



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Welsh

SUBJECT: CONVENTION AND VISITORS
BUREAU AGREEMENT

DATE: February 21, 2012

Approved

Date

3/2/12

COUNCIL DISTRICT: #3

RECOMMENDATION

Adopt a resolution authorizing the City Manager to execute a Convention and Visitors Bureau (CVB) Services Agreement 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 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, the cultural venues South Hall, Parkside Hall, San Jose Civic, 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 and 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.

The CVB Agreement with TSJ expired on December 31, 2011. At the January 27, 2009 City 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 City Council approved a series of extensions of the previous CVB Agreement.

On December 13, 2011, the City Council directed the City Manager to discontinue work on the RFP and bring back a new CVB Agreement.

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.

ANALYSIS

The Administration is recommending a new 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.

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, and 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 proposed CVB Agreement is an updated version of the prior agreement that links the performance measures developed for the management of the facilities with the required marketing services. One key objective is more clearly describing the relationship between the budget, marketing plan, and projected outcomes.

The key elements of the new Services 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 José 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 Measure so that a clear understanding of the funding impact can be evaluated.

Separate Accounts-No Commingling of Funds; Audits

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. The Agreement has the same requirements for Team San Jose to make its books and records available to the City as in the Management Agreement.

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.

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. In addition, the City's Operating Budget process serves as an annual review for City Council to approve sales and marketing strategies and appropriate funding levels.

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)**

While this memo does not meet any of the above criteria, it will be posted on the City's website for the March 13, 2012 Council agenda.

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COORDINATION

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

CEQA

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

/s/
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Chief Strategist

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