



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Edward K. Shikada

SUBJECT: SEE BELOW

DATE: May 2, 2011

Approved

Date

5/9/11

COUNCIL DISTRICT: City-Wide

SUBJECT: RESOLUTION TO EXTEND AGREEMENT WITH TEAM SAN JOSÉ FOR CONVENTION AND VISITOR BUREAU (CVB) SERVICES FOR THE REMAINDER OF THE 2011 CALENDAR YEAR.

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to execute:

1. an amendment to the existing Second Amended and Restated Agreement with San Jose Convention & Visitors Bureau until June 30, 2011, with a compensation for the extension period in an amount not to exceed \$1,100,000; and,
2. an additional amendment to the existing Second Amended and Restated Agreement with San Jose Convention & Visitors Bureau until December 31, 2011, without further Council action other than the appropriation of funds.

OUTCOME

Approval by City Council of the recommendation will result in extension of the existing agreement with Team San José ("TSJ") for Convention and Visitor Bureau ("CVB") services until December 31, 2011.

BACKGROUND

Launched in 2004, Team San Jose is a non-profit management corporation that operates the San Jose Convention Center and cultural venues such as South Hall, Parkside Hall, San Jose Civic,

May 2, 2011

Subject: Resolution to Extend Current Agreement with Team San José for Convention and Visitor Bureau Services

Page 2

California Theatre, Center for the Performing Arts and Montgomery Theater, and serves as the convention and visitors bureau for San Jose.

At the January 27, 2009 meeting City Council approved the agreement for the management of the Convention Center and Cultural Facilities with TSJ for an additional five-year term. The City Council memorandum for that action explained that TSJ and CVB were working to merge into one corporation but that there would still need to be two separate agreements; one for management of facilities and one for CVB/marketing and sales services. TSJ and the CVB merged on February 1, 2009.

The January 2009 Council action also explained the value of aligning the two agreements for the same time period. The Management Agreement with TSJ has a term beginning on July 1, 2009 and ending June 30, 2014. The current amended and restated agreement with the CVB was executed June 21, 2005 and includes two five-year periods from July 1, 2000 to June 30, 2010.

While the City and TSJ were negotiating a new agreement it was determined an extension of the old agreement would be important to allow additional time for negotiating. On June 22, 2010 the Council approved a 90 day extension of the old agreement, under the same terms and conditions, with three months compensation under their approved budget. Again, on September 21, 2010 the Council approved an additional 90 day extension of the old agreement, under the same terms and conditions.

On August 2, 2010 the City Manager's Office became aware that TSJ spent \$750,000 over the Council adopted appropriation. On August 18, 2010 the City served TSJ with a "Notice of Default" under the terms of the Management Agreement due to this overage. On December 7, 2010 the City Council approved an extension of the Agreement between the City and TSJ for CVB services until February 28, 2011.

In March, the City Manager presented a workplan around a potential development of an RFP to manage the convention center and multiple venues. Part of the workplan includes a "Best-Practices" report on various management models from around the United States and a benchmarking study that will compare TSJ to other destinations. This information and policy options will be presented to the Council in August/September 2011 and could also effect any future agreement for CVB Services.

ANALYSIS

Given the research currently underway, staff is again recommending an extension of the old agreement, under the same terms and conditions, with compensation under their approved budget. Given the scope of work currently underway and the uncertainty surrounding related to the outcomes of both studies and the RFP, staff believes it would be premature to move forward with a long-term commitment with TSJ for CVB Services. The extension will allow the City Council to have a clearer picture of TSJ management and best-practices from other cities before entering into a long-term commitment.

May 2, 2011

Subject: Resolution to Extend Current Agreement with Team San José for Convention and Visitor Bureau Services

Page 3

While the last Agreement expired on February 28, 2011 TSJ has continued to provide CVB Services. As of May 1, 2011 TSJ sales team was on track for the year to book 195,000 hotel room nights for San Jose, supporting local hotel tax revenue. TSJ sales, marketing and communications continues to focus on client relationships, direct sales opportunities, advertising and direct media coverage through news articles about San Jose. Year to date, TSJ generated 4,374 client booth traffic at recent tradeshow and events, generating a total of 454 business leads for San Jose. In addition, TSJ generated 18,765,227 impressions year to date through trade, local and national news media coverage and advertising and 211,000 unique visitors to the website to increase exposures of San Jose's meeting and convention and leisure offerings.

An amended agreement would be retroactive to pay for services rendered in March and April. Funds have already been allocated through the 2010-2011 Adopted Operating Budget. This will ensure no interruption in services provided by the CVB through June 30, 2011. After the 2011-2012 Budget has been approved and an appropriation ordinance has been adopted the City Manager will be authorized to extend the proposed Agreement through December 31, 2011.

It is important with the recent investment of \$120 million to renovate and expand the Convention Center that CVB Services continue to be provided. CVB services include pre-promotional and planning opportunities to educate future attendees about San Jose's destination including attractions, retail and entertainment offerings. The CVB handles all long-term convention and theater marketing, sales, and communications to secure events in San Jose

Over the next six to twelve months, CVB services will include sales, marketing, and communications efforts on behalf of San Jose to officially launch the new renovated and expanded Convention Center. These services are vital to the long-term investment made by the City of San Jose and the local San Jose hotel community to expand and renovate the Convention Center.

On May 1, the new expansion space went on sale and TSJ is actively selling San Jose as a destination to lost, new and existing customers.

The 2011 – 2012 Marketing Plan for TSJ is a comprehensive plan that covers three contracts, including one contract for the management of the Convention and Cultural Facilities, another for the Sales and Marketing of the City and the last for San Jose Hotels, Inc. The plan is based on research and the tactics and strategies included reflect strategic planning to respond to the research results to demonstrate San Jose as a destination of choice for visitors. The target audiences are:

- meeting planners and their convention attendees;
- local and regional transient and business travelers; and,
- theater patrons.

May 2, 2011

Subject: Resolution to Extend Current Agreement with Team San José for Convention and Visitor Bureau Services

Page 4

San Jose's audiences are determined by the scope of the three contracts managed by TSJ. In determining how to allocate the limited resources available, staff evaluates a Strength Weaknesses Opportunities and Threat (SWOT) analysis for the destination.

For FY 2011-12 the CVB Overarching Marketing Strategy includes focusing its resources on attracting meetings and events to the destination, which drive TOT revenue back to the City and help stimulate the economy.

EVALUATION AND FOLLOW-UP

City staff will return to the City Council in August/September 2011 with a staff report on the results of the "best-practices" report and TSJ benchmarking Study. At that time staff will seek direction from the City Council on the RFP for Management Services and guidance on future CVB services.

POLICY ALTERNATIVES

Policy alternatives were provided as part of the related December 2, 2008 City Council report and were not considered viable to pursue. These basically included not entering into an agreement with the CVB for the convention and visitors service work program.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
(Required: Website Posting)
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

COORDINATION

The content of this staff report has been prepared by the City Manager's Office in coordination with the City Attorney's Office, Budget Office, Finance Department, Human Resources Risk Management section and Airport. In addition coordination included staff from the merged TSJ and CVB organization and TSJ/CVB legal counsel.

HONORABLE MAYOR AND CITY COUNCIL

May 2, 2011

Subject: Resolution to Extend Current Agreement with Team San José for Convention and Visitor Bureau Services
Page 5

COST SUMMARY/IMPLICATIONS

In the 2010-2011 Operating Budget, funds are allocated to the Convention and Visitor's Bureau in the General Fund (\$1,094,267) and the Transient Occupancy Tax Fund (\$2,702,250). As part of the 2011-2012 Operating Budget process General Fund and Transient Occupancy Tax funding will be identified and appropriated for Team San Jose services in 2011-2012.

CEQA

Not a Project, File No.PP10-066 (e), Agreements/Contracts.



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For questions please contact Lee Wilcox, Downtown Manager, at 408-535-8172.