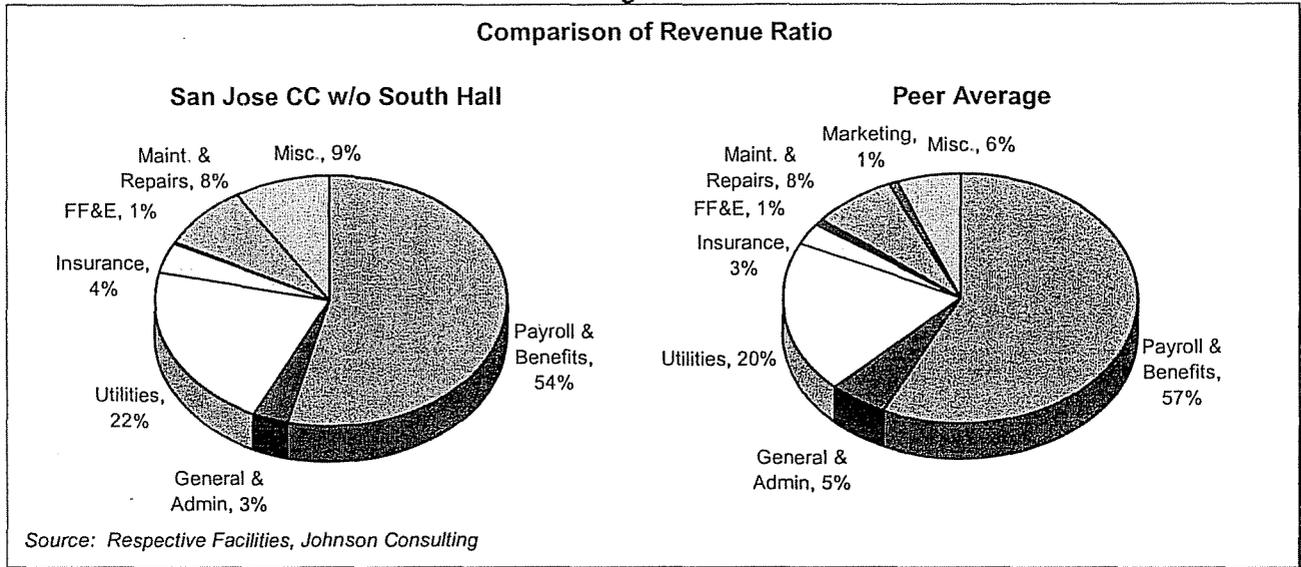


Figure 3-5 shows operating revenues per exhibit hall square foot of comparable facilities. On the next pages, Figure 3-6 and Figure 3-7 show operating expenses and net operating income, respectively, per exhibit hall square foot of comparable facilities. The figures also show SJCC's rank within the revenue and expenses line items, as well as the SJCC index, which measures its position relative to comparable facility average. An index of over 1.0 means SJCC performs better than comparable average.

Figure 3-5

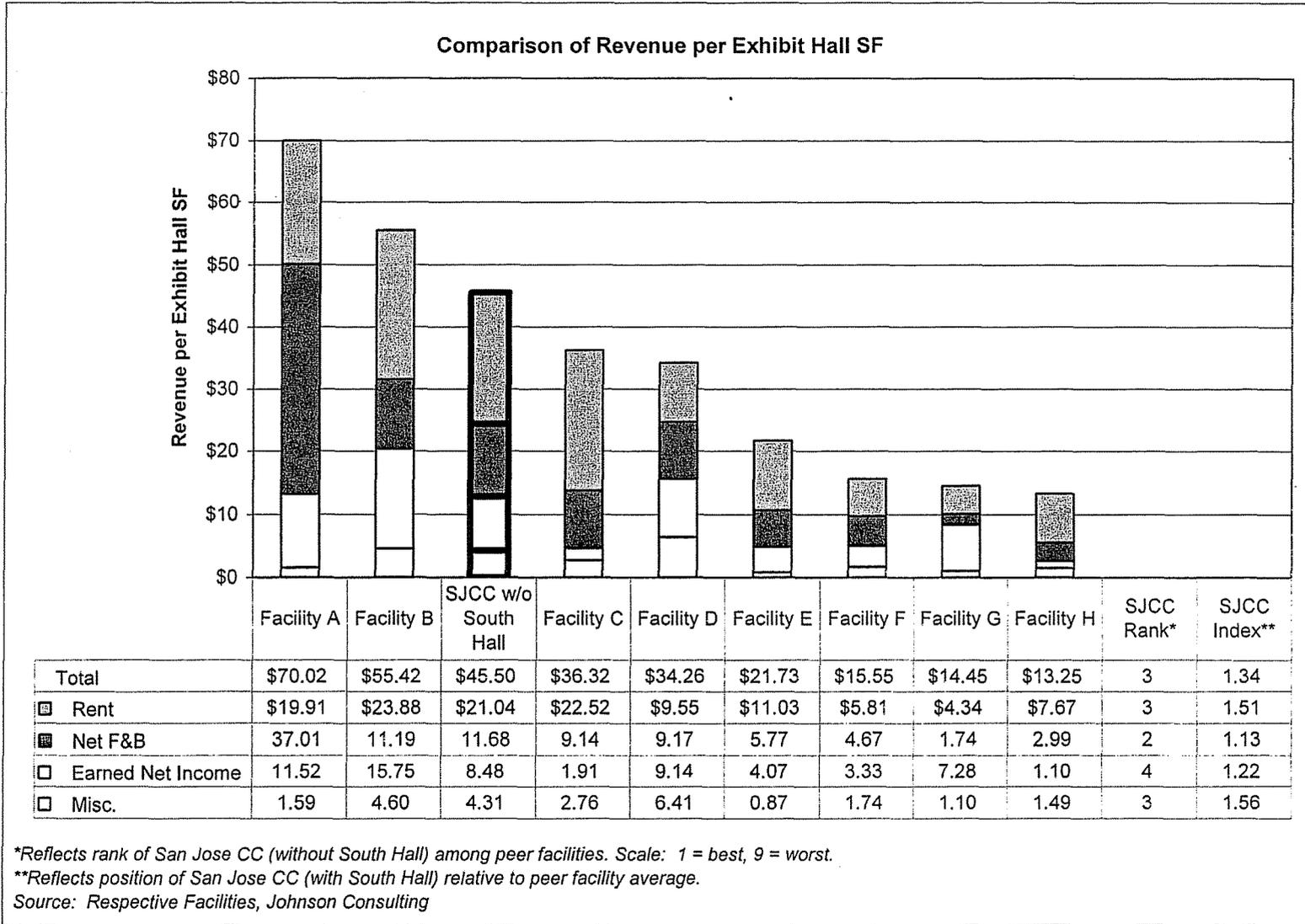


Figure 3-6

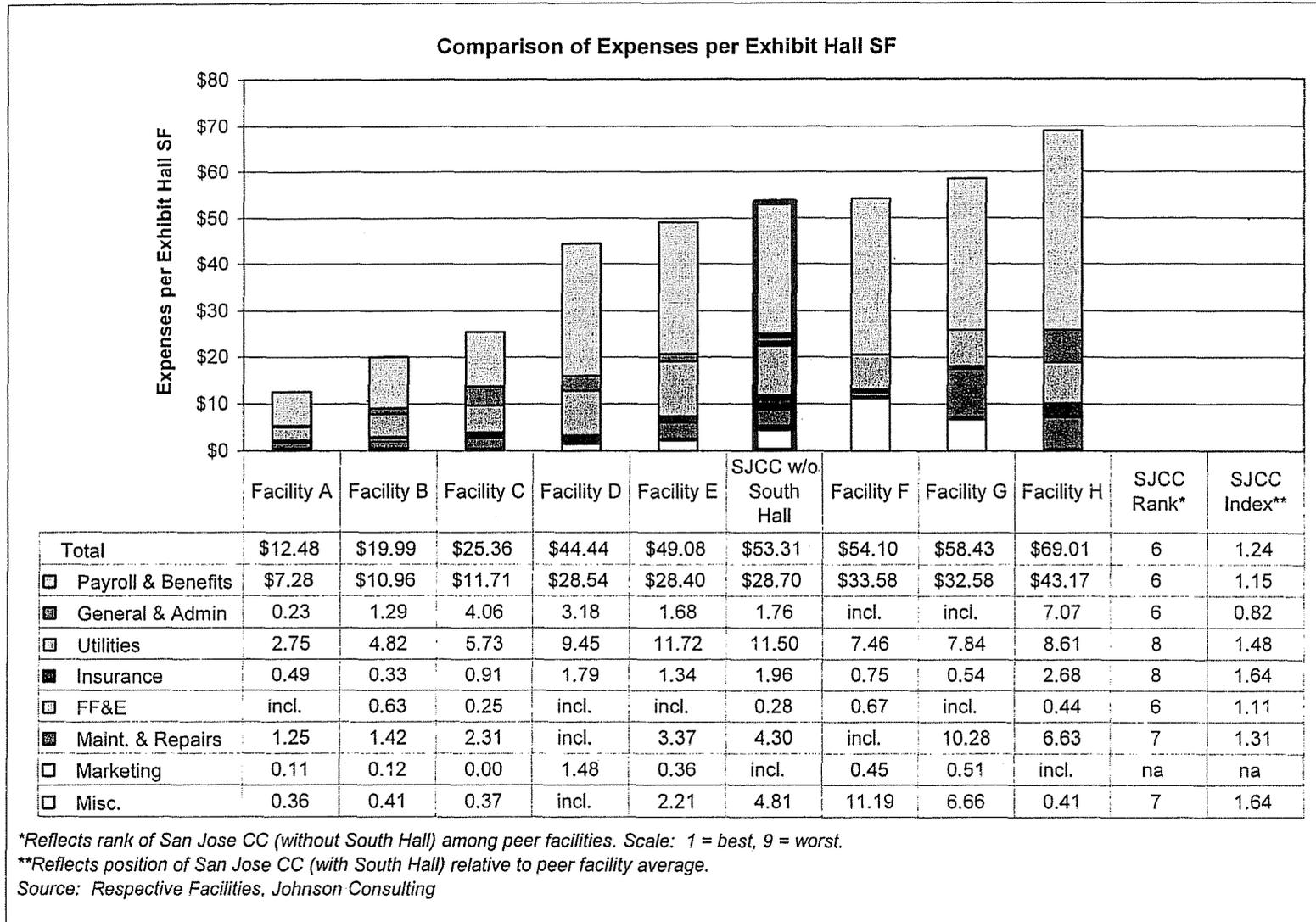
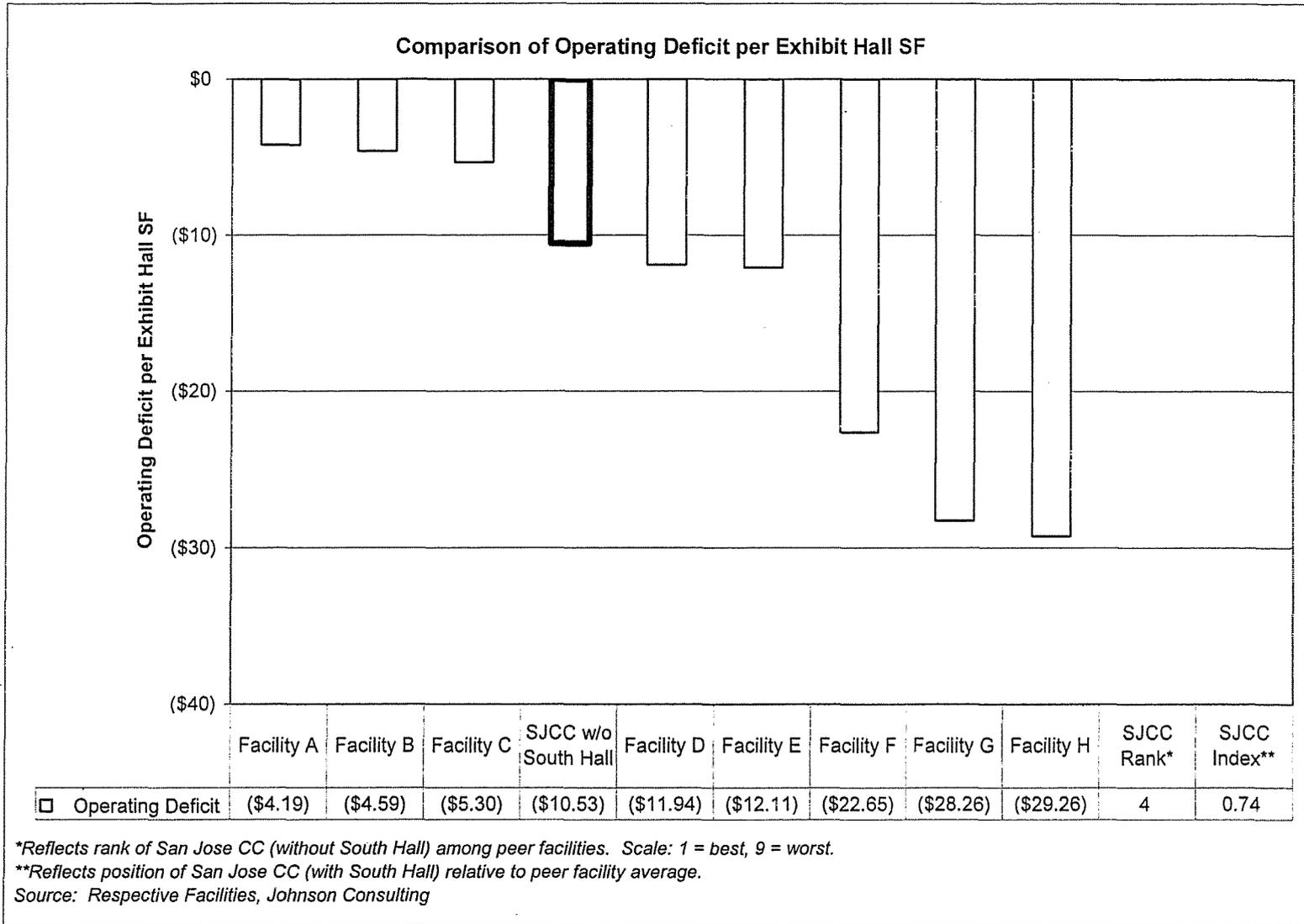


Figure 3-7



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As shown on Figure 3-5, while revenues per exhibit hall square foot vary, SJCC without South Hall ranks third among the comparable facilities in total revenue, and ranks second to fourth in its component line items. On the other side of the proforma, Figure 3-6 shows that in terms of operating expenses per exhibit hall square foot, SJCC without South Hall ranks sixth in total expenses, which means that relative to the comparable facilities, SJCC still has a fairly efficient operation. Bottom-line, SJCC's net operating deficit of \$10.53 per square foot of exhibit hall is the fourth smallest among the comparable facilities.

Figure 3-8, Figure 3-9, and Figure 3-10 show operating revenues, expenses, and net deficit per square foot of function space. Function space includes the exhibit hall, ballroom(s), and meeting rooms.

Figure 3-8

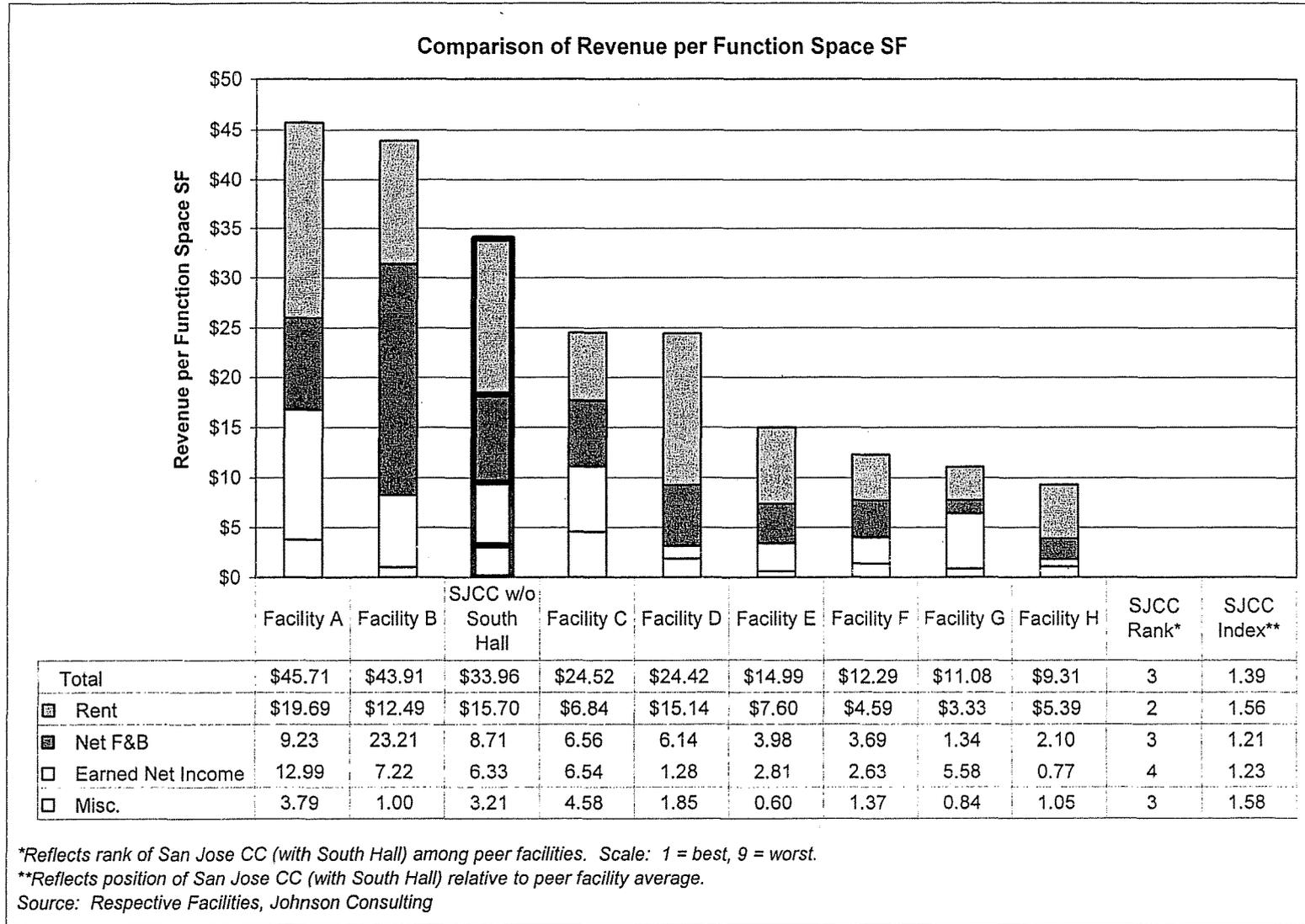


Figure 3-9

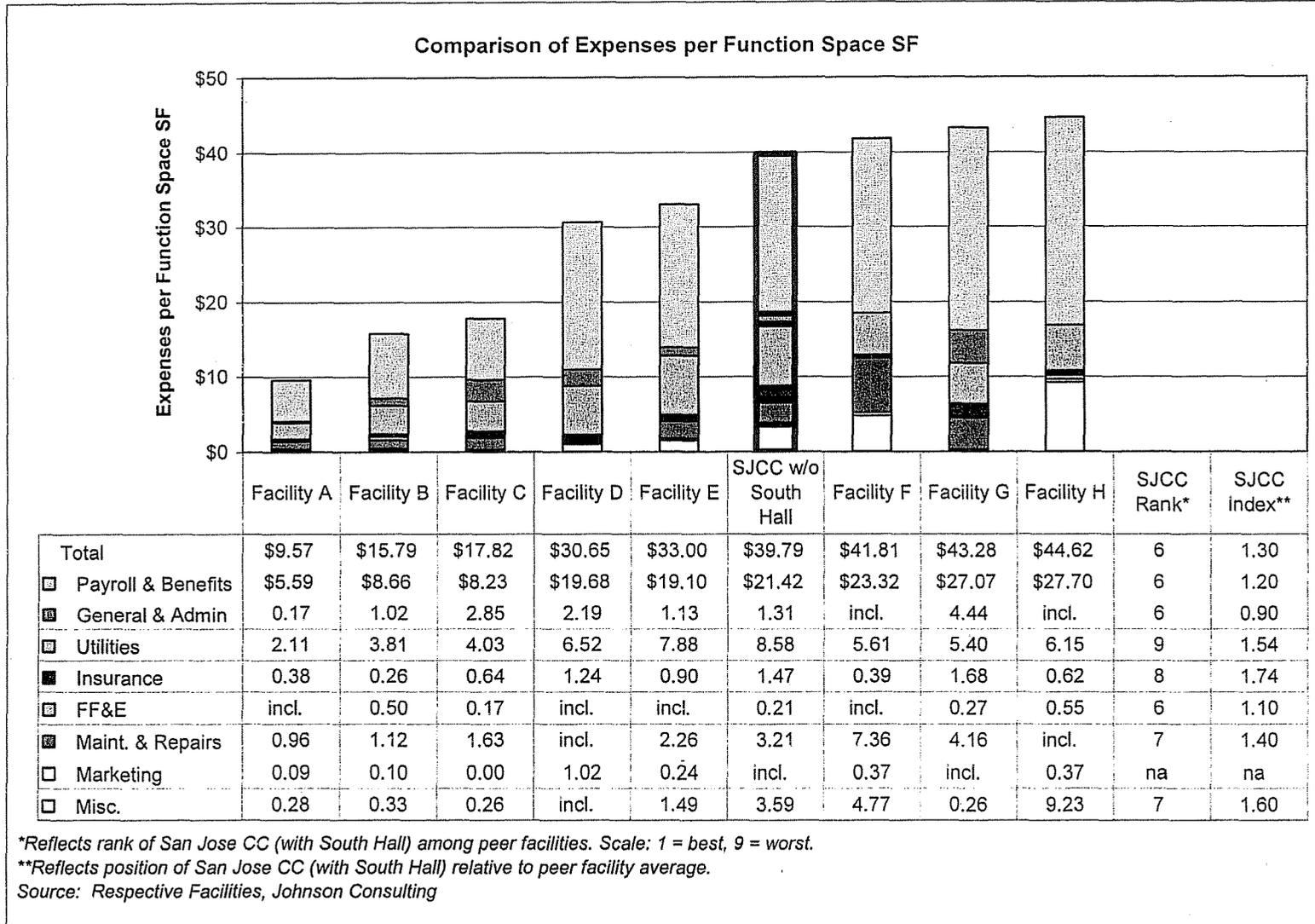
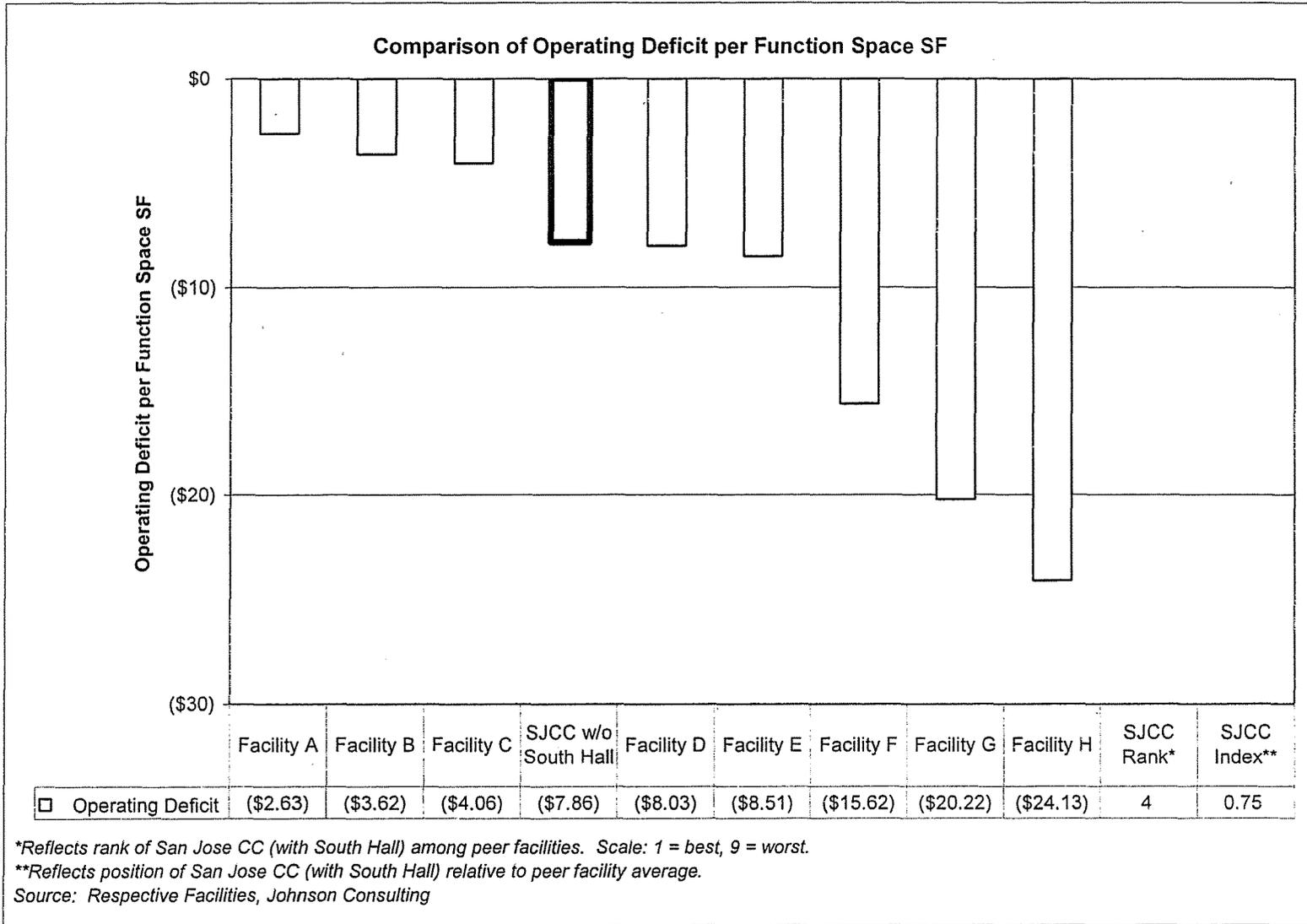


Figure 3-10



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The comparison of operating revenues and expenses per function space square foot reveal similar results to operating revenues and expenses per exhibit hall square foot. SJCC without South Hall ranks third in total operating revenues, sixth in total operating expenses, and fourth in net deficit, per square foot of function space, among the comparable facilities.

### **Conclusion**

Comparison of events, attendance, and operating statistics presented in preceding figures and table show that San Jose McEnery Convention Center perform well within the range of the comparable facilities. SJCC's event demand and attendance ranks fifth and third, respectively, among the peer facilities. SJCC's revenue and expense component line items are in line with the peer average. Bottom-line, SJCC's net operating deficit is the second smallest in true amount and the fourth smallest relative to the size of the facility. These findings prove that SJCC has an efficient operation relative to its competition.

## **APPENDIX 1 – COMPARABLE FACILITY OVERVIEW**

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## FACILITY OVERVIEW

Our selection criteria involved: facilities in the West/Midwest region; in communities with a somewhat similar economy and population base; similar sized facilities with somewhat similar hotel packages. Seven of the facilities are operated in conjunction with other facilities in their span of responsibility. Two facilities operate as stand alone convention centers, although they may have some variables such as parking and retail. These facilities are the Washington State Convention Center and Long Beach Convention Centers. In some way they will serve as a control for how a stand alone convention center operates. The selected centers are:

- Austin Convention Center in Austin, Texas,
- Kansas City Convention Center in Kansas City, Missouri,
- Long Beach Convention Center in Long Beach, California,
- Oregon Convention Center in Portland, Oregon
- Reno Convention Center in Reno, Nevada,
- Sacramento Convention Center in Sacramento, California,
- Salt Palace Convention Center in Salt Lake City, Utah, and
- Washington State Convention and Trade Center in Seattle, Washington.

Like the operation in San Jose, many of these convention centers have integrated operations with theaters and other facilities and great care is needed to parse out the convention center operations fairly. Johnson Consulting has undertaken this research to fairly present convention center operations specifically.

A brief description of each facility follows.

### **San Jose McEnergy Convention Center, San Jose, California**

Situated in downtown San Jose, the San Jose McEnergy Convention Center (SJCC) opened in 1989. The SJCC is owned by the City of San Jose, and operated by Team San Jose, which also operates the California Theater, the Center for the Performing Arts, the Civic Auditorium, South Hall, and Montgomery Theater. All of these facilities are located in close proximity to each other. In June of 2004 the San Jose City Council selected Team San Jose, out of a total of four possible operators, to manage the San Jose McEnergy Convention Center and the five surrounding cultural facilities listed above.

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The SJCC offers 143,000 square feet of contiguous exhibit space, and an additional 80,000 square feet of exhibit space in the South Hall, which is a separate tensile building. The San Jose Convention Center also has 22,000 square feet of ballroom space which can be broken in to eight sections of 2,750 square feet. The facility also has 26,600 square feet of meeting space, the smallest meeting space being 450 square feet and the largest space being 10,000 square feet (combined).

Table 1 summarizes the size of the exhibit halls, ballrooms, and meeting rooms of the SJCC.

**Table 1**

| San Jose McEnergy Convention Center |           |                |          |           |         |        |
|-------------------------------------|-----------|----------------|----------|-----------|---------|--------|
| Room Size and Capacity              |           |                |          |           |         |        |
|                                     | Size (SF) |                | Capacity |           |         |        |
|                                     | Each      | Combined       | Theater  | Classroom | Banquet | Booths |
| <b>Exhibit Hall</b>                 |           |                |          |           |         |        |
| Hall 1                              | 43,000    | -              | 4,800    | 2,000     | 2,000   | 230    |
| Hall 2                              | 50,000    | -              | 5,000    | 2,200     | 2,200   | 290    |
| Hall 3                              | 50,000    | -              | 5,000    | 2,400     | 2,400   | 280    |
| South Hall                          | 80,000    |                |          |           |         |        |
| All Halls Combined                  | -         | <b>223,000</b> | 14,800   | 5,000     | 5,000   | 800    |
| <b>Ballrooms</b>                    |           |                |          |           |         |        |
| Ballroom A1                         | 2,750     | -              | 300      | 190       | 190     | 13     |
| Ballroom A2                         | 2,750     | -              | 300      | 190       | 190     | 13     |
| Ballroom A3                         | 2,750     | -              | 300      | 190       | 190     | 13     |
| Ballroom A4                         | 2,750     | -              | 300      | 190       | 190     | 13     |
| Ballroom A5                         | 2,750     | -              | 300      | 190       | 190     | 13     |
| Ballroom A6                         | 2,750     | -              | 300      | 190       | 190     | 13     |
| Ballroom A7                         | 2,750     | -              | 300      | 190       | 190     | 13     |
| Ballroom A8                         | 2,750     | -              | 300      | 190       | 190     | 13     |
| All Sections Combined               | -         | <b>22,000</b>  | 2,400    | 1,500     | 1,500   | 107    |
| <b>Meeting Rooms</b>                |           |                |          |           |         |        |
| Number of Rooms                     | 22        | 12             | -        | -         | -       | -      |
| Smallest Room (Individual)          | 450       | -              | 42       | 24        | 30      | na     |
| Largest Room (Combined)             | -         | 10,000         | 1,000    | 552       | 600     | na     |
| Total Meeting Rooms SF              | -         | <b>26,600</b>  | -        | -         | -       | -      |
| <b>Total Function Space SF</b>      |           | <b>271,600</b> |          |           |         |        |

Source: San Jose McEnergy Convention Center

Table 2 shows the event and attendee demand at the SJCC, without South Hall, from the most recent fiscal year.

Table 2

| <b>San Jose Convention Center Only<br/>Event Demand and Attendance</b> |                             |                             |                               |
|--|-----------------------------|-----------------------------|-------------------------------|
|  | <b>Number<br/>of Events</b> | <b>Total<br/>Attendance</b> | <b>Average<br/>Attendance</b> |
| Convention/Trade Shows   | 40                          | 133,029                     | 3,326                         |
| Consumer Shows/Specialty Expos   | 16                          | 87,007                      | 5,438                         |
| Meetings and Seminars  | 75                          | 31,710                      | 423                           |
| Banquets   | 21                          | 12,601                      | 600                           |
| Sporting Events  | 10                          | 185,257                     | 18,526                        |
| Concerts or Entertainment Events                                       | 11                          | 68,184                      | 6,199                         |
| Other Events   | 15                          | 9,937                       | 662                           |
| <b>Total</b>   | <b>188</b>                  | <b>527,725</b>              | <b>2,807</b>                  |

Source: San Jose Convention Center

As shown in the table the SJCC, without South Hall, hosted a total of 188 events with a total attendance of 527,725. Table 3 below, shows event and attendance demand for the San Jose Convention Center, with South Hall.

Table 3

| <b>San Jose Convention Center and South Hall Only<br/>Event Demand and Attendance</b> |                             |                             |                               |
|---|-----------------------------|-----------------------------|-------------------------------|
|   | <b>Number<br/>of Events</b> | <b>Total<br/>Attendance</b> | <b>Average<br/>Attendance</b> |
| Convention/Trade Shows  | 41                          | 136,129                     | 3,320                         |
| Consumer Shows/Specialty Expos  | 23                          | 101,359                     | 4,407                         |
| Meetings and Seminars   | 75                          | 31,710                      | 423                           |
| Banquets  | 21                          | 12,601                      | 600                           |
| Sporting Events   | 12                          | 191,030                     | 15,919                        |
| Concerts or Entertainment Events  | 14                          | 79,117                      | 5,651                         |
| Other Events  | 20                          | 21,436                      | 1,072                         |
| <b>Total</b>  | <b>206</b>                  | <b>573,382</b>              | <b>2,783</b>                  |

Source: San Jose Convention Center

As Table 3 shows there are a total of 206 events with South Hall, and event attendance of 573,382, showing that there is increased demand with South Hall.

Table 4 shows the SJCC financial statements from Fiscal Year 2004-05 through 2006-07.

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Table 4

| San Jose Convention Center (for Convention Center only)               |                        |                          |                      |                        |                          |                      |                        |                          |                      |                         |                       |
|---|------------------------|--------------------------|----------------------|------------------------|--------------------------|----------------------|------------------------|--------------------------|----------------------|-------------------------|-----------------------|
| Operating Revenue and Expense Summary - FY 2004-05 through FY 2006-07 |                        |                          |                      |                        |                          |                      |                        |                          |                      |                         |                       |
|   | Adjusted<br>FY 2004-05 | South Hall<br>FY 2004-05 | Total<br>FY 2004-05  | Adjusted<br>FY 2005-06 | South Hall<br>FY 2005-06 | Total<br>FY 2005-06  | Adjusted<br>FY 2006-07 | South Hall<br>FY 2006-07 | Total<br>FY 2006-07  | CAGR* w/o<br>South Hall | CAGR w/<br>South Hall |
| <b>Revenue</b>  |                        |                          |                      |                        |                          |                      |                        |                          |                      |                         |                       |
| Rent ( net of rental rebates)   | \$2,965,917            | \$49,600                 | \$3,015,517          | \$3,008,151            |                          | \$3,008,151          | \$2,962,370            | \$259,988                | \$3,222,358          | (0%)                    | 3%                    |
| Gross Food and Beverage   | \$4,175,605            |                          | \$4,175,605          | \$6,975,759            | \$310,624                | \$7,286,383          | \$8,413,563            |                          | \$8,413,563          | 42%                     | 42%                   |
| Less COGS   | (3,193,459)            |                          | (3,193,459)          | (5,306,199)            | (237,120)                | (5,543,319)          | (6,232,169)            |                          | (6,232,169)          | 40%                     | 40%                   |
| Net Food and Beverage ( commissions)                                  | \$982,146              | \$26,608                 | \$982,146            | \$1,669,560            | \$73,504                 | \$1,743,064          | \$2,181,394            | \$41,405                 | \$2,222,799          | 49%                     | 50%                   |
| <b>Earned Net Income</b>  |                        |                          |                      |                        |                          |                      |                        |                          |                      |                         |                       |
| Electrical  | \$444,383              |                          | \$444,383            | \$582,977              |                          | \$582,977            | \$655,599              | \$28,061                 | \$683,660            | 21%                     | 24%                   |
| Other Booth Services  | 419,390                |                          | 419,390              | 629,826                |                          | 629,826              | 804,629                | 12,832                   | 817,461              | 39%                     | 40%                   |
| Gross Parking   | \$0                    |                          | \$0                  | \$0                    |                          | \$0                  | \$0                    |                          | \$0                  |                         |                       |
| Less COGS   | 0                      |                          | 0                    | 0                      |                          | 0                    | 0                      |                          | 0                    |                         |                       |
| Net Parking   | \$0                    |                          | \$0                  | \$0                    |                          | \$0                  | \$0                    |                          | \$0                  |                         |                       |
| Other Miscellaneous Items ( plus rebates )                            | 627,961                | 195                      | 628,156              | 615,915                |                          | 615,915              | 756,185                | 6,131                    | 762,316              | 10%                     | 10%                   |
| Subtotal  | \$5,439,797            | \$76,403                 | \$5,489,592          | \$6,506,429            | \$73,504                 | \$6,579,933          | \$7,360,177            | \$348,417                | \$7,708,594          | 16%                     | 18%                   |
| <b>Extraordinary Items</b>  |                        |                          |                      |                        |                          |                      |                        |                          |                      |                         |                       |
| Retail/ lease income  | \$0                    |                          | \$0                  |                        |                          | \$0                  |                        |                          | \$0                  |                         |                       |
| Taxes Provided  | 0                      |                          | 0                    |                        |                          | 0                    |                        |                          | 0                    |                         |                       |
| Governmental Subsidy  | 0                      |                          | 0                    |                        |                          | 0                    |                        |                          | 0                    |                         |                       |
| <b>Total Revenue</b>  | <b>\$5,439,797</b>     | <b>\$76,403</b>          | <b>\$5,489,592</b>   | <b>\$6,506,429</b>     | <b>\$73,504</b>          | <b>\$6,579,933</b>   | <b>\$7,360,177</b>     | <b>\$348,417</b>         | <b>\$7,708,594</b>   | <b>16%</b>              | <b>18%</b>            |
| <b>Expenses</b>   |                        |                          |                      |                        |                          |                      |                        |                          |                      |                         |                       |
| Full Time Payroll & Benefits( City Staff )                            | \$3,827,498            |                          | \$3,827,498          | \$4,104,375            |                          | \$4,104,375          | \$4,906,015            |                          | \$4,906,015          | 13%                     | 13%                   |
| Utilities ( gas, electricity and water)                               | 1,663,290              |                          | 1,663,290            | 1,644,441              | 50,500                   | 1,694,941            | 1,799,909              | 64,908                   | 1,864,817            | 4%                      | 6%                    |
| Insurance   | 276,064                |                          | 276,064              | 280,854                |                          | 280,854              | 282,330                |                          | 282,330              | 1%                      | 1%                    |
| Furniture Fixtures & (computer) Equipment                             | 17,529                 |                          | 17,529               | 39,990                 |                          | 39,990               | 10,166                 |                          | 10,166               | (24%)                   | (24%)                 |
| Operating Supplies  | 173,874                | 250                      | 174,124              | 251,351                | 719                      | 252,070              | 275,315                | 867                      | 276,182              | 26%                     | 26%                   |
| Contract Outside Services   | 233,451                | 14,204                   | 247,655              | 223,128                | 2,964                    | 226,092              | 363,059                | 7,519                    | 370,578              | 25%                     | 22%                   |
| Maintenance and Repairs   | 159,505                |                          | 159,505              | 392,261                | 10,661                   | 402,922              | 172,612                | 15,926                   | 188,538              | 4%                      | 9%                    |
| Marketing and Related   | 0                      |                          | 0                    | 0                      |                          | 0                    | 0                      |                          | 0                    |                         |                       |
| Miscellaneous   | 693,021                | 26,961                   | 719,982              | 687,580                | 40,578                   | 728,158              | 655,154                | 44,162                   | 699,316              | (3%)                    | (1%)                  |
| Subtotal  | \$7,044,232            | \$41,415                 | \$7,085,647          | \$7,623,980            | \$105,422                | \$7,729,402          | \$8,464,560            | \$133,382                | \$8,597,942          | 10%                     | 10%                   |
| Extraordinary Items   | \$0                    |                          | \$0                  | \$0                    |                          | \$0                  | \$0                    |                          | \$0                  |                         |                       |
| Municipal Overhead & Chargebacks                                      | 379,657                |                          | 379,657              | 388,582                |                          | 388,582              | 388,582                |                          | 388,582              | 1%                      | 1%                    |
| <b>Total Expenses</b>   | <b>\$7,423,889</b>     | <b>\$41,415</b>          | <b>\$7,465,304</b>   | <b>\$8,012,562</b>     | <b>\$105,422</b>         | <b>\$8,117,984</b>   | <b>\$8,853,142</b>     | <b>\$133,382</b>         | <b>\$8,986,524</b>   | <b>9%</b>               | <b>10%</b>            |
| <b>Operating Profit (Loss)</b>  | <b>(\$1,984,092)</b>   | <b>\$34,988</b>          | <b>(\$1,975,712)</b> | <b>(\$1,506,133)</b>   | <b>(\$31,918)</b>        | <b>(\$1,538,051)</b> | <b>(\$1,492,965)</b>   | <b>\$215,035</b>         | <b>(\$1,277,930)</b> | <b>(13%)</b>            | <b>(20%)</b>          |

\*CAGR = Compounded Annual Growth Rate from FY 2004-05 through FY 2006-07

Source: San Jose McEnery Convention Center, Johnson Consulting

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Observations about Table 4 are summarized below:

- This is the baseline information presented to Johnson Consulting by the Team San Jose Management group. Johnson Consulting worked with management to develop this data. Due to the close proximity of the buildings, labor operates as a single unit deployed to each facility on an as needed basis. Buildings are separately metered for power, so utility data is easier to isolate. In addition, customer invoices are generated by event, which are generally headquartered in specific buildings, so revenues commonly have the ability to be tracked by building. There are events that use multiple buildings, but the incidence of this is low, so the materiality of this inherent accounting "error" is not too great. Based on our discussions, Johnson Consulting believes the data presented above to be a fair representation of the convention center's true operating revenue and expenses.
- Management spent time discussing labor allocations. Johnson Consulting agrees with Team San Jose that the labor allocations used between buildings are fair, as outlined in Table 5 below.

**Table 5**

| <b>Team San Jose Convention and Meeting Facilities<br/>Percent of Labor Allocated to Each Facility</b> |  |
|--|--|
| <b>Building</b>  | <b>% of Labor Used<br/>by Building</b> |
| Convention Center  | 50%                                    |
| Center for the Performing Arts   | 10%                                    |
| Parkside Hall  | 10%                                    |
| Civic Auditorium   | 10%                                    |
| California Theatre   | 10%                                    |
| South Hall   | 5%                                     |
| Montgomery Theater   | 5%                                     |
| Total Labor  | 100%                                   |

Source: San Jose McEnergy Convention Center

- We toured the San Jose facilities and have consulted on or worked in most if not all of the selected comparable buildings. Our observations regarding the SJCC versus the comparable buildings are:
  - Older infrastructure, as many of the comparable buildings are newer or have undergone expansion and upgrades. This would indicate a less

efficient cost structure, at San Jose facilities, in areas such as utilities and repair and maintenance.

- Generous back of house areas and a very large two level, publicly accessed concourse area, which would result in above average costs, when costs are compared on a per square foot of exhibit space basis.
  - The building is unionized and there are 85 approved fulltime union positions at the building. Some centers are not unionized, and are able to utilize swing labor more efficiently, indicating a generally higher cost labor structure situation in San Jose.
- We note positive trend data in Table 4. Revenue growth has been substantial and has outpaced expense growth. This has resulted in a favorable reduction in deficit at the facility over the last three years.

### **Description of National Comparable Facilities**

Johnson Consulting compiled market and operating data for a set of convention centers that were deemed to have a similar orientation and competitive profile to the San Jose McEnergy Convention Center. The event demand, financial performance, and other operating characteristics provide insight into the operating environment for this segment of the convention center market. The comparison also provides an indication of the SJCC's competitive position in relation to its peers and illustrates the varying approaches used in comparable markets to develop and operate convention facilities. Once the facilities are introduced, below, their detailed financial information is incorporated into this analysis anonymously, in the subsequent section of the report.

Table 6 provides a side by side snapshot of the event space and demand at the San Jose McEnergy Convention Center in contrast to the selected comparable facilities.

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Table 6

| Key Characteristics of Comparable Facilities |                                  |                              |                |                   |                  |                |                |                  |                   |                        |
|--|----------------------------------|------------------------------|----------------|-------------------|------------------|----------------|----------------|------------------|-------------------|------------------------|
|  | San Jose CC<br>w/o South<br>Hall | San Jose CC<br>w/ South Hall | Austin CC      | Kansas City<br>CC | Long Beach<br>CC | Oregon CC      | Reno CC        | Sacramento<br>CC | Salt Palace<br>CC | Washington<br>State CC |
| <b>Size of Function Space (SF)</b>           |                                  |                              |                |                   |                  |                |                |                  |                   |                        |
| Exhibit Hall                                 | 143,000                          | 223,000                      | 246,100        | 388,800           | 224,000          | 255,000        | 373,940        | 134,000          | 364,500           | 205,700                |
| Ballroom(s)                                  | 22,000                           | 22,000                       | 66,718         | 102,697           | 26,773           | 59,400         | 41,160         | 24,282           | 45,000            | 64,600                 |
| Meeting Rooms                                | 26,600                           | 26,600                       | 31,100         | 61,935            | 82,383           | 55,382         | 72,543         | 4,200            | 52,000            | 57,700                 |
| Total  | 191,600                          | 271,600                      | 343,918        | 553,432           | 333,156          | 369,782        | 487,643        | 162,482          | 461,500           | 328,000                |
| <b># of Events</b>                           |                                  |                              |                |                   |                  |                |                |                  |                   |                        |
| Conventions/ Trade Shows                     | 40                               | 41                           | 49             | 25                | 75               | na             | 21             | 79               | na                | 64                     |
| Consumer Shows/ Specialty Expos              | 16                               | 23                           | 13             | 11                | 22               | na             | 50             | 20               | na                | 17                     |
| Meetings/ Conferences                        | 75                               | 75                           | 60             | 63                | 58               | na             | 97             | 369              | na                | 467                    |
| Banquets/ F&B Events                         | 21                               | 21                           | 29             | 74                | 16               | na             | 34             | 99               | na                | 48                     |
| Sporting Events                              | 10                               | 12                           | na             | 30                | 43               | na             | 9              | na               | na                | 0                      |
| Concerts/ Entertainment Events               | 11                               | 14                           | na             | 55                | 76               | na             | 9              | 91               | na                | 0                      |
| Other  | 15                               | 20                           | 45             | 65                | 66               | na             | 65             | 29               | na                | 0                      |
| Total  | 188                              | 206                          | 196            | 323               | 356              | 644            | 285            | 687              | 395               | 596                    |
| <b>Total Attendance</b>                      | <b>527,725</b>                   | <b>573,382</b>               | <b>515,097</b> | <b>651,099</b>    | <b>1,616,385</b> | <b>633,575</b> | <b>576,161</b> | <b>877,324</b>   | <b>810,033</b>    | <b>401,505</b>         |

Source: Johnson Consulting, Respective Facilities

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The above table highlights the similarities in event space and event demand which is the basis for the selection of each comparable facility.

### **Austin Convention Center- Austin, Texas**

The City of Austin is the capital of Texas and part of the Austin-San Marcos MSA (population 1.5 million). The metro area is among the fastest growing regions in the US, experiencing an average per year population growth of approximately four percent during the last decade. Among the factors contributing to the growth are the emergence of a strong corporate base, particularly in consumer electronics research and manufacturing, semiconductors, computers and peripherals, and software.

Located proximate to the downtown area, the Austin Convention Center (ACC) opened in July 1992. The ACC is owned and operated by the City of Austin. The facility completed a \$110 million expansion in 2002, which was funded by revenue bonds backed by a combination of tax sources, including hotel/motel and rental car. The Convention Center Department also oversees the Palmer Events Center and a large parking garage.

Table 7 summarizes the size and capacity of the ACC's convention and meeting space.

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Table 7

| Austin Convention Center<br>Room Size and Capacity |           |                |          |           |         |        |
|--|-----------|----------------|----------|-----------|---------|--------|
|  | Size (SF) |                | Capacity |           |         |        |
|  | Each      | Combined       | Theater  | Classroom | Banquet | Booths |
| <b>Exhibit Hall</b>                                |           |                |          |           |         |        |
| Hall 1   | 44,100    | -              | 4,032    | 1,728     | 2,560   | 225    |
| Hall 2   | 32,640    | -              | 3,024    | 1,300     | 1,690   | 179    |
| Hall 3   | 49,232    | -              | 4,392    | 2,052     | 2,690   | 280    |
| Hall 4   | 79,525    | -              | 7,980    | 3,954     | 6,490   | 472    |
| Hall 5   | 40,600    | -              | 3,994    | 1,982     | 3,240   | 240    |
| All Halls Combined                                 | -         | <b>246,100</b> | 23,442   | 11,016    | 16,670  | 1,396  |
| <b>Ballroom</b>                                    |           |                |          |           |         |        |
| Ballroom A   | 15,288    | -              | 1,444    | 648       | 1,140   | na     |
| Ballroom B   | 3,896     | -              | 304      | 156       | 270     | na     |
| Ballroom C   | 4,234     | -              | 360      | 160       | 300     | na     |
| Ballroom A-C Combined                              | -         | 23,418         | 2,181    | 964       | 1,790   | na     |
| Ballroom D   | 26,540    | -              | 2,858    | 1,300     | 1,950   | na     |
| Ballroom E   | 4,470     | -              | 478      | 224       | 300     | na     |
| Ballroom F   | 4,570     | -              | 478      | 232       | 300     | na     |
| Ballroom G   | 4,930     | -              | 448      | 224       | 300     | na     |
| Ballroom D-G Combined                              | -         | 43,300         | 4,212    | 2,040     | 3,240   | na     |
| Total Ballroom Space                               | -         | <b>66,718</b>  | -        | -         | -       | -      |
| <b>Meeting Rooms</b>                               |           |                |          |           |         |        |
| Number of Rooms                                    | 21        | 12             | -        | -         | -       | -      |
| Smallest Room (Individual)                         | 780       | -              | 84       | 48        | 60      | na     |
| Largest Room (Combined)                            | -         | 6,625          | 853      | 386       | 560     | na     |
| Total Meeting Rooms SF                             | -         | <b>31,100</b>  | -        | -         | -       | -      |
| <b>Total Function Space SF</b>                     |           | <b>343,918</b> |          |           |         |        |

Source: Austin Convention Center

The expanded ACC has 246,100 square feet of exhibit space, 66,700 square feet of ballrooms, 31,100 square feet of meeting space, and on-site parking capacity for 1,000 cars. As shown in the table, the exhibit hall is divisible into five sections ranging from 32,640 square feet to 79,520 square feet. There are two ballrooms, one is divisible into three sections ranging from 3,900 square feet to 15,300 square feet, and the other is divisible into four sections ranging from 4,470 square feet to 26,540 square feet. There are 21 flexible meeting rooms that can be combined into 12 larger rooms. The size of the meeting rooms range from 780 square feet (when used individually) to 6,625 square feet (when combined).

Table 8 shows the event and attendance demand at the ACC for the most recent fiscal year.

Table 8

| <b>Austin Convention Center<br/>Event Demand and Attendance</b> |                     |                     |                       |
|---|---------------------|---------------------|-----------------------|
|   | Number<br>of Events | Total<br>Attendance | Average<br>Attendance |
| Convention/Trade Shows  | 49                  | 186,050             | 3,797                 |
| Consumer Shows/Specialty Expos                                  | 13                  | 215,250             | 16,558                |
| Meetings and Seminars   | 60                  | 51,994              | 867                   |
| Banquets  | 29                  | 11,916              | 411                   |
| Other Events  | 45                  | 49,887              | 1,109                 |
| Total   | 196                 | 515,097             | 2,628                 |

*Source: Austin Convention Center, Johnson Consulting*

The ACC's event calendar shows greater balance across event types than many of its counterparts, but does particularly well as a convention and meetings destination. This is attributable to the appeal of the market and the presence of the state capital, which makes the city an obvious destination for state association activities. In addition, the volume of consumer shows underscores the advantage of Austin's position as the geographic center of the state. As seen on the table, the ACC hosted 196 events in the most recent fiscal year, generating approximately 515,100 attendees.

### **Kansas City Convention Center, Kansas City, Missouri**

In Kansas City, Missouri, the primary convention facility is the Kansas City Convention Center (KCCC), which is owned by Kansas City and operated by the Kansas City Convention and Entertainment Facilities Department (KCCEF).

The KCCEF also operates several other facilities. The other primary facilities include the Music Hall and the Municipal Arena, which are attached to the convention center. KCCEF also serves as contract manager for the Kemper Arena complex, which is privately managed by Global Spectrum, as well as for the new Sprint Center, which is managed by AEG.

To operate the three interconnected facilities under the KCCEF's direct control there are 125 full-time employee positions at the convention center complex. These employees have no involvement with Kemper or Sprint arenas which are accounted for independently of the KCCC and its attached facilities.

Based on discussions with management, the Kansas City Convention Center Complex is run in a very similar operating format as compared to that employed by Team San Jose, where a pool of municipally unionized employees are used to

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service events held in each venue. Also, like San Jose, the building has centralized administration for the complex. While revenue accounts are maintained for each venue, no separate accounting for each venue is required and revenue and expenses are reported in whole for the entire complex.

Table 9 focuses on the size and capacity of the KCCC's convention and meeting space, as well as the capacities of the Municipal Arena and Music Hall which are connected to the Convention Center.

**Table 9**

| Kansas City Convention & Entertainment Center |           |                 |          |           |         |        |
|---|-----------|-----------------|----------|-----------|---------|--------|
| Room Size and Capacity                        |           |                 |          |           |         |        |
|   | Size (SF) |                 | Capacity |           |         |        |
|   | Each      | Combined        | Theater  | Classroom | Banquet | Booths |
| <b>Bartle Exhibit Hall</b>                    |           |                 |          |           |         |        |
| Halls A, B, C, D, E                           |           | 388,800         | 38,000   | na        | 22,000  | 2,066  |
| Hall A  | 68,850    | -               | 6,000    | na        | 4,000   | 329    |
| Hall B  | 48,600    | -               | 4,000    | na        | 3,000   | 265    |
| Hall C  | 76,950    | -               | 7,300    | na        | 4,200   | 366    |
| Hall D  | 93,420    | -               | 9,600    | na        | 5,400   | 448    |
| Hall E  | 100,980   | -               | 10,000   | na        | 5,700   | 483    |
| Subtotal Exhibit Hall SF                      | -         | <b>388,800</b>  | na       | na        | na      | na     |
| <b>Ballrooms</b>                              |           |                 |          |           |         |        |
| Ballroom 2501                                 | -         | 46,484          | 4,800    | 2,100     | 3,000   | 230    |
| Ballroom 3501                                 | -         | 23,910          | 3,030    | 1,545     | 1,650   | 110    |
| Ballroom 2103                                 | -         | 17,974          | 1,650    | 1,080     | 1,360   | 100    |
| Ballroom 2215                                 | -         | 9,000           | 1,000    | 600       | 780     | 40     |
| Little Theater Ballroom                       | -         | 5,329           | 564      | 175       | 225     | 20     |
| Total Ballrooms SF                            | -         | <b>102,697</b>  | na       | na        | na      | na     |
| <b>Conference Center</b>                      |           |                 |          |           |         |        |
| 1501 A, B, C                                  | -         | <b>15,336</b>   | 1,708    | 1,049     | 1,140   | na     |
| <b>Meeting Rooms</b>                          |           |                 |          |           |         |        |
| Number of Rooms                               | 48        | -               | -        | -         | -       | -      |
| Smallest Room (Individual)                    | 588       | -               | na       | na        | na      | na     |
| Largest Room (Combined)                       | -         | 18,548          | 2,055    | 1,050     | 1,500   | na     |
| Total Meeting Rooms SF                        | -         | <b>61,935</b>   | -        | -         | -       | -      |
| <b>Municipal Auditorium</b>                   |           |                 |          |           |         |        |
| Arena   | -         | 26,200          | 10,721   | 600       | 1,500   | 124    |
| Music Hall                                    | -         | na              | 2,401    | na        | na      | na     |
| <b>Total Function Space SF</b>                |           | <b>631,761*</b> |          |           |         |        |

*\*Includes SF of Arena and Music Hall*

Source: Kansas City Convention & Entertainment Centers, Johnson Consulting

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The recently expanded KSCC has 388,800 square feet of exhibit space, 102,697 square feet of ballroom space, approximately 77,271 square feet of meeting space, includes Conference Center, and also has the Municipal Arena, with a capacity of approximately 10,000, and the Music Hall, with a capacity of approximately 2,500 seats. As shown in Table 9, Bartle exhibit hall is divisible into five sections ranging from 48,600 square feet to 100,980 square feet. There are five ballrooms which range in size from 5,329 square feet to 46,484 Square feet. There are 48 meeting rooms with sizes ranging from 588 square feet to 18,548 square feet (when combined).

**Table 10**

| <b>Kansas City Convention Center<br/>Event Demand and Attendance</b> |                             |                             |                               |
|--|-----------------------------|-----------------------------|-------------------------------|
|  | <b>Number<br/>of Events</b> | <b>Total<br/>Attendance</b> | <b>Average<br/>Attendance</b> |
| Convention/Trade Shows   | 34                          | 105,653                     | 3,107                         |
| Consumer Shows/Specialty Expos                                       | 10                          | 141,423                     | 14,142                        |
| Meetings and Seminars  | 78                          | 41,341                      | 530                           |
| Banquets   | 68                          | 17,345                      | 255                           |
| Sporting Events  | 37                          | 70,855                      | 1,915                         |
| Concerts or Entertainment Events                                     | 30                          | 109,823                     | 3,661                         |
| Other Events   | 56                          | 55,057                      | 983                           |
| <b>Total</b>   | <b>313</b>                  | <b>541,497</b>              | <b>1,730</b>                  |

*Source: Kansas City Convention Center, Johnson Consulting*

As shown in the table, the KCCC hosted 313 events in the most recent year, generating a total of 541,497 attendees.

Observations about the operations gleaned from a recent operational review performed by Johnson Consulting and an interview held with the facility management are summarized below:

- Similar to San Jose, the complex of facilities at the Kansas City Convention Center are connected to each other, which allows for employees to work at each facility as needed. Labor use is NOT tracked by building. There are approximately 125 full time positions for the KCCC and adjacent facilities.
- Operations at the convention center and all the facilities use its full time staff to operate and maintain the building on a day to day basis. Like San Jose, the KCCC utilizes a fairly large core of unionized staff to serve the complex, and staff is guaranteed a 40 hour week, regardless of event demand levels. During slow event periods the staff is used for required maintenance.

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- Kansas City has a hotel/motel tax, and a \$1 surcharge on ticketed events which is first used to fund the Convention and Visitors Bureau's operational expenses, with any remaining money going to the Kansas City Convention and Entertainment Facilities to balance out any operating deficiencies. Any surplus profit is put into a maintenance fund, up to a maximum balance of \$2.5 million.
- Focusing in on the convention center, major profit centers are performed by:
  - The main food service provider, Aramark, which accounts for approximately 65 percent of food and beverage operations. Aramark's contract is structured on a commission basis, with the following percentages paid to the building:
    - Food - 21 percent
    - Alcoholic beverage - 35 percent
  - In addition to Aramark, KCCC offers an open catering arrangement, unique in the industry. There are 10 other food service providers that account for 35 percent of food and beverage operations at the convention center facilities. The renter of the facilities has the option of selecting who the food service provider will be. The 10 other food service operators are structured on a commission basis, but commission is set at a flat 18 percent. Aramark is the only Food and Beverage operator that is able to utilize the convention center facility kitchen. All other food and beverage providers use off-site kitchen facilities, hence the lower catering commissions.
- Kansas City utilizes a city-wide parking manager/operator and all revenues from the parking facilities at the KCCC go directly to the City without entering the chart of accounts for the KCCC.

### **Long Beach Convention and Entertainment Center, Long Beach, California**

Located in the heart of downtown, the Long Beach Convention and Entertainment Center (LBCEC) includes 224,000 square feet of contiguous exhibit space, 34 meeting rooms, and three ballrooms with a total of 26,775 square feet. The complex also includes the 13,500-seat Arena and the 3,051-seat Theater. All venues are located in proximity to each other.

Table 11 summarizes the size and capacity of the LBCEC's convention and meeting space.

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Table 11

| Long Beach Convention & Entertainment Center |           |                |          |           |         |
|--|-----------|----------------|----------|-----------|---------|
| Room Size and Capacity                       |           |                |          |           |         |
|  | Size (SF) |                | Capacity |           |         |
|  | Each      | Combined       | Theater  | Classroom | Banquet |
| <b>Exhibit Hall</b>                          |           |                |          |           |         |
| Hall A-B-C                                   |           | 224,000        | -        | -         | -       |
| <i>Hall A</i>                                | 91,000    | -              | 7,500    | 3,900     | 6,100   |
| <i>Hall B</i>                                | 57,000    | -              | 5,500    | 2,500     | 3,600   |
| <i>Hall C</i>                                | 76,000    | -              | 5,500    | 2,600     | 4,000   |
| All Halls Combined                           | -         | 224,000        | 18,500   | 9,000     | 13,700  |
| <b>Arena</b>                                 |           |                |          |           |         |
| Arena Floor Area                             |           | 46,000         | 13,500   |           |         |
| Lower Concourse                              |           | 29,000         |          |           |         |
| Total Arena SF                               | -         | 75,000         | na       | na        | na      |
| <b>Ballrooms</b>                             |           |                |          |           |         |
| Grand Ballroom                               | -         | 20,456         | 2,100    | 840       | 1,200   |
| <i>1/2 Ballroom</i>                          | 10,228    | -              | 989      | 300       | 590     |
| Promenade Ballroom                           | -         | 13,200         | 1,400    | 480       | 820     |
| <i>Prom A</i>                                | 4,350     | -              | 420      | 177       | 250     |
| <i>Prom B</i>                                | 4,500     | -              | 450      | 190       | 280     |
| <i>Prom C</i>                                | 4,350     | -              | 420      | 177       | 250     |
| Seaside Ballroom                             | -         | 6,317          | 640      | 240       | 400     |
| <i>Seaside A</i>                             | 3,890     | -              | 364      | 144       | 250     |
| <i>Seaside B</i>                             | 2,427     | -              | 252      | 90        | 150     |
| Total Ballrooms SF                           | -         | 26,773         | na       | na        | na      |
| <b>Meeting Rooms</b>                         |           |                |          |           |         |
| Number of Rooms                              | 34        | -              | -        | -         | -       |
| Smallest Room (Individual)                   | 338       | -              | 32       | 16        | 21      |
| Largest Room (Combined)                      | -         | 4,720          | 460      | 200       | 280     |
| Total Meeting Rooms SF                       | -         | 82,383         | -        | -         | -       |
| <b>Theater</b>                               | -         | -              | 3,051    | -         | -       |
| <b>Total Function Space SF</b>               |           | <b>408,156</b> |          |           |         |

Source: Long Beach Convention Center

As shown in the table, the 224,000 square feet exhibit hall is divisible into three sections, ranging in size from 57,000 square feet to 91,000 square feet. The Grand ballroom has a total of 20,456 square feet, and can be divided in half for a total of 10,228 square feet per half. The Promenade Ballroom has a total of 13,200 square feet and can be divided into thirds. The Seaside Ballroom has a total of 6,317 square feet and can be divided in two sections, Seaside A with 3,890 square feet, and Seaside b with 2,425 square feet of ballroom space. There are 34 meeting rooms, in sizes ranging from 338 square feet to 4,720 square feet (combined).

Table 12 shows the number of events and attendees at the LBCEC in the most recent year.

Table 12

| <b>Long Beach Convention and Entertainment Center<br/>Event Demand and Attendance</b> |                     |                     |                       |
|---|---------------------|---------------------|-----------------------|
|   | Number<br>of Events | Total<br>Attendance | Average<br>Attendance |
| Convention/Trade Shows  | 75                  | 619,802             | 8,264                 |
| Consumer Shows/Specialty Expos  | 22                  | 160,685             | 7,304                 |
| Meetings and Seminars   | 58                  | 45,686              | 788                   |
| Banquets  | 16                  | 8,081               | 505                   |
| Sporting Events   | 43                  | 318,866             | 7,415                 |
| Concerts or Entertainment Events  | 76                  | 386,613             | 5,087                 |
| Other Events  | 66                  | 76,652              | 1,161                 |
| Total   | 356                 | 1,616,385           | 4,540                 |

*Source: Long Beach Convention and Entertainment Center, Johnson Consulting*

As shown in the table, the LBCEC hosted 356 events in the most recent year, generating a total of 1,616,385 attendees, or an average of 4,540 attendees per event.

### **Oregon Convention Center, Portland, Oregon**

Located in northwest Oregon, at the intersection of the Columbia and Willamette Rivers, Portland is part of the two-state, six-county Portland, OR-Vancouver, WA metro area. Over the last decade, the metro area has experienced robust population growth, increasing at an annual rate of 2.3 percent, or approximately double the national average. Portland's metropolitan statistical area has approximately 2.1 million residents.

Situated along the banks of the Willamette River, directly opposite downtown Portland, the Oregon Convention Center (OCC) opened in September 1990. The OCC is owned by the Metro, the Portland area elected regional government, and operated by the Metropolitan Exposition and Recreation Commission (MERC), which also operates the Portland Center for the Performing Arts and the Portland Metropolitan Exposition Center. The MERC is directed by a seven-member Commission comprised of business and community leaders appointed to four-year terms by the City of Portland (two), Metro (two), Multnomah County (one), Washington County (one), and Clackamas County (one).

The OCC now offers 255,000 square feet of contiguous exhibit space, two ballrooms with a combined 59,400 square feet, and over 55,000 total square feet of meeting

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space, as well as a parking capacity for 1,100 cars. Most importantly, the facility is now the largest Class A facility in the Northwest US, which will improve the competitive potential of the OCC and enhance Portland's identity as a location for convention and tradeshow activity.

Table 13 summarizes the size of the exhibit halls, ballrooms, and meeting rooms of the OCC.

**Table 13**

| Oregon Convention Center<br>Room Size and Capacity |           |                |          |            |         |                    |
|--|-----------|----------------|----------|------------|---------|--------------------|
|  | Size (SF) |                | Capacity |            |         |                    |
|  | Each      | Combined       | Theater  | Class-room | Banquet | Exhibits (10'x10') |
| <b>Exhibit Hall</b>                                |           |                |          |            |         |                    |
| Hall A   | 30,000    | -              | 2,600    | 1,550      | 1,700   | 305                |
| Hall A1  | 30,000    | -              | 2,600    | 1,550      | 1,700   | 305                |
| Hall B   | 30,000    | -              | 2,600    | 1,550      | 1,700   | 145                |
| Hall C   | 61,000    | -              | 5,500    | 3,300      | 3,550   | 340                |
| Hall D   | 61,000    | -              | 5,500    | 3,300      | 3,550   | 340                |
| Hall E   | 30,000    | -              | 2,600    | 1,550      | 1,700   | 165                |
| All Halls Combined                                 | -         | <b>255,000</b> | na       | na         | 15,000  | 1,275              |
| <b>Ballrooms</b>                                   |           |                |          |            |         |                    |
| Oregon Ballroom                                    | -         | 25,200         | 2,800    | 1,440      | 1,530   | 125                |
| OB Section 201, 202, 203, 204                      | 6,300     | -              | 700      | 360        | 360     | 30                 |
| Portland Ballroom                                  | -         | 34,200         | 3,700    | 2,270      | 2,200   | 184                |
| PB Section 251, 256                                | 4,000     | -              | 440      | 250        | 270     | 22                 |
| PB Section 252, 255                                | 4,700     | -              | 460      | 240        | 270     | 26                 |
| PB Section 253, 254, 257, 258                      | 4,200     | -              | 400      | 200        | 240     | 24                 |
| Total Ballroom SF                                  | -         | <b>59,400</b>  | na       | na         | na      | na                 |
| <b>Meeting Rooms</b>                               |           |                |          |            |         |                    |
| Number of Rooms                                    | 52        | 23             | -        | -          | -       | -                  |
| Smallest Room (Individual)                         | 165       | -              | 15       | 8          | 10      | na                 |
| Largest Room (Combined)                            | -         | 6,066          | 630      | 315        | 350     | na                 |
| Total Meeting Rooms SF                             | -         | <b>55,382</b>  | -        | -          | -       | -                  |
| <b>Total Function Space SF</b>                     |           | <b>369,782</b> |          |            |         |                    |

Source: Oregon Convention Center

Table 14 shows the event and attendee demand at the OCC from the three most recent years.

Table 14

| Oregon Convention Center<br>Demand Analysis |         |         |         |
|---|---------|---------|---------|
|   | Year 1  | Year 2  | Year 3* |
| Number of Events                            | 558     | 644     | 486     |
| Number of Attendees                         | 700,360 | 633,575 | 452,370 |
| Attendees/ Event                            | 1,255   | 984     | 931     |
| Attendees/ SF                               | 2.75    | 2.48    | 1.77    |
| Event Days                                  | 813     | 910     | 718     |

\*Partial year.  
Source: Oregon Convention Center

As shown in the table, in Year 1, the OCC hosted a total of 558 events with a total attendance of around 700,360. In Year 2, the total number of events increased but the total number of attendees dropped off to 633,600. Currently, in Year 3 the OCC has had a total of 486 events with over 452,000 attendees.

The OCC has a closed funding arrangement. In order to address its expansion, a Visitor Development Initiative (VDI) fund was created with the hotel tax to help start up operations of the expanded convention center, as well as to provide resources to cover construction impacts and to market the expansion. The OCC receives the VDI funding in installments over a five-year period from FY 2001-02 through 2005-06. The majority of the payment came in one bulk sum of \$5.74 million in the first year, and then it was about \$370,000 in the last two years. Once the temporary grants expire, no other resource streams have been provided, even though the facility historically ran at a deficit previously and almost doubled in size.

Like many buildings, Net operating revenues are combined with revenues derived from the transient hotel occupancy tax to cover the deficit and to pay for all other requirements, including Metro's annual support service assessments.

Under contract with the OCC/MERC, Aramark serves as the food and beverage (F&B) provider for the facility. In the most recent fiscal year, F&B services produced a net profit of approximately \$1.5 million.

For the same period, net profit from parking activities was approximately \$780,000. With the increase in capacity from 400 to 1,100 cars, parking profit has substantially increased. While it is not reflected on in the OCC's pro forma, the facility's revenues are reduced by a 7.5 percent 'excise' fee on the total of all customer invoices. This fee flows through to Metro and is not available for OCC operations, which is dedicated to Metro for its operations. This item, which is atypical for a convention center, represents a significant financial obligation for the OCC.

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### **Reno Sparks Convention Center, Reno, Nevada**

In Reno, Nevada, the main convention facility is the Reno-Sparks Convention Center (RSCC), which is owned and operated by the Reno Sparks Convention and Visitors authority (RSCVA). The RSCVA also owns and operates several other facilities including the Reno-Sparks Livestock Events Center, the National Bowling Stadium, the Reno Events Center, and several golf facilities. The RSCVA employs 156 full-time employees at all of its facilities, 41 of which work primarily at the RSCC.

Based on discussions with management, it appears the Convention Center Complex is run in a very comparable format to the operation by Team San Jose, where the CVB has undertaken management responsibility for the community's convention and entertainment facilities, as well as two golf courses.

Table 15 focuses in on the size and capacity of the RSCC's convention and meeting space.

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Table 15

| Reno-Sparks Convention Center<br>Room Size and Capacity |           |                |          |           |         |        |
|---|-----------|----------------|----------|-----------|---------|--------|
|   | Size (SF) |                | Capacity |           |         |        |
|   | Each      | Combined       | Theater  | Classroom | Banquet | Booths |
| <b>Exhibit Hall</b>                                     |           |                |          |           |         |        |
| Hall 1  |           | 73,240         | 7,324    | 4,185     | 3,855   | 402    |
| Hall 1 A  | 20,400    | -              | 2,040    | 1,166     | 1,074   | 111    |
| Hall 1 B  | 20,680    | -              | 2,068    | 1,182     | 1,088   | 115    |
| Hall 1 C  | 32,160    | -              | 3,216    | 1,838     | 1,693   | 169    |
| Hall 2  | -         | 120,900        | 12,090   | 6,909     | 6,363   | 643    |
| Hall 3  | -         | 60,100         | 6,010    | 3,434     | 3,163   | 336    |
| Hall 4  | -         | 70,200         | 7,020    | 4,011     | 3,695   | 395    |
| Hall 5  | -         | 49,500         | 4,950    | 2,829     | 2,605   | 292    |
| All Halls Combined                                      | -         | <b>373,940</b> | na       | na        | na      | 2,068  |
| <b>Ballrooms</b>  |           |                |          |           |         |        |
| Grand Ballroom  | -         | 30,000         | 2,970    | 1,697     | 1,563   | 144    |
| C1  | 3,080     | -              | 308      | 176       | 162     | na     |
| C2  | 3,060     | -              | 306      | 175       | 161     | na     |
| C3  | 3,080     | -              | 308      | 176       | 162     | na     |
| C4  | 10,310    | -              | 1,031    | 589       | 543     | na     |
| D1  | 3,080     | -              | 308      | 176       | 162     | na     |
| D2  | 3,060     | -              | 306      | 175       | 161     | na     |
| D3  | 3,080     | -              | 308      | 176       | 162     | na     |
| Room D4   | -         | 1,870          | 187      | 108       | 98      | na     |
| Room D5   | -         | 1,890          | 189      | 108       | 99      | na     |
| Room D6   | -         | 1,760          | 176      | 101       | 93      | na     |
| Room D7   | -         | 1,760          | 176      | 101       | 93      | na     |
| Room D8   | -         | 1,300          | 130      | 74        | 68      | na     |
| Room D9   | -         | 1,300          | 130      | 74        | 68      | na     |
| Room D10  | -         | 1,280          | 128      | 73        | 67      | na     |
| Total Ballrooms SF                                      | -         | <b>41,160</b>  | na       | na        | na      | na     |
| <b>Meeting Rooms</b>                                    |           |                |          |           |         |        |
| Number of Rooms   | 19        | -              | -        | -         | -       | -      |
| Smallest Room (Individual)                              | 340       | -              | 24       | 16        | 16      | na     |
| Largest Room (Combined)                                 | -         | 19,440         | 2,000    | 972       | 1,500   | 94.00  |
| Total Meeting Rooms SF                                  | -         | <b>72,543</b>  | -        | -         | -       | -      |
| <b>Total Function Space SF</b>                          |           | <b>487,643</b> |          |           |         |        |

Source: Reno-Sparks Convention Center

The RSCC has 373,940 square feet of exhibit space, 41,160 square feet of ballroom space, approximately 72,543 square feet of meeting space. As shown in the table, the exhibit hall 1 is divisible into three sections ranging from 20,400 square feet to 32,160 square feet. There is one main ballroom with a total of 30,000 square feet, which is divisible into seven sections ranging from 3,080 square feet to 10,310

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square feet. There are 19 meeting rooms with sizes ranging from 340 square feet to 19,440 square feet (when combined).

Table 16

| <b>Reno-Sparks Convention Center<br/>Event Demand and Attendance</b> |                             |                             |                               |
|--|-----------------------------|-----------------------------|-------------------------------|
|  | <b>Number<br/>of Events</b> | <b>Total<br/>Attendance</b> | <b>Average<br/>Attendance</b> |
| Convention/Trade Shows   | 21                          | 236,458                     | 11,260                        |
| Consumer Shows/Specialty Expos                                       | 50                          | 138,480                     | 2,770                         |
| Meetings and Seminars  | 97                          | 25,255                      | 260                           |
| Banquets   | 34                          | 8,225                       | 242                           |
| Sporting Events  | 9                           | 80,398                      | 8,933                         |
| Concerts or Entertainment Events                                     | 9                           | 18,417                      | 2,046                         |
| Other Events   | 65                          | 68,928                      | 1,060                         |
| <b>Total</b>   | <b>285</b>                  | <b>576,161</b>              | <b>3,796</b>                  |

Source: CWN - RSCC

As shown in the table, the RSCC hosted 285 events in the most recent year, generating a total of 575,161 attendees.

Observations about the operations gleaned from a recent operational review performed by Johnson Consulting and an interview held with the facility management are summarized below:

- As at Team San Jose, no facilities operated by the RSCVA are burdened by administration support. Central Executive, Finance, and Marketing, IT and Human Resources are borne by the RSCVA as a benefit to each building.
- Unlike San Jose, the individual facilities are further away from each other, which cause a need for a small core staff at each facility. Core staff at each building are approximately:
  - Convention Center- 41
  - Reno Events Center- 4
  - The Bowling Stadium- 4
  - Mutual NBS/REC- 17
  - The Golf Courses- 17
  - The Livestock Center- 18
  - Floating employees- 55

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- Operations at the convention center and all the facilities use its full time staff to operate and maintain the building on a day to day basis. This is different than in San Jose, where there is a fairly large core of unionized staff to serve the complex, and be committed to a 40 hour week, regardless of event demand levels. The RSCVA can use more temporary labor rather than trying to keep a large full time complement of staff deployed. The RSCVA also use Community Workers to supplement certain set up and maintenance functions. They are often provided a group of people with minor charges who have to conduct community service. These people serve as a supplemental labor source.
- There is occasional cross utilization of staff among facilities, especially when large events, such as major rodeos or Bowling Congresses occur. In large measure, the convention center staffing pool is centered on its operation and neither supplies or calls for shared labor too often.
- Revenue and Costs for each building are easier to distinguish that for venues at Team San Jose, as the physical separation of the venues allows for costs and revenues to be more easily matched than in San Jose. Overhead Costs borne by RSCVA are not parceled among facilities, but revenues earned costs borne by each venue are fairly easy to isolate and are maintained separately. When big labor calls are made among buildings, these calls and associated costs are tracked by facility management and assigned to the respective building.
- Focusing in on the convention center, major profit centers are performed by:
  - Food service is provided by Well Bread, a division of Delaware North. Their contract is structured on a commission basis, with the following percentages paid to the building:
    - Concessions food & non alcoholic beverage - 46 percent
    - Food Court beverage - 45 percent
    - Food court food only - 35 percent
    - Alcoholic beverage - 40 percent
    - Catering banquet - 30 percent
    - Sub contractors - 75 percent
- The Convention Center has an inventory of parking spaces, which it operates and from which it keeps the proceeds. It charges \$7.00 per space and some security and parking staff are included in the 41 staff members that are designated to the convention center.

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### **Sacramento Convention Center, Sacramento, California**

Sacramento is the capital of the State of California and the county seat of Sacramento County. Located in California's expansive Central Valley, it is the seventh most populous city in California. As of 2007, Sacramento had a population of 467,343. The city is the core cultural and economic center of its four-county metropolitan area (El Dorado, Placer, Sacramento, and Yolo Counties). With a population of 2.0 million, the Sacramento metropolitan area is the largest in the Central Valley, and is the fourth-largest in California, behind the Los Angeles-Orange County area, the San Francisco Bay Area, and the San Diego area.

Located in the heart of downtown, the SCC includes 134,000 square feet of contiguous exhibit space, 31 meeting rooms, a 24,000 square foot ballroom, and two separate 10,000 square foot registration/ pre-function areas. The complex also includes the 4,000-seat Memorial Auditorium and the 2,452-seat Community Center Theater.

Table 17 summarizes the size and capacity of the SCC's convention and meeting space.

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Table 17

| Sacramento Convention Center<br>Room Size and Capacity |           |                |                    |           |         |        |
|--|-----------|----------------|--------------------|-----------|---------|--------|
|  | Size (SF) |                | Capacity           |           |         |        |
|  | Each      | Combined       | Theater            | Classroom | Banquet | Booths |
| <b>Exhibit Hall</b>                                    |           |                |                    |           |         |        |
| Hall A   | 51,500    | -              | 4,896              | 3,432     | 2,660   | 300    |
| Hall B   | 33,000    | -              | 2,856              | 2,024     | 1,580   | 176    |
| Hall C   | 24,864    | -              | 2,500              | 1,584     | 1,184   | 136    |
| Hall D   | 12,321    | -              | 1,250              | 700       | 560     | 64     |
| Hall E   | 12,321    | -              | 1,250              | 700       | 560     | 64     |
| All Halls Combined                                     | -         | 134,000        | na                 | 9,152     | 7,320   | 774    |
| <b>Ballroom</b>  |           |                |                    |           |         |        |
| Room 306, 315  | 2,881     | -              | 252                | 128       | 120     | na     |
| Room 307, 308, 313, 314                                | 3,015     | -              | 280                | 128       | 120     | na     |
| Room 309, 310, 311, 312                                | 1,292     | -              | 70                 | 48        | 40      | na     |
| Room 316   | 986       | -              | 84                 | 36        | 40      | na     |
| Room 317, 318  | 680       | -              | 49                 | 32        | 20      | na     |
| Room 319   | 990       | -              | 91                 | 36        | 40      | na     |
| All Section Combined                                   | -         | 24,282         | 2,652              | 1,536     | 1,440   | na     |
| <b>Meeting Rooms</b>                                   |           |                |                    |           |         |        |
| Number of Rooms  | 5         | 5              | -                  | -         | -       | -      |
| Smallest Room (Individual)                             | 700       | -              | 49                 | 32        | 20      | na     |
| Largest Room (Combined)                                | -         | 1,050          | 91                 | 36        | 40      | na     |
| Total Meeting Rooms SF                                 | -         | 4,200          | -                  | -         | -       | -      |
| <b>Total Function Space SF</b>                         |           | <b>162,482</b> |                    |           |         |        |
| <b>Theater</b>   |           |                | <b>2,452 seats</b> |           |         |        |
| <i>Source: Sacramento Convention Center</i>            |           |                |                    |           |         |        |

As shown in the table, the 134,000 square feet exhibit hall is divisible into four sections, of 12,321 square feet to 33,000 square feet. The ballroom is divisible into 14 smaller sections, of 680 square feet to 3,015 square feet. There are five meeting rooms, of 700 square feet to 1,050 square feet.

Table 18 shows the number of events and attendees at the SCC in the most recent year.

Table 18

| <b>Sacramento Convention Center<br/>Event Demand and Attendance</b> |                     |                     |                       |
|---|---------------------|---------------------|-----------------------|
|   | Number<br>of Events | Total<br>Attendance | Average<br>Attendance |
| Convention/Trade Shows  | 79                  | 261,320             | 3,308                 |
| Consumer Shows/Specialty Expos                                      | 20                  | 55,150              | 2,758                 |
| Meetings and Seminars   | 369                 | 105,000             | 285                   |
| Banquets  | 99                  | 38,165              | 386                   |
| Concerts or Entertainment Events                                    | 91                  | 363,263             | 3,992                 |
| Other Events  | 29                  | 54,426              | 1,877                 |
| Total   | 687                 | 877,324             | 2,101                 |

*Source: Sacramento CC, Johnson Consulting*

As shown in the table, the SCC hosted 687 events in the most recent year, generating a total of 877,324 attendees, or an average of 2,101 attendees per event.

### **Salt Palace Convention Center, Salt Lake City, Utah**

Salt Lake City is the capital and the most populous city of Utah. Salt Lake City is part of Salt Lake City-Ogden MSA (population 1.1 million). The City is located on Interstates 80 and 15 in northern Utah, near the Great Salt Lake. Strong growth in services sector, tourism, and recreation are the leading contributors to the expansion of Utah's economy in recent years. In addition, the building boom associated with the 2002 Winter Olympics played a substantial role.

Operated by SMG, the Salt Palace Convention Center (SPCC) opened in August 2000 and is owned by Salt Lake County. Table 19 summarizes the size and capacity of the SPCC's convention and meeting space.

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Table 19

| Salt Lake Convention Center<br>Room Size and Capacity |           |                |          |           |         |        |
|---|-----------|----------------|----------|-----------|---------|--------|
|   | Size (SF) |                | Capacity |           |         |        |
|   | Each      | Combined       | Theater  | Classroom | Banquet | Booths |
| <b>Exhibit Hall</b>                                   |           |                |          |           |         |        |
| Hall 1  | 48,600    | -              | 5,300    | 2,700     | 2,700   | 238    |
| Hall 2  | 16,200    | -              | 1,700    | 700       | 900     | 64     |
| Hall 3  | 16,200    | -              | 1,700    | 700       | 900     | 64     |
| Hall 4  | 48,600    | -              | 5,300    | 2,700     | 2,700   | 238    |
| Hall A  | 48,600    | -              | 5,300    | 2,700     | 2,700   | 238    |
| Hall B  | 24,300    | -              | 2,600    | 1,300     | 1,350   | 119    |
| Hall C  | 48,600    | -              | 5,300    | 2,700     | 2,700   | 238    |
| Hall D  | 48,600    | -              | 5,300    | 2,700     | 2,700   | 238    |
| Hall E  | 64,800    | -              | 7,100    | 3,400     | 3,600   | 317    |
| All Halls Combined                                    | -         | <b>364,500</b> | na       | na        | na      | 1,754  |
| <b>Ballrooms</b>                                      |           |                |          |           |         |        |
| Ballroom A  | 3,820     | -              | 400      | 190       | 200     | na     |
| Ballroom B  | 3,820     | -              | 400      | 190       | 200     | na     |
| Ballroom C  | 3,820     | -              | 400      | 190       | 200     | na     |
| Ballroom D  | 3,820     | -              | 400      | 190       | 200     | na     |
| Ballroom E  | 3,820     | -              | 400      | 190       | 200     | na     |
| Ballroom F  | 3,820     | -              | 400      | 190       | 200     | na     |
| Ballroom G  | 3,820     | -              | 400      | 190       | 200     | na     |
| Ballroom H  | 3,820     | -              | 400      | 190       | 200     | na     |
| Ballroom I  | 3,820     | -              | 400      | 190       | 200     | na     |
| Ballroom J  | 3,820     | -              | 400      | 190       | 200     | na     |
| All Section Combined                                  | -         | <b>45,000</b>  | 4,900    | 2,500     | 2,900   | na     |
| <b>Meeting Rooms</b>                                  |           |                |          |           |         |        |
| Number of Rooms                                       | 43        | 13             | -        | -         | -       | -      |
| Smallest Room (Individual)                            | 490       | -              | 40       | 15        | 20      | na     |
| Largest Room (Combined)                               | -         | 8,800          | 900      | 450       | 550     | na     |
| Total Meeting Rooms SF                                | -         | <b>52,000</b>  | -        | -         | -       | -      |
| <b>Total Function Space SF</b>                        |           | <b>461,500</b> |          |           |         |        |

Source: Salt Palace Convention Center

The SPCC has 364,500 square feet of exhibit space, 45,000 square feet of ballroom space, 52,000 square feet of meeting space, and on-site parking capacity for 1,150 cars (600 underground, 550 surface). As shown in the table, the exhibit hall is divisible into nine sections ranging from 16,200 square feet to 64,800 square feet. The ballroom is divisible into ten sections of 3,820 square feet each. There are 43 flexible meeting rooms that can be combined into 13 larger rooms. The size of the meeting rooms range from 490 square feet (when used individually) to 8,800 square feet (when combined).

Table 20 shows the number of events and attendees at the SPCC in the most recent year.

Table 20

| <b>Salt Palace Convention Center<br/>Event Demand and Attendance</b> |         |         |
|--|---------|---------|
|  | Year 1  | Year 2  |
| # of Events  | 427     | 395     |
| # of Attendees   | 825,697 | 810,033 |
| Average Attendees  | 1,934   | 2,051   |
| <i>Source: Salt Lake City</i>  |         |         |

As the table shows, in Year 2 the SPCC held 395 events, generating over 810,000 attendees. It is important for the SPCC and Salt Lake City to establish themselves as Class A destinations, so that market share will grow.

### **Washington State Convention and Trade Center, Seattle, Washington**

The City of Seattle, Washington is in the Seattle-Bellevue-Everett primary metropolitan statistical area (population 3.21 million). The metro area is a center for advanced technology, software development, and scientific research. Major employers include Microsoft, VoiceStream Wireless (T-Mobile), and AT&T Wireless Group. In addition to a strong heritage as a center for recreation, Seattle has also recently developed a number of facilities that complement the WSCTA in appealing to visitors and convention goers. Among them are the Experience Music Project, the 120,000 square foot Museum of History and Industry, and efforts are also underway to develop a new Pacific Northwest Aquarium.

Located in downtown Seattle, just off of Interstate 5, the Washington State Convention and Trade Center (WSCTC) opened in 1988 as the Seattle area's largest exhibition, convention, and meeting facility. The WSCTC is owned by the State of Washington, via a public corporation, and was originally constructed at a cost of \$202 million. As the facility is independent of the City of Seattle and King County, it is assessed no overhead charges or excise taxes by either the City or County.

The WSCTC completed a \$206 million expansion in 2003. The expanded WSCTC offers 205,700 square feet of exhibit space, 64,600 square feet of ballroom space, 57,700 square feet of meeting space in 56 flexible rooms ranging from 208 square feet to 10,020 square feet, on-site parking capacity for 1,035 cars, and an adjacent parking garage for 665 cars. The quality of the facility, appeal of the destination, and

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ready inventory of hotel properties in the downtown area, make the WSTCTC the primary competitor for events that rotate within and to the Northwest.

Table 21 summarizes the size and capacity of the WSTCTC's convention and meeting space.

**Table 21**

| Washington State Convention and Trade Center<br>Room Size and Capacity |                        |                |          |            |         |                    |
|--|------------------------|----------------|----------|------------|---------|--------------------|
|  | Size (SF)              |                | Capacity |            |         |                    |
|  | Smallest Section/ Room | Combined       | Theater  | Class Room | Banquet | Exhibits (10'x10') |
| <b>Exhibit Hall</b>  |                        |                |          |            |         |                    |
| Hall 4A  | 40,000                 | -              | 4,032    | 2,226      | 2,310   | 186                |
| Hall 4B  | 40,000                 | -              | 4,278    | 2,142      | 2,390   | 204                |
| Hall 4C  | 22,000                 | -              | 1,740    | 871        | 1,030   | 79                 |
| Hall 4D  | 10,900                 | -              | na       | na         | 500     | 28                 |
| Hall 4E  | 64,200                 | -              | 5,000    | na         | 3,000   | 352                |
| Hall 4F  | 30,600                 | -              | 3,000    | na         | 1,800   | 144                |
| All Halls Combined   | -                      | <b>205,700</b> | na       | na         | na      | 972                |
| <b>Ballroom</b>  |                        |                |          |            |         |                    |
| Ballroom 6A  | 8,352                  | -              | 850      | 456        | 540     | 36                 |
| Ballroom 6B  | 11,500                 | -              | 1,150    | 760        | 770     | 55                 |
| Ballroom 6C  | 9,512                  | -              | 1,000    | 608        | 660     | 51                 |
| Ballroom 6D  | 11,050                 | -              | 1,025    | 636        | 560     | 52                 |
| Ballroom 6E  | 15,048                 | -              | 1,548    | 988        | 990     | 72                 |
| Ballroom 6F  | 9,184                  | -              | na       | na         | 500     | 38                 |
| All Section Combined   | -                      | <b>64,600</b>  | 4,176    | na         | 2,610   | 188                |
| <b>Meeting Rooms</b>   |                        |                |          |            |         |                    |
| Number of Rooms  | 56                     | 37             | -        | -          | -       | -                  |
| Smallest Room (Single)   | 208                    | -              | na       | na         | 10      | na                 |
| Largest Room (Combined)  | -                      | 10,020         | 1,051    | 663        | 660     | na                 |
| Total SF of Meeting Rooms  | -                      | <b>57,700</b>  | -        | -          | -       | -                  |
| <b>Total Function Space SF</b>   |                        | <b>328,000</b> |          |            |         |                    |

Source: Washington State Convention and Trade Center

As shown in the table, the exhibit hall is divisible into six sections ranging from 10,900 to 64,200 square feet, and the ballroom is divisible into six sections ranging from 8,352 square feet to 15,048 square feet. There are 56 flexible meeting rooms that can be combined into 37 larger rooms. The size of the meeting rooms range from 208 square feet (when used individually) to 10,020 square feet (when combined).

Table 22 shows the event and attendance demand at the WSTCTC for the most recent year.

Table 22

| Washington State Convention & Trade Center<br>Event Demand and Attendance |                     |                     |                       |
|---|---------------------|---------------------|-----------------------|
|   | Number<br>of Events | Total<br>Attendance | Average<br>Attendance |
| Convention/Trade Shows  | 64                  | 237,197             | 3,706                 |
| Consumer Shows/Specialty Expos  | 17                  | 84,560              | 4,974                 |
| Meetings and Seminars   | 467                 | 44,635              | 96                    |
| Banquets  | 48                  | 35,113              | 732                   |
| Total   | 596                 | 401,505             | 2,377                 |

Source: WSCTC, Johnson Consulting

As shown in the table, in the most recent year 596 events were held at the WSCTC attracted 401,505 attendees.

The center benefits from a dedicated two tier hotel motel tax. The taxes fund any operating deficit, the CVB, as well as other non-operating expenses and debt service payments. This tax is the primary source of payment for debt service and for marketing expenses. The current rates are seven percent within Seattle and 2.8 percent for the balance of King County.

The second tier of tax is two percent tax on hotels of 60 units or more inside the Seattle city limit. This tax is collected on behalf of the Convention Center specifically to pay for debt service of the expansion. The transient rental tax was enacted in January 2000 and will remain in effect until 2020, when the Convention Center debt is eliminated.

Two parking garages, connected to the WSCTC via a pedestrian walkway, provide parking for 1,700 cars, which are available for the Center's visitors and guests as well as patrons to the nearby A Contemporary Theatre (ACT) and Paramount Theatre. In addition, the garages are used for monthly rentals for business and residents.

## Conclusion

As the previous paragraphs indicate, the size of each comparable facility and their demand characteristics are at least somewhat similar to that of the San Jose McEnery Convention Center. There are several unique characteristics about the SJCC which create extraordinary expense items such as, being associated with several performing arts facilities which, in general, have higher expense structures than convention centers, association with hotels on campus which use services and utilities from the convention center complex, a large public concourse which must

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be maintained and operated 24 hours a day, aging and inefficient infrastructure, and generous back of house facilities. The effects of these factors on the performance of the San Jose McEnery Convention Center must be factored into any comparative analysis, which are discussed in Section 3 of this report.

Winer, Kay

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**San Jose Convention Center Ranks Well Based on New  
Comparative Study**  
*Study of Eight Competitive Convention Centers Provide Comparative  
Data to Benchmark Performance*

**SAN JOSÉ, CA.** — October 11, 2007— Team San Jose and the San Jose Convention & Visitors Bureau released a new study today demonstrating San Jose's convention center is a strong leader when compared to number of events booked, visitor attendance, revenue generation and center operations.

"The study results are helpful to understand how San Jose compares against competitors and show we rank well," said Dan Fenton, CEO of Team San Jose and San Jose Convention and Visitors Bureau, "it provides insight on areas to focus on as we continue positive revenue growth."

The study compared San Jose McEnery Convention Center to eight convention centers including:

- Austin Convention Center, Austin, Texas
- Kansas City Convention Center, Kansas City Missouri
- Long Beach Convention Center, Long Beach, California
- Oregon Convention Center, Portland, Oregon
- Reno Convention Center, Reno, Nevada
- Sacramento Convention Center, Sacramento, California
- Salt Palace Convention Center, Salt Lake City, Utah
- Washington State Convention and Trade Center, Seattle, Washington

Study Results include:

- Revenue and expenses in San Jose are in line with the comparable average of the eight competing centers.
- San Jose ranks second on food and beverage revenue and third for building rental revenue, when comparing San Jose operating revenues per exhibit hall square footage.
- San Jose ranks fifth among the competitive centers with 1.3 events per 1,000 square feet of exhibit hall.
- San Jose ranks third among the competitive set for attendees, generating 3,690 attendees per 1,000 square feet of exhibit hall.
- When comparing operating deficits, all centers have operating deficits based on the methodology used in the study comparing revenue to expenses. San Jose has the fourth lowest deficit as compared to its competitors.
- San Jose is the third lowest in the pack when comparing full and part-time payroll with benefit employees.
- San Jose has not been renovated or expanded, while all eight competitors have been renovated or expanded during the life of the facilities.
- San Jose has the smallest exhibit hall space and second smallest ballroom.

"The study provides solid information about San Jose's competitiveness in the markets the destination regularly competes with," said Charlie Johnson, President and CEO of C.H. Johnson Consulting, Inc., "the results provide an apples to apples comparison that will help participating convention centers benchmark performance."

The study, completed by C.H. Johnson Consulting, Inc., goes beyond other studies in the visitor industry by isolating and evaluating revenue and expense data of San Jose and other centers, providing a more in depth comparison of operations through defining revenue and expenses line items and then comparing items across each convention center. The visitor industry does not have a standard charge of accounts to accurately compare revenue and expenses. Destinations in the competitive set were carefully selected based on size of the facilities and markets they regularly compete in.

The second part of the report, highlighting recent trend data of the nine centers, including San Jose will be released next week. San Jose has increased revenue by 60% since they took over operations in 2004.

### **About Team San Jose (TSJ)**

Team San Jose (TSJ) manages the San Jose McEnery Convention Center and Cultural Facilities including the Center for Performing Arts and the California Theatre. The TSJ mission is to ensure that San Jose's Convention Center and Cultural Facilities are effectively managed to reduce costs, improve the local economy, and add value for our customers, residents, workers,

and businesses in San Jose.

**About The San Jose Convention & Visitors Bureau (SJCVB)**

The mission of the San Jose Convention & Visitors Bureau (SJCVB) is to enhance the image and economic well-being of San Jose by marketing San Jose as a globally recognized destination.

For more information about Team San Jose or the San Jose Convention & Visitors Bureau please visit our website at <http://www.sanjose.org>.

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Meghan Horrigan

*Director of Public Affairs*

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