



# Memorandum

**To:** HONORABLE MAYOR  
AND CITY COUNCIL

**From:** Councilmember Pete Constant  
Councilmember Forrest Williams  
Councilmember Madison Nguyen

**Subject:** SEE BELOW

**Date:** December 13, 2007

**Approved:**

*[Handwritten signatures: Forrest Williams and Madison P. Nguyen]*

**SUBJECT:** Special Council Session on the Management and Operations of the Convention Center and Cultural Facilities

## RECOMMENDATION

We recommend that the City Council approve the Staff recommendations with the following changes:

1. **Civic Auditorium:** Keep operations and management of the Civic Auditorium with one operator, with convention open sessions and concerts/arts and entertainment uses as the primary events. The staff recommendation to require Team San José to subcontract booking and promoting the Civic Auditorium is problematic and overly prescriptive.
2. **Performance Measures/ Economic Impact:** Staff should continue to work with Team San José to develop additional performance measures that will accurately capture the economic impact received by the City of San José (hotel rooms booked, etc). Develop comparative analysis procedures that compare Team San José with venues that the San José McEnery Convention Center competes with for conventions, concerts and events to ensure that future comparative analyses have statistical validity.
3. **Management Structure:** Avoid prescriptive management structure language in the contract and focus on performance measures. Preserve the City positions in the current management agreement in order to ensure the continued expertise and excellent level of customer service.

## ANALYSIS

### *Civic Auditorium*

Booking the Civic Auditorium at or close to capacity was not a performance measure under the existing Management Agreement with Team San José. If that is a goal of the City Council, then Team San José should be given the opportunity to meet that performance measure prior to the City requiring them to hire a subcontractor. Furthermore, the analysis done by Strategic

Advisory Group finds that the highest and best use of the Civic Auditorium is for convention-related events, as the TOT generation is far greater from convention events than concerts or other events that are held in the facility. Utilization targets must also take into account the dates that the Civic Auditorium will be dark for renovations. Greater utilization of the Civic Auditorium is an appropriate goal, however it does not make sense to prescribe how that goal must be met.

### *Performance Measures/ Economic Impact*

The Convention Center and other cultural facilities are primarily economic development amenities and therefore the City's focus should be on performance measures that achieve the goals of positive economic impact. The number of booked hotel rooms is an important example of the economic impact that good convention management can have on San José. It helps show how effective Team San José is at bringing visitors to San José. Out-of-town visitors in turn, provide a significant benefit to downtown businesses as well as San José's unique tourist attractions, such as the Tech, Hayes Mansion, Winchester Mystery House and Santana Row.

### *Comparative Analysis*

The most accurate comparative analysis is logically one that compares Team San José's success in booking conventions, concerts and other events with locations and venues that actually compete with San José for business. Staff should work with Team San José to develop a list of comparable Cities and venues to assess how competitive San José is and what changes are necessary to continue to improve.

### *Management Structure*

Successful cities create and maintain convention centers and cultural facilities to draw visitors and create economic activity. Therefore the City of San José's focus should be on performance measures that achieve the broad goals of positive economic impact. The current management structure has increased revenues and reduced costs. There is no reason to believe that adding an additional high-cost management salary will have a positive affect on the current economic trend. Our contract should focus on results and leave the management decisions to Team San José.

Customer service is an important performance measure in the management agreement and one where Team San José was able to exceed the Management Agreement target. The model that Team San José has developed works in large part because of the expertise and commitment to excellence that City of San José employees bring to the table. If we are committed to continuing this model then the new Management Agreement should reflect this partnership and not prescribe changes that may negatively affect the customer service rating.