



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Welsh
Jennifer A. Maguire

**SUBJECT: CONVENTION AND CULTURAL
AFFAIRS FUND BUDGET
ADJUSTMENTS**

DATE: May 8, 2012

Approved

Date 5/8/12

RECOMMENDATION

Adopt the following 2011-2012 Appropriation Ordinance and Funding Sources Resolution amendments in the Convention and Cultural Affairs Fund:

- (a) Increase the estimate for Earned Revenue by \$3,100,000;
- (b) Increase the Non-Personal/Equipment appropriation by \$2,600,000; and
- (c) Increase the Ending Fund Balance by \$500,000.

OUTCOME

Approval of this item will increase various appropriations, offset by additional revenue, reflective of the higher than anticipated activity levels at the Convention Center and Cultural Facilities.

BACKGROUND

The Non-Personal/Equipment appropriation in the Convention and Cultural Affairs Fund is used for operating expenses related to the Convention Center and the other convention and cultural facilities managed by Team San José (TSJ). This appropriation is initially established each year as part of the annual budget process according to projected activity levels. When the 2011-2012 Budget was developed, it was assumed that temporary negative impacts from the Convention Center expansion/renovation project would result in reduced activity levels, as compared to 2010-2011. Despite the start of construction, activity levels have not dropped as anticipated. Due to the higher than anticipated activity level, the operating revenue estimate and Non-Personal/Equipment budget were each increased as part of the 2011-2012 Mid-Year Budget Review by \$3.5 million. The trend of higher anticipated activity levels continued as reported in the January/February Bi-Monthly Finance Report, as presented to the Public Safety, Finance, and Strategic Support Committee in April 2012. Additionally, the forthcoming Team San Jose Third Quarter Performance Report, agendized for the Public Safety, Finance, and Strategic Support

May 8, 2012

Subject: Convention and Cultural Affairs Budget Adjustments

Page 2

Committee on May 17, 2012, highlights the continued high activity levels. Finally, the need was also identified as part of the 2012-2013 Proposed Operating Budget, as the 2011-2012 year-end estimates included in the Convention and Cultural Affairs Fund Source and Use of Funds Statement for Non-Personal/Equipment and operating revenue were projected to exceed the modified budget.

ANALYSIS

Throughout 2011-2012, TSJ has been successful in attracting short-term business, growing food and beverage and labor revenue, and retaining scheduled events. As a result, activity levels have continued to grow, as have related expenditures. In order to ensure that the City's appropriation levels match the anticipated increased activity, another increase to the Earned Revenue estimate (\$3.1 million) and Non-Personal/Equipment (\$2.6 million) is recommended at this time. The additional revenue generated by TSJ can primarily be attributed to contract labor and food and beverage activities, which are passed on to facility users. Increasing the Non-Personal/Equipment appropriation will ensure TSJ has the necessary resources to provide these services (preventing an appropriation over-run by year-end), and will enable the Ending Fund Balance to be increased by \$500,000 as the additional projected revenues are expected to exceed costs.

EVALUATION AND FOLLOW-UP

No subsequent Council action on this issue is anticipated. Staff will monitor the impact of this action and communicate any issues to Council

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)**

This memo will be published on the City's website for the May 22, 2012 Council Agenda.

COORDINATION

This memo has been coordinated with the City Attorney's Office.

HONORABLE MAYOR AND CITY COUNCIL

May 8, 2012

Subject: Convention and Cultural Affairs Budget Adjustments

Page 3

COST IMPLICATIONS/SUMMARY

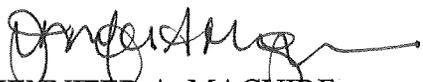
The recommended actions will ensure that various appropriation amounts in the Convention and Cultural Affairs Fund are reflective of the higher than anticipated activity levels of the Convention Center and Cultural Facilities. The estimated increase of \$500,000 in the fund's Unrestricted Ending Fund Balance will contribute towards achieving the City Council goal, established in March 2011, of having at least \$1,500,000 in the Ending Fund Balance at the end of the Convention Center Expansion/Renovation project.

CEQA

Not a project, File No. PP10-067(b), Appropriation Ordinance.

/s/

KIM WALESH
Director of Economic Development
Chief Strategist


JENNIFER A. MAGUIRE
Budget Director

I hereby certify that there will be available for appropriation in the Convention and Cultural Affairs Fund in Fiscal Year 2011-2012 moneys in excess of those heretofore appropriated there from; said excess being at least \$3,100,000.


JENNIFER A. MAGUIRE
Budget Director

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