



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: TEAM SAN JOSE UPDATE

DATE: November 21, 2011

Approved

Date

12/2/11

COUNCIL DISTRICT: 3

RECOMMENDATION

1. Direct the City Manager to discontinue work on a Request for Proposal for management of the Convention Center and Cultural Facilities.
2. Direct the City Manager to negotiate and return to Council, no later than January 30, 2012, with an Agreement for Convention and Visitors Bureau Services with Team San Jose for the period of January 1, 2012 through June 30, 2014, with two additional three-year options.

OUTCOME

Approval by City Council of these recommendations will:

- Supersede previous Council direction on developing and issuing an Request for Proposal (RFP) for management of the Convention Center and Cultural Facilities and services provided under the Convention and Visitor Bureau Services (CVB).
- Result in the execution of an agreement with Team San Jose ("TSJ") for Convention and Visitor Bureau Services ("CVB Agreement") including marketing of the Convention Center and Cultural Facilities that would continue through June 30, 2014, to align with the current term of the convention center management agreement.

BACKGROUND

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

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California Theater, Center for Performing Arts and Montgomery Theater; and serves as the City's Convention and Visitors Bureau.

The City has two agreements with TSJ: one for management of the Convention Center and six cultural facilities (Management Agreement) and another for services provided for the Convention & Visitors Bureau (CVB Agreement).

In September 2010, the City issued a Notice of Default to TSJ under the terms of their Management Agreement with the City, which resulted in a number of actions including expanded audits by the City Auditor, Council direction to the City Manager to begin development of an RFP for management of the Convention Center and cultural facilities and services provided under the Convention and Visitors Bureau. In addition, the City Manager recommended hiring a hospitality industry advisor to help develop an RFP and to provide ongoing support to the City regarding the convention center and tradeshow industry.

In January 2011 and March 2011, the City Manager recommended changes to the TSJ Management Agreement and the City's Convention and Cultural Affairs Fund (Fund 536) that the City Auditor had outlined in her Annual Performance Audit. These recommendations were approved by the Council. In addition, the City hired Conventions, Sports & Leisure (CSL) as the City's hospitality industry advisor. CSL's scope includes development of an RFP, best-practices report of Convention Center Industry Oversight Structure Models, TSJ Benchmarking Study and ongoing support for the City.

The CVB Agreement with TSJ is set to expire at the end of 2011. At the January 27, 2009, Council meeting, Council approved a new Management Agreement for an additional five-year term. That memo identified the need for a restructured agreement for the CVB-related activities (CVB Agreement) for the period concurrent with the Management Agreement. The Administration and TSJ had finalized a new CVB Agreement when the City issued TSJ the Notice of Default in September 2010. Rather than executing a long-term agreement with TSJ pending resolution of ongoing issues, the Council approved a series of extensions of the previous CVB Agreement.

ANALYSIS

At this time the Administration recommends that the Council discontinue development of the RFP for management of the Convention Center and cultural facilities. The Administration comes to this recommendation for several reasons as outlined below.

Due to ongoing TSJ Board and management restructuring, the best-practices report to be completed, and future TSJ benchmarking results, it would be premature to develop and issue a RFP. In addition, continued uncertainty as to the issuance of a Management RFP can cause concern within the meeting planner community. Planners are uncertain if the team they are negotiating with will be in place when the actual event is held. These concerns and uncertainties can have a negative effect on San José's ability to attract conventions, and could negatively

impact future TOT collections. In order to protect the interests of the City, the Management Agreement with TSJ does have a termination for convenience clause that begins in July 1, 2012. This will maintain the Council's ability to sever ties with TSJ at any time of their choosing, if desired.

City Oversight & Team San Jose Board and Management Changes

As mentioned in the "Background" section of this memorandum, the City amended the Management Agreement between the City and TSJ in February 2011. These amendments, recommended by the City Auditor, aligned TSJ Incentive/Performance Measures to the adopted budget, increased TSJ transparency and accountability, and ensured TSJ was only receiving incentive payments by exceeding performance targets. To date, of the 12 recommendations made by the City Auditor from 2010, 11 have been implemented.

Pursuant to the revised Management Agreement, the TSJ Board of Directors has made recent changes to their long-term sustainability, governance and oversight capacity. TSJ approved a number of bylaw revisions to solidify and memorialize progress made over the last nine months to ensure that the organization continues to perform in a manner consistent with the goals and objectives of the City. The TSJ Board made changes in a variety of areas (Attachment A):

- Increased Board Engagement
- Increased Financial Oversight by Board of Directors
- Longevity of Board Structure and Future Board Leadership
- City Oversight at the Board of Directors Level
- Established a Board Audit Committee
- Board Chairman Term
- Personnel Committee Established
- Governance Committee Established

The TSJ Board of Directors took a number of steps including hiring a new Chief Executive Officer (CEO), Chief Operating Office (COO), and Chief Financial Officer (CFO) that have provided much needed stability to the organization and to the City's relationship with TSJ. As a result, the 2010-2011 Adopted Budget assumed that the fund balance in Fund 536 would decline by \$1,700,000 as a result of 2010-2011 activity levels. In actuality, however, the fund balance *increased* by \$2,100,000, a net improvement of \$3,800,000.

In addition to addressing Council direction and City Auditor recommendations, the City Manager's Office developed and implemented new Standard Operating Procedures (SOPs) to better coordinate TSJ finances, Fund 536, and City oversight. Currently, the City and TSJ meet officially twice a month. The first meeting is a financial review at a detailed level between the Budget Office, Finance Department, and TSJ Finance staff. The second meeting is a general oversight meeting to discuss financials, operations, sales and marketing, and performance measures. This meeting is also used by TSJ to notify the City of possible future contractual agreements and payment requests.

Per the amended Management Agreement, the City has two ex-officio positions on the TSJ Board of Directors which are occupied by a Council representative and a City Manager representative. This change has led to greater transparency and better two-way communication between TSJ and the City.

Moving forward, the City intends to keep the current City oversight structure in place and continue to develop enhancements as necessary. In addition, TSJ is currently reporting quarterly results to the City Manager and the Public Safety, Finance and Strategic Support Committee (PSFSS). The City Manager will continue to work with TSJ on these reports and bring forward any future changes when they are implemented. These reports will include:

- Financial performance
- Performance/incentive measures
- Compliance with City requirements for major contracts, notable bylaw or other organizational changes

The initial City concerns have been or are being addressed by the City and TSJ. Therefore, the City Manager believes that it would be much more productive to dedicate staff resources to continue pursuing the productive steps already underway with the City's hospitality industry advisor and TSJ, as opposed to allocating staff resources to develop, finalize, and issue a RFP.

Best-Practices / Structure Analysis

In May 2012, Conventions, Sports & Leisure International (CSL) were commissioned to provide a report detailing organizational structures used for convention center and destination marketing organizations, both as separate and combined structures. The report presents case studies for selected markets focusing on the methods, structures, and policies in place for management of convention center assets and destination marketing organizations. The report has been completed and is attached to this memorandum (Attachment B).

According to CSL, in any community it is critical for the entities that sell and operate the Center to closely coordinate their efforts. To achieve this goal, significant emphasis has been placed nationally on how Convention Centers and Destination Marketing Organizations (DMOs), equivalent to the City's CVB, interact and how different perspectives between the two organizations can be bridged.

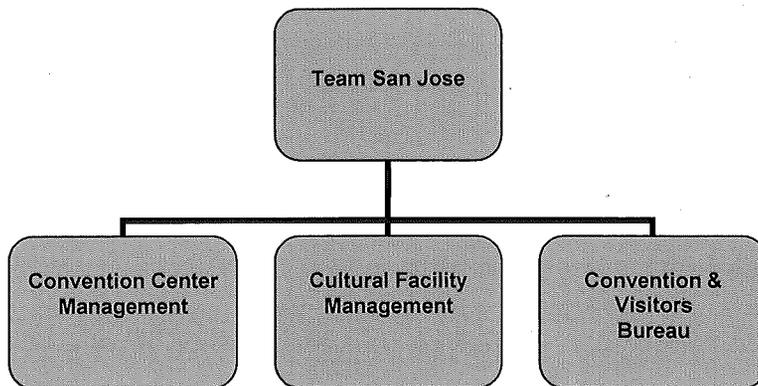
RFP's for convention centers (and for other public assembly facilities) are nearly always focused solely on the center, and do not include broader destination marketing efforts. It is not standard in the industry for a single private entity to manage both facilities and CVB services for a community.

When TSJ took over Convention Center management, services for the CVB, and theater management, it was an approach that had limited precedence in the industry. At the same time, the approach did begin to address many of the industry-wide issues that typically arise between facility and CVB management. The issues include the following:

- A DMO is typically incentivized and rewarded for achieving room night goals and, to a lesser degree, convention center revenue objectives
- Convention Center management is almost solely evaluated by government in terms of the financial operations of the Center
- A Convention Center manager, while evaluated based on financial performance, often has little control over the Center sales and marketing process
- A DMO is willing to argue for highly reduced or waived Convention Center rent in order to book an event, and a center that may rather book a local event with limited room nights but that generates significant center revenue

As noted above, in San José the approach to addressing these related issues was one of united structure – essentially combining convention center management and the CVB under one authority (TSJ). CSL believes that this model can provide for greater strategic coordination among assets as compared to more traditional separate DMO and center structures. The current TSJ model is summarized below.

San Jose's Current Convention Center Industry Model



As noted above, there are very few examples nationally of a single private firm managing all of the aspects covered under the current TSJ structure. If the City were to pursue an RFP it would need to determine which functions should be contracted for. For example, an RFP for the Convention Center management alone could be issued, while using the existing TSJ team to administer the contract. Similarly, an RFP could be issued for all public assembly facilities, again under the direction of TSJ. Under these scenarios, TSJ maintains ultimate responsibility for the facilities, but simply contracts with a firm to provide day-to-day management. TSJ would also continue to provide CVB functions as well. Any such private or contract management approach would be superior to having the City directly contract for facility management services, with TSJ providing CVB services.

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It is CSL's opinion that there is no current compelling reason to pursue a private management approach at this time, particularly given the TSJ operating, reporting, and management changes that have taken place recently. This finding is supported by the preliminary research conducted as part of the TSJ Benchmarking Study currently being conducted by CSL. The study will compare TSJ operations, marketing and financials with eight other similar destinations in the US. This study is required under the Management Agreement. As part of that process CSL has already conducted a high-level scan of the TSJ operation and not identified any particular issue that would require immediate remedial action. While CSL is continuing to evaluate various modifications and specific action steps for TSJ to improve operations further, they do not see specific, fundamental areas that are highly deficient and/or impossible to remedy under the current structure relative to industry standards.

Lastly, the current Management Agreement with TSJ expires on July 1, 2014; however, the City has the ability to "Terminate for Convenience" starting July 1, 2012. With this date approaching the City still has the ability to issue a RFP in the future. In addition, it will allow additional research time, if desired on a preferred structure to maximize economic development and allow TSJ additional time to continue the already positive changes that have taken place.

Convention & Visitors Bureau

The Administration is also recommending the Council direct the City Manager to return before January 30, 2012, with an Agreement for CVB services between the City and TSJ. As mentioned above, the services provided by the CVB are essential to long-term sales of the convention center and cultural facilities.

The CVB promotes San José as a destination and stimulates economic development through execution of sales, marketing and communications services. A Convention and Visitors Bureau main areas of focus are to promote the destination, secure convention business, and generate local hotel bookings.

In San José, the CVB handles all short-term and long-term Convention Center marketing, sales, and communications to secure events in the San José cultural facilities. By proactively working with trade and travel magazines, San José gains exposure and notoriety as a destination through public relations efforts, and advertising in these publications connects directly to convention decision makers. CVB also leads pre-promotional and planning opportunities to educate future attendees about San José's destination including attractions, retail, arts and entertainment offerings. CVB also provides sales and marketing expertise to hotels within San José to maximize hotel occupancy rates which has a direct result in increasing Transient Occupancy Tax (hotel tax) revenue for the City of San José. With the Convention Center expansion and renovation underway, it is essential that the City continue CVB operations.

The future CVB Agreement will be an updated version of the prior agreement that links the performance measures developed for the management of the facilities (Management Agreement) with the required marketing services.

The key negotiation elements of the future CVB Agreement are as follows:

Term

The term of the Agreement is from January 1, 2012 until June 30, 2014, the termination date for the Management Agreement.

Renewal

The Agreement provides the City with two options to renew for three years each. TSJ has the right to not accept the City's offer to renew.

Scope of Services

The scope of services requires TSJ to:

- Provide a comprehensive marketing program to advertise, promote and publicize the City to achieve, as City's first priority, the goal of booking conventions, trade shows, conferences and other events at the Convention Center and cultural facilities and area hotels in a manner that results in an economic impact for the City.
- Market to decision-makers and individual travelers to promote additional business and leisure travel for the City. TSJ will partner with other agencies such as Mineta San Jose International Airport, San Jose Sports Authority, San Jose Arts Commission, San Jose Downtown Association San Jose/Silicon Valley Chamber of Commerce, City of San José's Office of Economic Development, San Jose Hotels Inc. and additional local hotels and attractions to support and extend marketing efforts.
- Participate in the activities related to the branding, positioning and messaging of the City of San José for the purpose of local, national and international identity and to coordinate such activities with the City's Office of Economic Development and/or other City agencies as identified by the City Manager's Office.

Performance Measures Coordinated and Aligned with Management Agreement

The Performance Measures in both agreements acknowledge the relationship between the marketing services and the operating and management of the Convention and Cultural Facilities by coordinating and aligning the same Performance Measures. The Services Agreement requires the submittal of an annual proposed Marketing Plan that is tied to the proposed budget explicitly linked to the Performance Measures goals and outcomes. The Service Agreement Performance Measures are weighted as follows:

Hotel Room Nights	50%
Direct Visitor Spending	50%

The existing Management Agreement requires TSJ to submit its annual targets for the following Performance Measures to be weighted as follows:

Economic Impact Measures	40%
Gross Operating Profit	40%
Theatre Performance	10%
Customer Service Survey Results	10%

In addition, TSJ will be required to submit information on the following Special Reporting Metrics:

- Theatre Operations Report
- Benchmark Convention Business
- Impressions, Marketing/Branding

The Services Agreement requires that the budget presented for the Marketing Plan details how the funds are related to specific components of the marketing plan and how the results for the Performance Measures are a direct outcome of the level of funding provided.

Communications Working Group

The 2007 and 2008 Mayor's Budget Message directed the City Manager to work with the Mayor's Public Information Officer ("PIO") to conduct research into the scope of San José-funded marketing efforts. The outcome of this effort was the Communication's Working Group ("CWG"), which is chaired by the Mayor's PIO. Consistent with Council direction and other agreements between the City and San José-funded marketing organizations, this Services Agreement requires TSJ to participate in the CWG.

Termination

The City has the option to terminate the Agreement for acts of omission, insolvency or bankruptcy, appointment of a receiver to take possession of assets, assignment for benefit of creditors, cancellation, expiration or termination of required insurance policies, failure to cure a breach, false or misleading representation or failure to maintain annual agreed upon Performance Measure targets at an acceptable level. The City holds the right to Termination for Convenience starting July 1, 2012; the same date applies to the Management Agreement.

Budget Approval Process

The Services Agreement obligates TSJ to submit an annual proposed budget for Services no later than February 1st of each year with the City reviewing the proposed budget in the period between February 1 and March 1, and working with TSJ for a final proposed budget for services. A proposed Marketing Plan tied to the budget proposal and detailing the relationship between the Marketing Plan, budget and Performance Measures is also required. This timeframe is the same as detailed in the Management Agreement with the City's budget recommendations regarding TSJ's annual submittal forming part of the City's overall budget process.

Budget, Marketing Plan and Outcomes Linked

The Agreement stipulates that there is an explicit linkage between the proposed budget, Marketing Plan and Performance Measures so that a clear understanding of the funding impact can be evaluated.

Separate Accounts-No Commingling of Funds

The Agreement requires separate accounts for the two agreements with Team San Jose and prohibits commingling of funds for the Services Agreement related activities with the funds for the Management Agreement activities.

Filing of Audited Financial Statements and IRS Form 990

The Agreement has provisions for the filing of Audited Financial Statements that reflect the funds within the Services Agreement and also the requirement to provide a copy to the City of the IRS Form 990 non-profit corporate tax return.

Team San Jose Benchmarking Report & Annual City Audit

As mentioned above, CSL is currently working on a Benchmarking Study that will be complete in December 2011. In addition, it is planned that the City Auditor's Annual Performance Audit will be completed at roughly the same time. It is anticipated that both of these reports will include recommendations aimed at TSJ operations, finances and City oversight/contractual agreements. The Administration will be reviewing these recommendations and bring forward suggested changes as appropriate in early 2012.

Both of these reports will offer the City and TSJ the opportunity to make changes enhancements to existing agreements, operational issues and financial matters.

EVALUATION AND FOLLOW-UP

TSJ is reporting quarterly to the Public Safety, Finance and Strategic Support Committee on the status of their performance measures. Until directed further the City will ensure that these reports continue. As mentioned above, the City will be coming back to the Council in early 2012 on additional changes as appropriate.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
(Required: Website Posting)

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- 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

This memorandum was coordinated with the City Manager's Office, the City Manager's Budget Office, Finance Department, City Attorney's Office and Conventions, Sports and Leisure International (CSL).

CEQA

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

/s/

KIM WALESH
Director of Economic Development
Chief Strategist

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

Attachments:

- A – Memorandum: "Team San Jose Long Term Strategy"
- B – Conventions, Sports and Leisure International (CSL) Report:
"Summary of Convention Center Industry Oversight Structure Models"

MEMORANDUM

**TO: DEB FIGONE,
CITY MANAGER**

**FROM: BILL SHERRY, CEO,
TEAM SAN JOSE**



SUBJECT: TEAM SAN JOSE LONG TERM STRATEGY **DATE: November 16, 2011**

INFORMATIONAL MEMORANDUM

Team San Jose Long Term Strategy

In partnership with Chuck Toeniskoetter, Chairman of the Board of Team San Jose, and the Team San Jose Board of Directors, I want to inform you of recent changes to Team San Jose's long-term sustainability strategy. On Wednesday, November 9, 2011, the Team San Jose Board of Directors approved the final list of bylaw revisions that will institutionalize and memorialize the solid progress that has been made over the past year. These changes will ensure that the organization will continue to perform in a manner consistent with the goals and objectives of the City of San Jose, as well as survive key personnel changes within the Board of Directors, CEO, and other senior management positions of the organization.

A number of previous revisions were addressed through the revised City/Team San Jose Management Agreement approved in Spring 2011 to support new reporting, increased communication, and stronger decision-making procedures. These changes are reinforced through Standard Operating Procedures, additional methods to communicate results, and additional City oversight.

The Board of Directors approved new bylaws that reinforced earlier revisions to the Board of Director structure and new changes to support further sustain the company's long-term health, including:

Increase Board Engagement:

- One Board Chairman, instead of co-chairs.
- CEO is a direct report to Chairman of Board.
- Small, more efficient Board (reduced from 28 to 15 members)
- No Executive Committee. All items/issues come before the full Board.
- Board meets monthly versus quarterly
- Less committees (greater focus on financial reporting, audit, sales/business, personnel, and governance)
- Annual approval of Budget and Marketing and Communications Plan

Increase financial oversight by Board of Directors:

- Treasurer role is clarified, as is the CFO role.
- New IRS Standards implemented, with specific financial threshold for Finance Committee or Board approval.
 - a. All major financial decisions will be filtered through the Finance Committee
 - b. Cost of decision, when Finance Committee should have decision making oversight in addition to the Budget review annually and audit review annually through the Audit Committee process:
 - i. Revenue based decisions: 250K or more
 - ii. Non-budgeted item decisions: 10K or more
 - iii. New business revenue streams, new initiatives
 - iv. Any contract/agreement longer than one year.

Longevity of Board Structure and Future Board Leadership:

- Bylaws specifically state that future Board membership is at the discretion of the Board members, not TSJ Staff.
- Bylaws dictate number of board members, committee structure required, and board terms.

City Oversight at the Board of Directors Level:

- City Manager Office Liaison and City Council liaison are added to the bylaws as ex-officio members of the Board.
- This creates clear alignment with City policies, city expectations and cooperation.
- Also revised to include city representative on the Audit Committee and Finance Committee.

Established a Board Audit Committee:

- Annual review of audits complete by City through Board Audit committee. Committee review and oversight with direct influence by Board members.
- City Finance is invited to attend Audit Committee meetings.

Board Chairman Term:

- Future Board of Directors Chairman will be required two year term.

Personnel Committee Established:

- Board Personnel Committee would provide oversight over CEO and COO hiring process.
- City Manager will also be included in any future hiring process for key senior team leadership roles, including CEO.
- Succession planning includes full board oversight, including City involvement.
- Personnel Committee also reviews senior team compensation and performance.

Governance Committee Established:

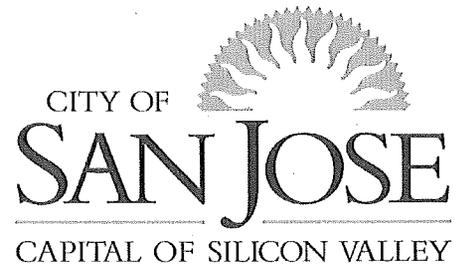
- This new committee will be responsible for reviewing the performance of each Board member and providing recommendations to enhance the quality and future viability of the Board.
- The Governance Committee's duties include, among other things, identifying potential Board Members, assessing current and future make-up of the Board and its needs, implementing and overseeing annual assessments of the performance of the Board members, periodic review of the Board's practices and policies, an annual slate for Board approval of the proposed officers of the corporation and the proposed members of each Standing Committee.

CONCLUSION

Team San Jose will continue to provide updates on performance measures and other operational items through the monthly reports to the City Manager and the Quarterly Performance Reports submitted to the Mayor and City Council through the Public Safety, Finance and Strategic Support Committee, Chaired by Councilmember Pete Constant.

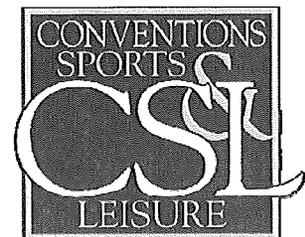
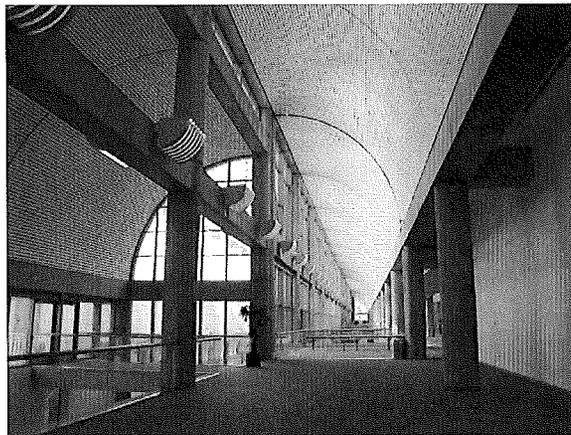
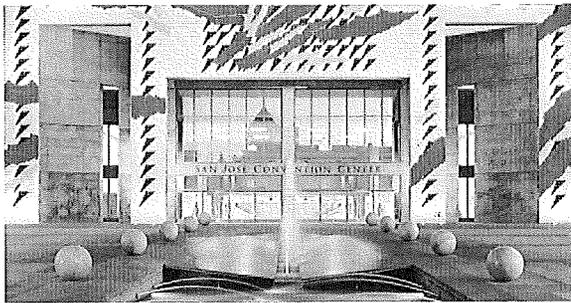
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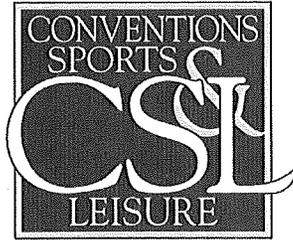
Team San Jose Board of Directors
Ed Shikada, Assistant City Manager
Lee Wilcox, Downtown Manager, City Manager's Office
Team San Jose Senior Team



SUMMARY OF
CONVENTION
CENTER INDUSTRY
OVERSIGHT
STRUCTURE
MODELS

Presented to the:
City of San Jose
June 2, 2011





June 2, 2011

Mr. Leland C. Wilcox
Downtown Manager, City of San Jose
Office of the City Manager
200 East Santa Clara Street
San Jose, CA 95113

Dear Mr. Wilcox:

Conventions, Sports & Leisure, International ("CSL") has completed a summary of organizational structures used for convention center and destination marketing organizations, both as separate and combined structures. The report presents case studies for selected markets focusing on the methods, structure and policies in place for management of convention center assets and destination marketing organizations.

We sincerely appreciate the assistance and cooperation we have been provided in the completion of this report and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSL International

CSL International

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1.0 Evaluation of Existing Conditions and Industry Overview

The convention and tradeshow industry nationally has become increasingly competitive as cities continue to improve their convention package to compete for market share. In San Jose, significant investment in Convention Center improvements are in the architectural planning stages. Given the fact that most major destinations have developed high quality convention center and hotel packages, event planners are increasingly focused on other criteria as part of their site selection process. One of the factors that continues to receive attention is the quality of customer service, beginning with the sales process, through contracting, into event planning and finally during the event itself. It is therefore very critical for entities that sell and operate the center to closely coordinate their efforts.

In an ideal situation, convention centers and DMOs (destination marketing organizations) follow a coordinated path of mutual benefit and productivity. At the ideal, conditions would exist under which center and DMO management seek to maximize economic impact and room nights, while at the same time protecting the financial operating integrity of the center. To achieve this ideal, significant emphasis has been placed on how Centers and DMOs interact and how different perspectives between the two organizations can be bridged. Generally speaking, this bridge can use specific and aggressive policies to enhance coordination, or simply entrust to the goodwill between leadership and staff of the two organizations.

Some of the issues that many cities have to address with respect to center and DMO interaction include the following:

- A DMO that is incentivized and rewarded for achieving room night goals and, to a lesser degree, center revenue objectives.
- Center management that is almost solely evaluated by government in terms of the financial operations of the center.
- A center manager that, while evaluated based on financial performance, often has little control over the center sales and marketing process.
- A DMO that is willing to argue for highly-reduced or waived center rent in order to book an event, and a center that may rather book a local event with limited room nights but that generates significant center revenue.

In San Jose, the approach to addressing these and related issues was one of structure. A combined entity, in theory, could force the alignment of goals and strategies amongst separate organizations. In addition to the changes in San Jose, there has been a level of “experimentation” on a national basis with the organizational structures and policies under which DMOs and centers operate. In general, there are three organizational structure categories that can be evaluated.

Traditional Center and DMO Structure

Traditionally, the DMO and the Center have operated separately under two distinct governing bodies—oftentimes with a board of directors for the DMO, and public sector oversight for the center. A large majority of cities use this model for center and DMO organization. Keeping the DMO focused on a broad city-wide basis addresses the fact that convention planners, tour operators and other individuals involved in bringing large groups of people to a market require assistance with a variety of production issues. These can include booking a convention center, securing hotel room blocks, evaluating air access options, organizing shuttling, setting up itineraries for entertainment and related efforts. A DMO has traditionally been uniquely staffed to provide a “full service” approach in these situations. Very importantly, several cities, including Denver, Salt Lake City and Minneapolis, have developed various policy approaches to better align the goals and mission of the center and DMO. While the two entities remain separate, the policy approach can lead to effective inter-organization communication and strategic alliance.

Center Control of all Convention Sales and Marketing Model

In several markets, including Boston and San Diego, this type of model has been implemented. In San Diego, all center sales and marketing efforts are performed by convention center staff, reporting to the CEO of the San Diego Convention Center Authority. The San Diego Convention & Visitors Bureau is focused on hotel event sales and marketing, and overall destination tourism sales and marketing. In Boston, the convention center sales function is controlled by the CEO of the Massachusetts Convention Center Authority which oversees the Boston Convention and Exhibition Center (BCEC). The Executive Director of the convention marketing effort is a Greater Boston Convention & Visitors Bureau employee, but as noted above, reports directly to the BCEC manager. The pursuit of this model is a fairly recent phenomenon, and appears to be used more in very large markets such as Boston and San Diego, and to some extent in very small markets such as Bellevue, Washington. In the larger markets that have used this model, the Center is operated under an authority separate from direct city control, and has significant financial resources available to fund sales and marketing efforts. In the smaller markets, resources for destination marketing are limited, and the housing of these efforts as part of the convention center operation is seen as a cost savings method.

Single Authority Model

This is the model currently in place in San Jose. Under this model, both the center and DMO (and often times other public facility assets) operate under a single authority. This model is also in place in Charlotte, St. Paul, St. Louis, Las Vegas and several other markets. In these cases, the center and DMO executive both report to a single authority CEO. This model can provide for greater strategic coordination among assets as compared to more traditional DMO and center structures.



The structural changes made in San Jose were significant, combining the DMO, Convention Center and various civic and theater venues under one structure. The model has been in place for approximately seven years. One purpose of this report is to present case studies that highlight the various models used to integrate and coordinate center and DMO business practices. For each case study, we include the following:

- A written summary outlining the approach to convention center management undertaken within each destination.
- A concise summary of the methods, structures and policies in place for each of the case studies, as well as a description of the strengths and weaknesses of each approach.

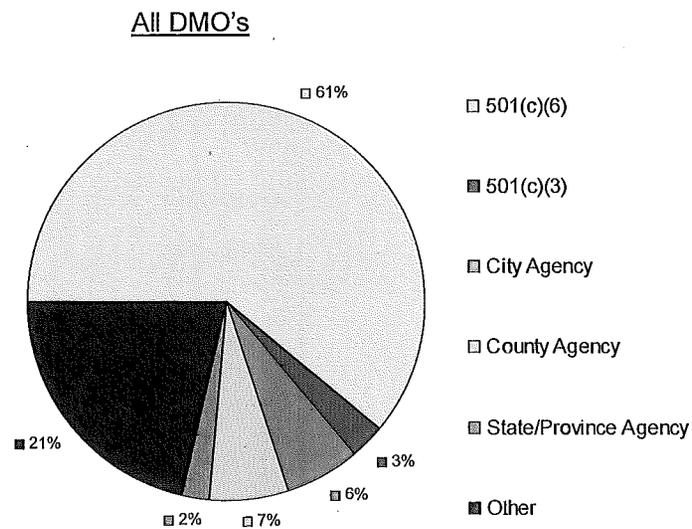
This information can be used by the City in evaluating potential options for the future of DMO, convention center and other public assembly facility management San Jose.

2.0 Industry Statistics for DMO and Convention Center Structures

The intent of this section is to provide statistics concerning type, structure and responsibilities of DMOs and convention centers throughout the country.

The following exhibit summarizes the types of legal organizations under which each DMO is organized. The data reflects a broad cross-section of hundreds of DMOs nationally, based on a recent comprehensive survey conducted by Destination Marketing Association International (DMAI).

Summary of DMO Organization Types



Source: Destination Marketing DMO Organization & Financial Profile, 2009

Among all DMOs nationally, the majority are organized as a non-profit corporation, typically through a 501(c)(6). Some are operated as part of chambers of commerce or state/regional agencies.

Under the 501(c)(6) model, a not-for-profit entity enters into a contract with the public sector to provide destination sales and marketing services. In an effective contractual relationship, performance standards, measurable goals and related business elements are provided for to ensure accountability to the public sector. The DMO under this model typically has autonomy to conduct sales and marketing efforts for the destination, with some form of public sector control through board appointments and/or budgetary approval.

Under the state, county or city agency model, there are wide variations as to how the organization operates. For example in Atlantic City, the Atlantic City Convention and Visitors Authority (ACCVA) is a private, non-profit agency created in the 1920s through a merger between the Atlantic City Convention Center Authority and the Greater Atlantic City Convention and Visitors Bureau. The ACCVA operates with a seven member board appointed by the Governor. The Board operates in a highly autonomous manner, under a set of employment, purchasing and other policies specifically defined for the ACCVA.

Conversely, in San Antonio, the DMO operates as a city department, falling under city operating policies. In smaller markets, the placing of the DMO under the chamber of commerce can be an effective means of controlling costs.

The exhibit on the following page presents a summary of convention center ownership and management structures associated with the largest convention centers in the country, as well as associated DMO structure and typical responsibilities.

Convention Center and DMO Structure Summary

City	Conv. Ctr. Owner/ Controlling Entity	Conv Ctr Mgmt	Mgmt. Firm	DMO Structure	DMO Other
Albuquerque	City	Private	SMG	Non-Profit	none
Anaheim	City	City	City	Non-Profit	none
Atlanta	Authority	Authority	Authority	Non-Profit	none
Atlantic City	Authority	Private	SMG	Authority (1)	(5)
Austin	City	City	City	Non-Profit	none
Baltimore	City	City	City	Non-Profit	none
Boston	Authority	Authority	Authority	Non-Profit	none
Charlotte	City	Authority	Authority	Authority	(6)
Chicago	Authority	Private	SMG	Non-Profit	none
Cincinnati	City	Private	Global Spectrum	Non-Profit	none
Cleveland	City	City	City	Non-Profit	none
Columbus	City	Private	SMG	Non-Profit	(7)
Dallas	City	City	City	Non-Profit	none
Denver	City/County	Private	SMG	Non-Profit	none
Detroit	Authority	Private	SMG	Non-Profit	none
Ft. Lauderdale	County	Private	SMG	County	none
Ft. Wayne	City	City	City	Non-Profit	none
Grand Rapids	City	Private	SMG	Non-Profit	none
Honolulu	Authority	Private	SMG	n/a	none
Houston	City	City	City	Non-Profit	none
Indianapolis	Authority	Authority	Authority	Non-Profit	none
Jacksonville	City	Private	SMG	Non-Profit	none
Kansas City	City	City	City	Non-Profit	none
Knoxville	City	Private	SMG	Authority	(8)
Las Vegas	Authority	Authority	Authority	Authority	(9)
Long Beach	City	Private	SMG	Non-Profit	none
Los Angeles	City	City	City	Non-Profit	(10)
Memphis	City/County	Private	SMG	Non-Profit	none
Miami Beach	City	Private	Global Spectrum	Non-Profit	none
Minneapolis	City	City	City	Non-Profit	none
Myrtle Beach	City	City	City	Non-Profit	none
Nashville	City	City	City	Non-Profit	none
New Orleans	Authority	Authority	Authority	Non-Profit	none
New York City	Authority	Authority	Authority	Non-Profit	none
Niagra Falls	City	Private	Global Spectrum	Non-Profit	none
Oklahoma City	City	Private	SMG	Non-Profit	(2)
Orlando	County	County	County	Non-Profit	none
Palm Springs	City	Private	SMG	SMG	none
Philadelphia	Authority	Authority	Authority	Non-Profit	none
Phoenix	City	City	City	Non-Profit	none
Pittsburgh	City/County	Private	SMG	Non-Profit	none
Portland (OR)	Authority	Authority	Authority	Non-Profit	none
Providence	State	Private	SMG	Non-Profit	none
Raleigh	City	City	City	Non-Profit	(3)
Reno	Authority	Authority	Authority	Authority	none
Richmond	City	Private	Global Spectrum	Non-Profit	none
Rochester (NY)	City	City	City	n/a	none
Rosemont	City	City	City	City Dept.	none
Sacramento	City	City	City	City Dept.	none
Salt Lake City	County	Private	SMG	Non-Profit	none
San Antonio	City	City	City	City Dept.	none
San Diego	Authority	Authority	Authority	Non-Profit	none
San Francisco	City/County	Private	SMG	Non-Profit	none
San Jose	City	Private	Team San Jose	Non-Profit	none
Seattle	Authority	Authority	Authority	Non-Profit	none
Spokane	City	City	City	Non-Profit	none
St. Louis	Authority	Authority	Authority	Authority	(4) (11)
Syracuse	County	County	County	County	none
Tacoma	City	City	City	Non-Profit	none
Tampa	City	City	City	Non-Profit	none
Tucson	City	City	City	n/a	none
Tulsa	City	Private	SMG	Non-Profit	none
Virginia Beach	City	City	City	City Dept.	(12)
Washington DC	District	Authority	Authority	Non-Profit	none

- (1) Atlantic City Convention and Visitors Authority's governing Board of Directors is appointed by the Governor of New Jersey.
- (2) Oklahoma City Convention and Visitors Bureau is a division of the Greater Oklahoma City Chamber, a 501(c)6 non-profit corporation.
- (3) Non-profit organization representing the City of Raleigh and Wake County.
- (4) St. Louis Convention and Visitors Commission is responsible for selling St. Louis City and St. Louis County as a convention and meeting site and as a leisure travel destination.
- (5) ACCVA operates a Visitor Information Center, markets Atlantic City Boardwalk Hall and is solely responsible for the sales and marketing of the Atlantic City Convention Center.
- (6) Charlotte Regional Visitors Authority is responsible for destination marketing through Visit Charlotte and management of Charlotte's public assembly facilities, including Bojangles' Coliseum, Charlotte Convention Center, NASCAR Hall of Fame, Owens Auditorium and Time Warner Cable Arena.
- (7) Experience Columbus operates the Greater Columbus Sports Commission and a non-profit, 501(c)3 charitable organization, Experience Columbus Four.
- (8) The Knoxville Tourism and Sports Corporation was created through a merger of the Greater Knoxville Sports Corporation and the Know County Tourist Commission, which governed the Knoxville Convention and Visitors Bureau.
- (9) Las Vegas Convention and Visitors Authority also operates the Las Vegas Convention Center and Cashman Center.
- (10) LA Inc. also operates the LA travel and Tourism Education Foundation and the LA Academy of Travel and Tourism.
- (11) St. Louis Convention and Visitors Commission manages and operates the America's Center convention complex, the Edward Jones Dome, the Ferrara Theatre and the St. Louis Executive Conference Center.
- (12) The Virginia Beach Convention and Visitors Bureau is a City department comprised of nine operational units including: Directors Office; Resort Management and Special Events Office; Tourism Marketing and Sales; Visitor Information Center; Convention Sales and Marketing; Sports Marketing; Convention Facility Division; Parking Systems Management Office, and; TGF - Oceanfront Special Events. Among other duties, they operate the Virginia Beach Convention Center, a 610 space parking deck.



As shown on the exhibit on the previous page, there is a high prevalence of “authorities” with convention center ownership and management responsibilities among the largest convention center markets in the country. Destinations with smaller convention centers tend to have convention centers that are owned by municipal government (i.e., city or county) and operated publicly or via third-party contract management. While there are some DMOs in the largest set of cities that are the purview of a convention center authority, most function under a private, 501(c)(6) model contracted with the taxing entity (i.e., city or county).



3.0 Case Studies

As part of this study, we have conducted research as to organizational structures and related policies in place at convention centers in selected major markets. Our focus as part of this research is to identify best practices and creative initiatives designed to maximize the level of service, responsiveness and coordination associated with convention center and DMO operations.

The markets reviewed as part of our research include Denver, Minneapolis, Salt Lake City, San Diego, Boston, Charlotte and San Antonio. These markets reflect a great deal of diversity in their approach to convention center and DMO coordination. In some cases, separate governing boards or departments are in place for center and DMO operations. In other cases, a single structure is used to coordinate all or a portion of center and DMO business functions.

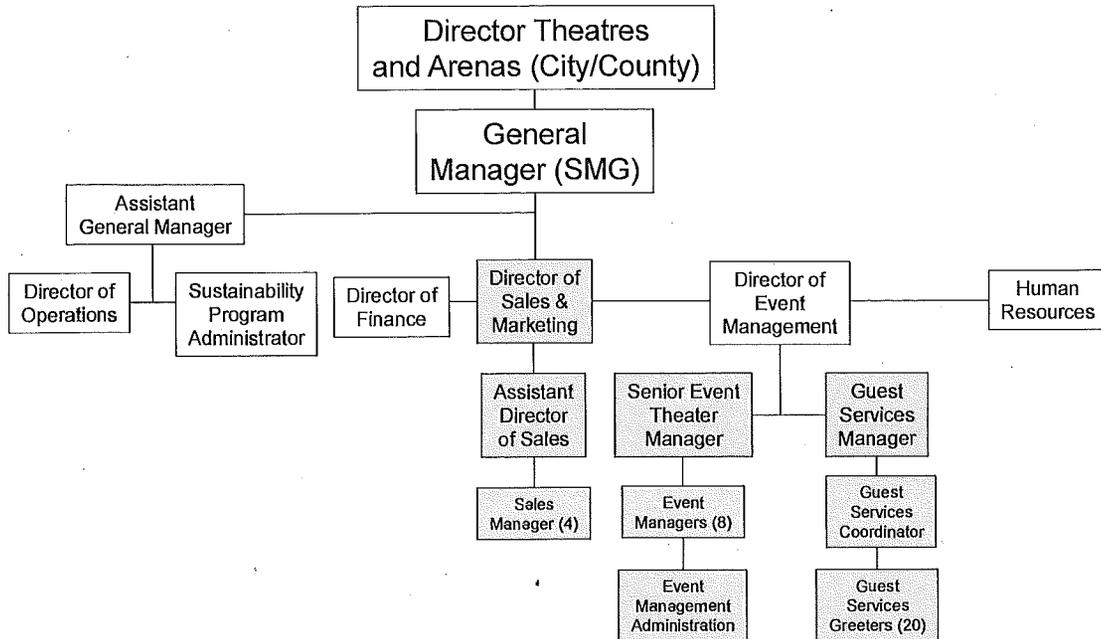
The results of this research are summarized below.

3.1 *Denver – Aggressive Policy Approach to Center/DMO Coordination*

The Convention Center is operated under the direction of a city department, through a contract with a private management firm. The DMO is operated as a 501(c)(6), and is governed by a separate board of directors. Hotel tax revenue is allocated to the DMO under contract with the city.

The organizational structure for the convention center is presented on the following page.

Organizational Structure - Colorado Convention Center/SMG



The issues that typically impact center and DMO interaction (pricing, discounting, booking, etc.) were applicable to the situation in Denver. The fact that the executive management of each organization had a productive working relationship served to informally alleviate any major operational differences or disagreements.

However, several years ago, DMO and Convention Center leadership took an aggressive policy approach to significantly increasing the coordination of mission and goals between each entity. Specifically, the Denver Alliance was formally created to foster a very close and positive relationship between the DMO and Center. The basic tenants of the Alliance are contained in a written agreement signed by all parties. The Alliance also includes Centerplate, the food service provider in the center, and the adjacent Hyatt hotel, the Authority-owned headquarter hotel for the Center.

- There is a regular monthly meeting of Alliance members
- The time to secure an event proposal from the center had often taken two months. Under the new structure, the proposal process has been streamlined to the point that a proposal can be issued in a few days.
- The DMO places one fulltime sales person at the Center, incentivized based on the generation of new business booked within 18 months.

- The DMO director carefully reviewed the key sources of building revenue, and in response developed a marketing plan for booking one-day events. This effort is in recognition of the level of revenue generated for the center by these events.
- The involvement of Centerplate within the Alliance structure has helped to increase the share of food and beverage business that is captured by the center. With headquarter hotel participation, there is greater ability to up-sell overall food and beverage services.
- When capital projects are considered and implemented, the Alliance facilitates important input from all key parties. For example, a new way-finding system was developed for the Center, and the Alliance structure resulted in critical input to ensure a successful approach.
- The center and the DMO both use the Ungerbok system, allowing for the sharing of event booking and production data back and forth. The city (through the contract administrator) also has access to the Ungerbok system.

The initiatives outlined above, packaged under the Denver Alliance concept, represent what we believe to be the most aggressive approach to a policy solution to better aligning goals and mission for the center and DMO. To date, both center and DMO leadership report that the Alliance has been highly successful in streamlining the customer sales process, increasing center revenues, and “speaking with one voice” when it comes to customer service.

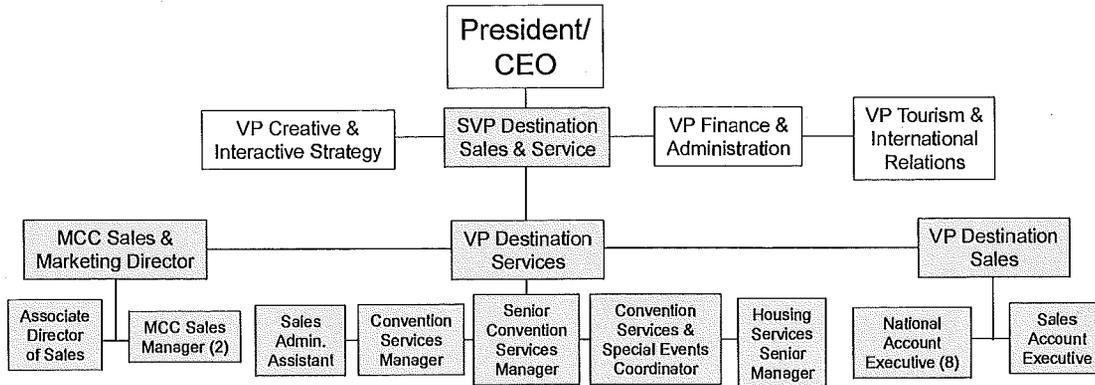
3.2 *Minneapolis – DMO Control of All Center Sales/Marketing*

The Minneapolis Convention Center is a City-owned and managed facility with 1.5 million square feet of space, hosting over 500 events annually. Meet Minneapolis (MM) is the DMO under contract with the City to provide convention and tourism sales and marketing efforts. Meet Minneapolis operates under a five year contract with the City of Minneapolis. The terms of the contract call for payments of various tax revenue collected by the City to MM. MM in turn is designated as the primary destination sales and marketing organization for the City.

The Board of MM is made up of 42 members, six of which are City Council members. The remaining members are appointed through a nominating committee of the MM Board. There is an 18 member executive committee, inclusive of three City Council members. MM presents quarterly and annual reports to the City Coordinator. The annual budget for MM is reviewed and approved by the Ways and Means committee of the Council.

The organizational structure for the DMO is presented on the following page.

Organizational Structure - Meet Minneapolis



Several years ago, a decision was made to transfer all Center sales and marketing responsibilities to MM, including responsibilities for booking events within 18 months. In most cities, Center staff are generally responsible for local event sales and marketing within an 18 month window.

The elimination of the 18 month booking window is a somewhat unusual approach relative to current industry conditions, but does represent a creative response to a trend that finds many high impact/high room night events booking within shorter windows.

In practice, this policy approach to aligning and coordinating all center sales and marketing efforts has raised several issues.

- Since the policy change was made, the sales resources focused on revenue generating non-room night events have lessened. This has had a potential negative impact on center revenues.
- Typically, center management takes a great deal of responsibility for bottom line financial performance. Given the greater DMO control of center event sales, a misalignment of focus on generating center revenues appears to have been created. Center management has indicated that as they have no control over events, their responsibility for generating operating revenue is lessened.

In theory, the elimination of the 18-month booking window through policy change is a desirable goal; however, in practice, this appears to have created somewhat of a misalignment of focus on center revenue generation.

3.3 Salt Lake City – Procedures to Align Center and CVB Goals

The Salt Palace Convention Center is owned by Salt Lake County and privately-managed under contract by SMG. Visit Salt Lake is a private, non-profit 501(c)(6) DMO, governed by a Board of Trustees. The center and DMO effectively function under a traditional model, where the DMO is responsible for marketing and booking long-term events in the center and the center is responsible for short-term bookings.

In past years, booking policies dictated a typical 18-month and out responsibility window for Visit Salt Lake, with the center handling all shorter-term bookings. However, due to the recognition of changing industry conditions (particularly those related to shorter booking windows for corporate events) and the desire by the County and DMO to maximize economic impact-generating activity, the booking policy was adjusted in recent years to give short-term booking control to Visit Salt Lake for certain parts of the Salt Palace. Specifically, in addition to full booking control of the Salt Palace 18-months and out, Visit Salt Lake now also has booking control of the Salt Palace's ballroom and meeting rooms nine months and out. Part of this change was also in response to the recognition that a number of local, non-room night generating events (such as wedding receptions and banquets) that were booked more than a year in advance were causing Salt Lake to miss out on bidding for important non-local corporate pieces of business which increasingly are booking in shorter than one-year out windows.

There have been a number of proactive steps taken to enhance communication, coordination and collaboration among stakeholders. For instance, the SMG General Manager of the Salt Palace now attends all monthly CVB Executive Board meetings. Additionally, the CEO and one or two other top executives of Visit Salt Lake meet weekly (or at least every two weeks) with the General Manager and key staff of the Salt Palace, along with a representative of Salt Lake County, for Tuesday morning meetings to discuss strategic issues, upcoming events, booking or bidding opportunities and other marketing and operational issues.

Further, an "Event Opportunity Committee" was formed, consisting of key SMG and Visit Salt Lake employees (i.e., sales and finance directors from each organization), two Visit Salt Lake Board members and a County representative. The express purpose of this committee is to meet as needed to focus on filling empty blocks of the Salt Palace's calendar and to evaluate select pieces of potential business. On average, the committee convenes approximately eight to ten times per year; again, on an irregular, as-needed basis. The committee takes a more aggressive approach (than outlined in the formal booking and discounting policies) to securing select pieces of business that are deemed important to the Salt Lake community. When evaluating potential pieces of business, the committee also often employs a more detailed set of analysis tools than used for more traditional event evaluation, focusing on analysis of layers of cost/benefit detail. The committee develops a bidding strategy for the potential events in question and committee members vote on whether to accept the proposed terms of the conceived strategy. The committee attempts to address two or three groups each time it convenes, rather than

convening to discuss one potential event only. Based on discussions with Visit Salt Lake, this process has resulted in ultimately securing an average of approximately two additional major events per year.

3.4 San Diego – Center Control of All Sales/Marketing Responsibilities

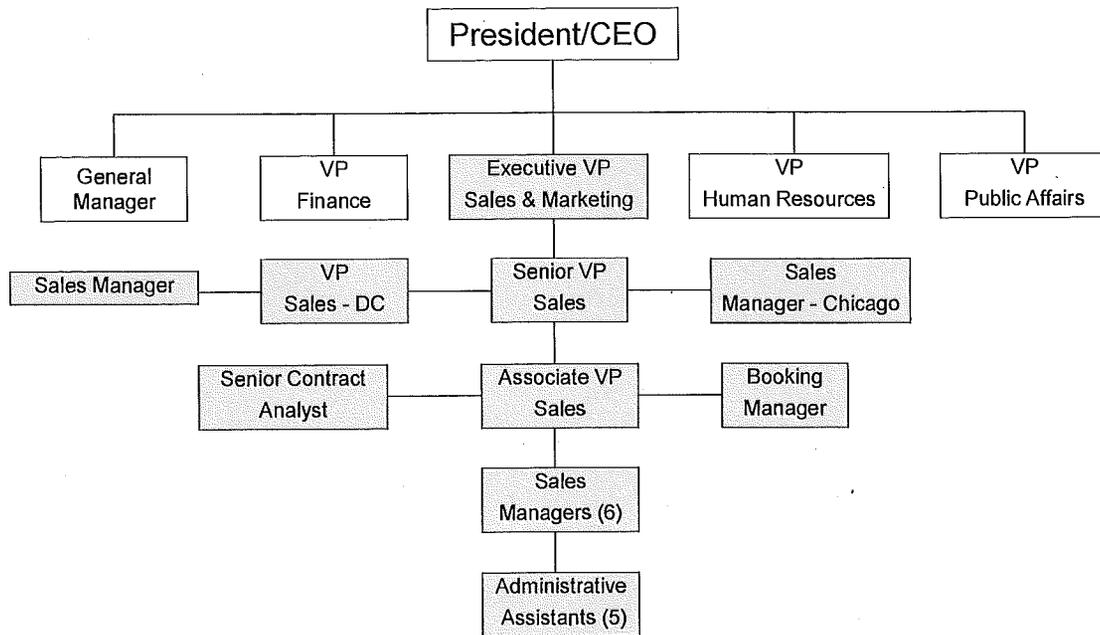
In San Diego, a structural solution to the goal of center and DMO coordination was put in place. In practice, the San Diego Convention Center Authority controls all sales, marketing and operations for the Center. The sales and marketing aspects to this structure are somewhat unique; as these responsibilities are typically handled by a DMO. The Authority collects various hotel tax revenues, which are sufficient to pay debt and operating costs for the Center. This level of funding capacity allows for thorough capital improvement planning, and for the ability to offer competitive pricing packages to targeted event planners.

The Authority operates under a nine member board. The Mayor and City Council appoint seven of the members, and two non-voting members serve on the board representing the Hotel-Motel Association and the San Diego Convention & Visitors Bureau. Board members are drawn from executives at various industries including public relations, technology, non-profits, law firms and other such industries.

Under the current San Diego model, all center sales staff are employees of the center, both locally and at regional offices throughout the country, and have been assigned to report to the center sales/marketing director. This allows for a very seamless series of client hand-off's – from the RFP process to the proposal, to signing letters of commitment, through the licensing/contracting, to hand-off to event managers (which takes place two years in advance), through the post convention meeting. The center in effect sells and operates a single asset. Center management also indicates that center-controlled sales staff can develop a strong sense of the product they are selling, and that this level of understanding is a benefit during the sales process.

The specific organizational structure for the San Diego Convention Center Authority is presented on the following page.

Organizational Structure - San Diego Convention Center Corporation



Under this model, there are no booking windows to deal with, and any discounting issues are settled within the center structure. Center staff indicate that there is a clear understanding of the economic impact role of the facility, and that sales staff are incentivized both with respect to room nights and center revenue.

In addition, both the center and DMO report that there are some administrative savings in combining all center sales staff. Specifically, the DMO is relocating to space at the center at no cost to the DMO. Regional DMO staff are also housed at offices controlled by the center. Cost savings to the DMO were estimated at \$1.0 to \$1.2 million. These costs were absorbed by the center, and the cost reduction to the DMO helped alleviate City-imposed budget cuts.

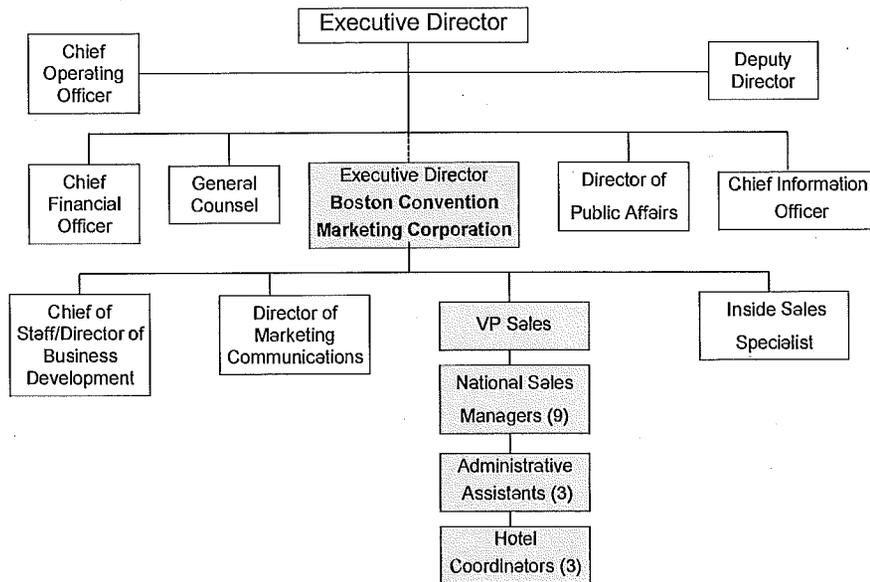
The DMO continues to be responsible for single-property sales, destination branding and marketing, tour/travel marketing, and destination services for all events, among other traditional DMO functions. The DMO reports that a significant percentage of area room nights are leisure generated versus those generated from the center. The implication is that DMO resources are targeted more clearly on the major room-night generating leisure sectors. The fact that other services required by an event planner (housing, destination planning, etc.) are provided by the DMO, does not appear to be a limiting factor. Ideally, relocation of DMO staff to the center has the potential to prevent any future communication issues between the center and DMO.

3.5 *Boston – Center Control of All Center Sales/Marketing Responsibilities*

The Boston Convention & Exhibition Center (BCEC) is operated under the direction of a 12 member board of directors. The authority, the Massachusetts Convention Center Authority (MCCA), oversees the BCEC as well as the Hynes Convention Center, the MassMutual Center in Springfield and the Boston Common Garage. The MCCA is responsible for paying all BCEC debt service, and for funding Center operations. The DMO operates as a 501(c)(6) with a separate advisory board.

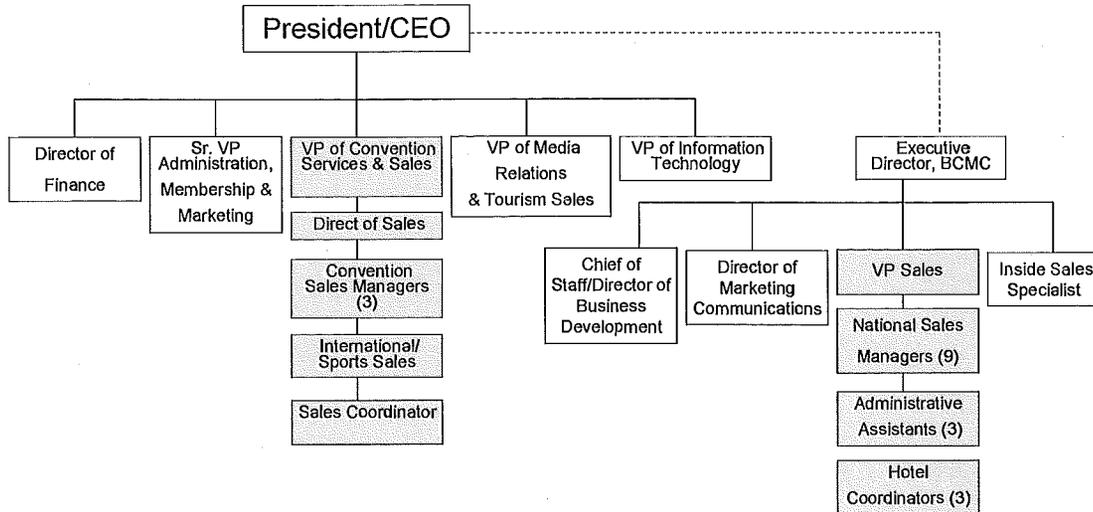
The organizational structure for each organization is presented below and on the following page.

**Organizational Structure -
Massachusetts Convention Center Authority**



Note: The MCCA maintains a sales team (4 people) that handles all building-related sales for events taking place within 18 months.

Organizational Structure - Greater Boston Convention & Visitors Bureau



Note: CVB sales team handles all groups sales and non BCEC or Hynes events taking place within 18 months.

As presented in the first organizational structure, the Executive Director of the Boston Convention Marketing Corporation (BCMC) is housed at the Center and reports to President & CEO of the Authority. In addition, the BCME reports to the Greater Boston Convention and Visitors Bureau (GBCVB), however in practice, the Authority is largely responsible for working with the BCME regarding Center marketing strategies and implementation. Similar to the San Diego model, the GBCVB focuses more on leisure travel and hotel group business.

This type of structure provides the Center's Executive Director with ultimate control, and responsibility for all aspects of Center performance. Issues with the 18-month booking window are mitigated, and decisions as to pricing and discounting can be addressed internally. Based on our observations, the Authority is highly motivated to generate room nights, and reports room night data as a primary metric of performance. This appears to have lessened the concern that Center control of all sales efforts would yield an over focus on generating building revenue as opposed to room nights.

3.6 *Charlotte – Single, Combined DMO and Center Structure*

The Charlotte Convention Center is operated under the Charlotte Regional Visitors Authority (CRVA). The CRVA was formed by the merger of the former Auditorium-Convention Center Authority and Visit Charlotte, the area DMO. The Center manager and the director of the DMO both report to the CEO of the CRVA. The combined operations and marketing entity allows for a great deal of flexibility and maximum communication between staff.

The CRVA operates under the guidance of a 13 member board of directors. Board members are drawn from various industries at a very high level, including the Managing Director for a major national bank, local attorneys, hotel company presidents, and officials with national rental car companies.

In addition to the board of directors, there is a Visitor Advisory Committee with over 30 volunteer members drawn from the area hospitality industry. This committee provides input to the board on issues related to the convention and visitor industry.

The impetus for the model change was in part reflective of poor economic conditions that led to pressure on the DMO at the time. With the departure of the DMO CEO, the opportunity to combine the authority and the DMO was pursued and implemented. In concept, the CRVA model works well – basically reflecting a “merger of equals” combining the Center and DMO.

As part of the merger, the boards of the two organizations were merged, as was the staff. Very little change to the staffing levels took place, however over time with the combining of accounting, human resource and IT functions, savings in the range of \$400,000 to \$500,000 annually are realized over costs for operating separate organizations. Conversely, the need to retain a CEO for the organization does increase costs somewhat.

Within the structure, it is clearly recognized that the DMO is the lead sales and marketing organization for the Center and the entire destination. Disagreements between DMO and Center management do take place regarding booking, pricing and discounting; however, these discussions now take place internally, with the CEO of the organization fully empowered to make these decisions in a manner consistent with organizational strategic goals.

The fact that the sports venues are included as part of the organization offers some benefits when competing for large non-local events. Charlotte was recently awarded the 2012 Democratic National Convention for example, and the ability of the authority to put together a pricing and operational package across multiple venues was helpful.

3.7 *San Antonio – City Department Control of Center and CVB*

Both the San Antonio Convention Center and the DMO are operated as City departments. The executive management of each organization reports to an Assistant City Manager. The Convention and Sports Facilities department combines operation of the Convention Center, Auditorium and the Alamodome. Having reviewed the San Antonio model closely, there are tangible benefits that are unique among competitive destinations. These include the close linkages with City departments that can impact the visitor industry (i.e. convention center, police, fire, public works); the financial benefits related to City-paid rent, hosting fees and other items; and a comparatively strong benefits program for employees. In addition, operating with a City management position in charge of the Convention Center, DMO and Office of Cultural Affairs affords a unique opportunity within the industry to coordinate all primary activities relating to the San Antonio visitor industry, including structure, policy, investment and related matters. There may be an opportunity to better leverage the potential advantages of this situation under the existing structure, as discussed later in this section.

Challenges with this model can include greater difficulty in insulating the DMO from political influence, developing operating policies unconstrained by public sector restrictions, setting compensation levels commensurate with competitive destinations and the ability to instill a “private sector” responsiveness and business approach. In some cases, these challenges have been addressed through city policy changes (for example, progress has been made in several areas including creating incentive plans for sales staff and adjusting compensation levels.

4.0 Summary

As most major destinations have developed high quality convention center and hotel packages, event planners are increasingly focused on other criteria as part of their site selection process. One of the factors that continues to receive attention is the quality of customer service, beginning with the sales process, through contracting, into event planning and finally during the event itself. It is therefore very critical for entities that sell and operate a center to closely coordinate their efforts.

To address this requirement, significant industry-wide emphasis has been placed on how Centers and DMOs interact and how different perspectives between the two organizations can be bridged. Generally speaking, this bridge can use specific and aggressive policies to enhance coordination, create a unified organizational structure, or simply entrust to the goodwill between leadership and staff of the two organizations.

In San Jose, the approach to addressing these and related issues was one of structure. A combined entity, in theory, could force the alignment of goals and strategies amongst separate organizations. In addition to the changes in San Jose, there has been a level of “experimentation” on a national basis with the organizational structures and policies under which DMOs and centers operate. Based on our review of conditions in San Jose, as well as national trends and conditions, we make the following observations.

- The structural changes in San Jose are reflective of national trends that seek to better align the strategic goals and objectives.
- Several markets nationally have looked to the changes in San Jose to inform their approach to aligning facility and destination marketing operations.
- The Team San Jose concept appears to have created a greater sense of coordination between convention center and destination marketing organization priorities.
- The current Team San Jose leadership appears to have addressed many of the concerns expressed about the past structural changes.
- The inclusion of a diverse set of facilities (convention center, performing arts and civic venues) into the Team San Jose structure can create unique challenges and opportunities.

CSL is currently working on a detailed best practices analysis that will evaluate many of the specific operational characteristics with respect to Team San Jose. The study, to be conducted in phases over the next three years, will address many organizational structure, staffing, policy, procedure, resource allocation, performance measurement and related elements of Team San Jose. We are working closely with City and Team San Jose leadership to ensure that the results of this effort provide a platform on which improvements can be made, and performance can accurately and appropriately be measured.