



Memorandum

To: Mayor and City Council **From:** Councilmember Pete Constant
Councilmember Nora Campos
Councilmember Madison Nguyen
Councilmember Forrest Williams

Subject: See Below **Date:** November 25, 2008

Approved:

[Handwritten signatures: Pete Constant, Forrest Williams, Nora Campos, Madison Nguyen]

**SUBJECT: STATUS OF NEGOTIATIONS WITH TEAM SAN JOSÉ FOR
ADDITIONAL FIVE YEAR TERM FOR THE MANAGEMENT OF THE
CONVENTION CENTER AND CULTURAL FACILITIES**

RECOMMENDATION

We recommend that the City Council approve the following direction:

- 1) Accept the status report on the negotiations with Team San José for an additional five year term for the period July 1, 2009 through June 30, 2014 for the management of the Convention Center and Cultural Facilities.
- 2) Direct the City Manager to negotiate a contract based on the key business terms identified within the staff report dated November 13, 2008 subject to final review and approval by City Council on January 13, 2009, with the following changes:
 - a) **Contract Renewal:** Include two 3-year renewal options.
 - b) **Performance Measures:** Recognize the importance of the convention center and cultural facilities in supporting our local economy and community and ensure the highest weight to measure performance be based on economic benefit through economic impact, hotel room night bookings, attendance and other associated measures.
 - c) **San José Convention and Visitors Bureau Funding:** Defer this discussion until contract negotiations with SJCVB begin to further understand performance and other impacts with slowly reducing the General Fund portion of the TOT dedicated to the SJCVB.
- 3) Reaffirm the Council's prior direction for the City Manager to continue to support the current Team San José model and streamline the interface between the city and Team San José as it relates to the Civil Service employees managed by Team San José.

ANALYSIS

Performance Measures

We recommend the greatest weight in the performance measure scorecard be given to the Economic Impact measures. The primary benefit to the City of San José's General Fund and local economy stems from strategically attracting business to the convention center that produces maximum room nights and direct spending to the community.

Given that the main purpose of operating a convention center and the San José Convention and Visitors Bureau is to drive economic development by bringing businesses and people to San José, the true measure of performance is its level of economic impact. In order to capture this data in an accurate and auditable manner the economic impact performance measures and assumptions should be specific and agreed upon upfront.

Throughout the discussion of Team San José and the convention center, the investment that San José makes in operating a convention center has been mischaracterized as a subsidy. It is more accurate to refer to it as an investment in economic development. Cities are in the business of building and operating convention centers, just as they are in the business of building and operating parks, libraries, and community centers. In the case of Team San José the return on investment has proven to be sizable. This shift in terminology from a subsidy to an investment is consistent with the approach of big cities across the country and more accurately characterizes the relationship between the city and Team San José.

San José Convention and Visitors Bureau Funding

While this discussion has merit, there are a number of items that need additional review before supporting this concept including eliminating any comingling of funds between Team San José and the SJCVB. We recommend deferring the discussion until the SJCVB contract negotiations have begun and construction on the convention center has concluded. This is the worst time to reduce the funding for marketing efforts, given the state of the economy and the potential short-term impacts of renovating the convention center.

Shared Employees and the Interface with the City

We wish to reaffirm the Council's prior direction for the City Manager to continue to support the current Team San José model that relies on the expertise and dedication to excellence of city employees. According to Team San José management, city employees are primarily responsible for Team San José exceeding its customer service goals. This model has also reduced costs due to the city's buying power in providing and purchasing benefits.

The City Manager has begun a process to streamline service delivery in an effort to reduce costs and increase efficiency. Consistent with that effort, we believe there is substantial benefit in streamlining the interface between the city and Team San José as it relates to the Civil Service employees managed by Team San José.

Therefore we recommend the City Manager continue to evaluate the delegation of authority to Team San José, so that they can be more nimble in addressing issues that arise in the ordinary course of its business and provide the employees with a single point of contact for issues. This approach will save time and money.